FOSTERING A FRAMEWORK TO EMBED THE RECORDS MANAGEMENT FUNCTION INTO THE AUDITING PROCESS IN THE SOUTH AFRICAN PUBLIC SECTOR

by

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SUMMARY

Proper records management plays a significant role in the auditing process, risk management and wider corporate governance. Despite this role, in South Africa, many governmental bodies are issued with disclaimer reports every year by the Auditor-General of South Africa (AGSA) due to a lack of supporting documentation. This problem is exacerbated by the exclusion of records management from the criteria for a sound financial management infrastructure in many governmental bodies. The other dilemma is that some records such as financial records, personnel records and electronic records usually fall outside the jurisdiction of the organisation's records manager. Utilising the King Report III as a framework, this study sought to develop a framework to embed records management practices into the auditing process in the public sector of South Africa, with a view to entrench a culture of clean audits. The study relied on mixed methods research (MMR), with the quantitative study conducted first through informetrics analysis of audit reports, while the qualitative paradigm was used to substantiate numerical data. Data collection adopted a multi-approach with four key sources of data: a questionnaire, interviews, literature review and publicly available data from the consolidated general reports of AGSA. The study revealed that most governmental bodies have established internal audit units, audit committees and records management units, which did not work in unison. In most governmental bodies records management did not form part of the audit scope and records management professionals were not part of the audit committees. As a result, most governmental bodies continued to receive negative audit opinions from AGSA. The study recommends that records management community should utilise auditing and risk management as a springboard to propel records management to the new heights. A further empirical study on the role of auditing and risk management in records management that embraces both the private and public sectors is recommended.

Key words: auditing, records, records management, record-keeping, internal control, corporate governance, King Report III, Auditor-General, risk management, internal audit, external audit, audit committee, audit report, public sector, South Africa, government, governmental bodies, municipality, government departments, accounting, PFMA, MFMA

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The road to researching a thesis is as long and arduous as running a Comrades[1] ultra-marathon. It is impossible to travel the road of academic alone. The gallant guidance of the promoter always gives an aspiring student a brief glimmer of hope and invigorates his scholarly mood, enthusiasm and drive to continue. It would have been impossible to pen this thesis without a great deal of assistance and cooperation from many people – primarily, of course my promoter Prof. Patrick "the Warthog" Ngulube. When I became weary and showed signs of faltering in my studies, his gallant advice continued to echo deeply in my mind. Therefore, I wish to extent my sincere gratitude to Prof. Ngulube for his on-going unfailing compassion of shaping and sharpening this piece of work into a well-rounded scholarly treatise, as well as keeping me firm on the path and helping to sustain the momentum. Indeed, 'it is through standing on the shoulders of the giants that one can see the horizon'.

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[1] The Comrades Marathon is an ultra-marathon of a distance ranging from 87km to 89km which is run annually in the KwaZulu-Natal Province of South Africa between the cities of Durban and Pietermaritzburg. It is the world's largest and oldest ultra-marathon race. The direction of the race alternates each year between the "up" run (87km) starting from Durban and the "down" run (89 km) starting from Pietermaritzburg (Cameron-Dow 2011).

Proverbs 1:5

Let the wise listen and add to their learning, and
Let the discerning get guidance.
Nkosi Sikelele!

DEDICATION

This thesis is dedicated to all disenchanted records management professionals who have been relegated to the periphery of the public sector administration in South Africa. As Harris (2003) would attest 'there is a hub in every periphery and a periphery in every hub'. In the perpetual hope that things will change for the better rather sooner than later, someday as the public sector enters its interregnum you too will be elevated to the hub of the public administration. Indeed, this will be an opportunity not to be missed to reassert yourself and remove the noble profession from its nadir and integrate it in the mainstream of government administration.

DECLARATION

I declare that **FOSTERING A FRAMEWORK TO EMBED THE RECORDS MANAGEMENT FUNCTION INTO THE AUDITING PROCESS IN THE SOUTH AFRICAN PUBLIC SECTOR** is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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SIGNATURE   **DATE**

(MR MS NGOEPE)

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LIST OF ABBREVIATIONS

AFS:	Annual Financial Statements
AG:	Auditor-General (a person)
AGSA:	Auditor-General of South Africa (an institution)
ANAO:	Australian National Audit Office
ASA:	Auditing Standard of Australia
AS/NZ:	Australia/New Zealand
BBM:	BlackBerry Messenger
BC:	Birth of Christ
BIA:	Business Impact Analysis
BU:	Business Unit
CFO:	Chief Financial Officer
CoGTA:	Cooperative Governance and Traditional Affairs
COSO:	Committee of Sponsoring Organisations of the Treadway Commission
CRO:	Chief Risk Officer
DAG:	Deputy Auditor-General
DBSA:	Development Bank of Southern Africa
DFI:	Development Fund Institutions
EDRMS:	Electronic Document and Records Management System
ERM:	Enterprise Risk Management
ESARBICA:	Eastern and Southern Africa Regional Branch of the International Council on Archives
ESCAP:	Economic and Social Commission for Asia and the Pacific
EU:	European Union
FOSS:	Free Open Source Software
FS:	Financial Statement
GAAP:	Generally Accepted Accounting Principles
GRAO:	General Reports on Audit Outcomes
ICA:	International Council on Archives
ICT:	Information and Communication Technology

IDC:	Independent Development Corporation
ICAEW:	Institute of Charted Accountants in England and Wales
IFAC:	International Federation of Accountants
IIA:	Institute of Internal Auditors
INCOSAI:	International Congress of Supreme Audit Institutions
IODSA:	Institute of Directors in Southern Africa
IRMT:	International Records Management Trust
ISO:	International Standard Organisation
ISQC:	International Standards on Quality Control
IT:	Information Technology
LIS:	Library and Information Science
MFMA:	Municipal Finance Management Act
MIS:	Management Information System
MMR:	Mixed Method Research
NARS:	National Archives and Records Service
NYSE:	New York Stock Exchange
PFMA:	Public Finance Management Act
PMG:	Parliamentary Monitoring Group
PSIIA:	Professional Standards of the Institute of Internal Auditors
RDP:	Reconstruction and Development Programme
SA:	South Africa
SAHRC:	South African Human Rights Commission
SAI:	Supreme Audit Institution
SAISA:	Supreme Audit Institution of South Africa
SARMAF:	South African Records Management Forum
SCOPA:	Standing Committee on Public Accounts
TCTA:	Trans-Caledon Tunnel Authority
UK:	United Kingdom
USA:	United States of America
WWW:	World Wide Web

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CHAPTER ONE
INTRODUCTION: PUTTING THINGS INTO PERSPECTIVE

1.1   Introduction

Since the dawn of democracy in 1994, the public sector in South Africa has been plagued by an abyss of audit results and a perilous financial state. According to de Jager (2006/07:4) it is not unusual for the media in South Africa to carry the following sentiments in their reports: "that the overall impression of the audit reports of governmental bodies is one of financial disorder and wide-spread mismanagement of taxpayers' money". One of the contributing factors to the perilous financial state is often cited in the media as a lack of proper record-keeping, which causes monumental embarrassment to the affected governmental bodies. Indeed, the problem of poor record-keeping in public administration features prominently in reports generated by oversight mechanisms such as AGSA, the South African Human Rights Commission (SAHRC), the Standing Committee on Public Accounts (SCOPA) and to some extent the National Archives and Records Service of South Africa (NARS). For example, when the external auditor of government, (AGSA) audits governmental bodies, one of the constraints it faces is that records are either not available or could not be retrieved (Bhana 2008). Utilising the King Report III on corporate governance as a framework, this thesis explores the relationship between records management, the auditing process and risk management with specific reference to the public sector in South Africa. The ultimate goal is to develop a framework to embed the records management function into the auditing process in the South African public sector to serve as a guideline for governmental bodies to achieve clean audit reports. It is argued in this thesis that records management is the key enabler for the auditing process, risk management and ultimately the wider corporate governance.

This chapter specifically put things into perspective by providing the background to the study, problem statement, justifications and originality of the study, research objectives and questions, key concepts elucidation, research methodology, scope and delimitation of the study, as well as an outline of the chapters for the study. It is hoped that the study will stimulate further research in the area of integrating records management with the auditing process and risk management. It is further hoped that the study will serve as a guideline for governmental bodies towards

achieving clean audit reports in line with the South African government's 2014 clean audits target. Launched on 14 July 2009, the 2014 Clean Audit Project commitment statement indicates that:

> by 2014, all 283 municipalities and government departments of all nine provinces in South Africa will have achieved clean audits of their Annual Financial Statements (AFS) and maintaining systems for sustaining quality financial statements and management information (Shiceka 2009:2).

The process of achieving clean audits by 2014 was started when the late Minister of Cooperative Governance and Traditional Affairs (CoGTA), Sicelo Shiceka announced the "2009-2014 Operations Clean Audit Programme". In line with the programme, coordinated by the national department for CoGTA, the provincial departments for CoGTA, provincial treasuries and municipalities have committed to renew their efforts to oversee the on-going implementation of credible action plans with clear milestones to address the 2008/09 and future audit findings with a view to achieving sustainable clean audit outcomes by 2014.

1.2   Background to the study

The significant role of proper records management into the auditing and risk management processes in both the public and private sectors cannot be over-emphasised. Indeed, as Akotia (1996:6) would concur, proper records management is increasingly becoming the only weapon through which organisations fulfil the requirements of the auditors. As is commonly known, an auditor's main focus is on the lack of accountability and good governance (Bhana 2008). Lack of supporting documentation during the auditing process is an indication of poor accountability and the non-existence of governance in an organisation. In the South African public sector, the demands for greater accountability and good governance are clearly reflected in legislation such as the Public Finance Management Act, (Act No. 1 of 1999) (PFMA) and the Municipal Finance Management Act, (Act No. 56 of 2003) (MFMA) (Witthöft 2003/04). In terms of these Acts, governmental bodies (national departments, provincial departments, municipalities and statutory bodies) are required to account for their actions and decisions with regard to public funds. Auditing is normally performed to fulfil this obligation.

In his editorial remarks, de Jager (2006/07) posits that for as long as auditing is undertaken, relevant and reliable records will be required as evidence. In fact, records management supports the entire accounting function, as the beginning of accounting cycle starts with the creation of a record. As Akotia (1996:6) hits a chord, "a major defect in financial administration arises from failure to integrate accounting and records management process, with the result that essential information is lost or becomes subject to inaccuracies". Akotia (1996:6) believes that there needs to be adequate cross-reference between records management and account systems for organisations to manage finances properly. Put simply by Bhana and Ngoepe (2009:20):

> An ideal audit environment is one where an auditor can walk into an organisation and be provided with an audit file that contains the financial statements (FS), which are in turn cross-referenced, to all the relevant supporting records in the same file or at least indicating where such records can be retrieved easily.

If such a quintessential environment existed, most if not all governmental bodies in South Africa or throughout the globe would achieve clean audits. However, the world is not always ideal. Although the auditing process is so simple in theory, Bhana (2008) and Nel (2011) cast a baleful light that the lack of adequate records or the challenges to retrieve records increase audit risk. Moving along the same spectrum Akotia (1996:6) maintains that in the absence of records as evidence, an audit cannot proceed, which is what AGSA is experiencing in most government bodies. Whenever AGSA embarks on an audit assignment, the first constraint faced is that records either do not exist or, if they do exist, they are disorganised and retrieval becomes a challenge (Nel 2011). Equally pervasive, this is the case world-wide as it would be demonstrated later. For example, the review of accounts by the Auditor-General of Ghana in 1996 indicated that "some of the account balances used in the preparation of the financial statements (FS) were not derived from authorised source documents and records" (Akotia 1996:5). In these circumstances as outlined by Akotia (1996:5):

> When the Auditor-General (AG) is unable to vouch for the reliability of the FS and therefore unable to form an opinion as to whether the final accounts give a true and fair reflection of the public accounts, a dimension leading inexorably to a crisis of governance is created"

According to Akotia (1996:5), Bhana (2008) and Nel (2011) at the root of the crisis, lies the old, often ignored requirement to manage public records. Therefore, to recognise that records when

well-managed provide the framework for the management of all other resources is an essential fundamental step on the path to achieving good governance. Proper records management underpins the organisation's wider governance efforts and plays a critical role in enabling the auditing process (Palmer 2000:62). Kenosi (2011:28) also maintains that in the absence of records, no assessment can be made whether individuals or organisations have actually carried out the actions that they had to execute.

Records management, as a process of managing records from their inception to disposal (life cycle), exists as a key enabler for organisations to account for their actions. If records are not managed well, records storage facilities can become full and the records can be difficult to access. At the most practical level, if records are disorganised, it will take auditors an excessive amount of time to locate documents needed, if they can find them at all. Since audit methods and fees follow a risk-based approach, the lack of adequate records automatically increase audit risk and therefore audit fees (Bhana & Ngoepe 2009:20). Quite simply, without records, auditors cannot express an opinion on FS. Without the supporting documentation, the auditors' assessments could be challenged as nothing but speculation or wild thumb-sucking. As a result, the auditors' credibility would be at risk.

Both audit and records management functions serve as a governance control, and they perform a crucial role by strengthening the organisation's overall systems of control and conducting assurance reviews of the critical controls intended to address entity-level and business-line risks (Fadzil, Haron & Jantan 2005:845). According to O'regan (2009:18) these reviews "provide management and audit committee with assurance that key controls within the organisation are designed appropriately, operating effectively and efficiently, and functioning to protect stakeholders". If records management systems are weak, public servants cannot be held accountable for their decisions and actions. Moreover, fraud and graft will flourish (IRMT 1999a:10-11; Palmer 2000:62). In this regard, proper records management can be a cost-effective restraint, for example, if corrupt officials know that there is an audit trail, they are less likely to take the risk of committing fraud. Conversely, a clear audit trail can protect the innocent from false accusations. Where the ultimate sanction of prosecution is appropriate, lawyers will rely heavily on records to provide the evidence (IRMT 1999a:11).

Currently, there is much emphasis on good governance all over the world through the corporate governance models, such as the Combined Code on Corporate Governance in the United Kingdom (UK), Malaysia Code on Corporate Governance, Criteria for Controls in Canada, and Committee of Sponsoring Organisation Internal Control – Integrated Framework in the United States of America (US) (Mallin 2010:2). In South Africa, the governance framework is called the King Report III (the reader is referred to Section 1.4 for more details about the framework). Both internal auditing and records management play an integral role in good corporate governance and can be mutually beneficial. Part of the internal auditor's job is to ascertain the quality of an organisation's operations. Auditors rely on information to verify their findings. Records management is the discipline that identifies and controls records within the organisation. Records management can be a strong, putative unbiased partner to internal auditing by organising company records and safeguarding them from the risks inherent in inappropriately handled information, hence the study by the International Records Management Trust (IRMT) (1999b) in Gambia examined the financial management situation on the ground and assessed how records management could best support this process to enhance accountability in the mainstream of government administration.

The reciprocal relationship of proper record-keeping and auditing is also highlighted in many audit findings of various supreme audit institutions (SAIs). For example, since the 2001/02 financial year, the Australian National Audit Office (ANAO) (2006) conducted a series of audits to assess the extent to which entities were meeting their record-keeping responsibilities. The results indicate that the standard of record-keeping has been a recurring issue in ANAO audits in Commonwealth organisations. Many ANAO reports have noted an absence of, or only limited, on-going documentation or records, such as in audits of risk management and internal controls. In Australia, there have been some notable examples in particular audits where the level of documentation available was insufficient to evidence and support administrative actions and decision-making processes (ANAO 2006). Even more profoundly, Mosweu (2011) bemoans that conducting public audits in Botswana has been a strenuous exercise for the Office of the Auditor-General in that country as the results are riddled with lamentations of poor records management. In his study, Mosweu (2011) links poor service delivery in Botswana to a lack of proper records management. The audit results in Sierra Leone are even more disconcerting as

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school records could not be found (Audit Service of Sierra Leone 2009) while in Jamaica there was overstocking of drugs in hospitals due to malfunctioning records management systems (Auditor-General of Jamaica 2011). Therein lays the danger Bhana (2008) warns of when arguing that without records there can be no accountability.

The public sector in South Africa can also empathise with the above scenarios. In South Africa, when reporting on audit findings, the Auditor-General (AG) is always on record noting the importance of keeping records as a key component of any entity's governance (Bhana 2008; Nel 2011; Ngoepe 2009a; 2011). AGSA places a high premium on proper records management to the extent that in its general reports on audit outcomes (GRAOs), it lists "a clear trail of supporting documentation that is easily available and provided timeously" as the first of six good practice indicators (see Appendix A for six good practice indicators by AGSA) for government departments to achieve positive audit results (Bhana 2008; Ngoepe 2009b). In a more sobering conundrum AGSA (2010a:9) observes that government departments and municipalities often scrambled at the financial year-end to compile information in terms of PFMA and MFMA for submission to AG. As a result, many governmental bodies in South Africa have sunk into an auditing abyss with records so badly organised that AGSA has been unable to express an opinion on the FS. For example, the Department of Home Affairs received qualified audit reports and disclaimers for 16 years (1994 – 2010) before finally obtaining an unqualified report in the 2010/11 financial year. In most instances, AGSA was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion, and as a result, issues the governmental bodies with the worst possible verdict – a disclaimer.

The newspaper *Sowetan* (29 April 2011:4) reports that in the informal settlements of Ngwathe Local Municipality in the Free State province (South Africa), there was no water, electricity, sanitation, and yet the municipality could not account for millions of rands. In the audit findings of the municipality, it was revealed that AGSA could not verify whether assets worth half a billion rand were complete or really existed, because the municipality had no proper asset register. In addition, AGSA could not find any supporting documentation for R4,4 million worth of car allowances and R2,9 million of "other allowances" that were dished out to staff. Furthermore, another R7,5 million of capital expenditure (money spent buying or upgrading

assets) was not recorded in the accounting records of the municipality. This is a serious problem as tax payers' money cannot be accounted for and yet residents of the Municipality did not have basic services such as water, sanitation, roads and electricity. According to AGSA, all these were as a result of poor record-keeping (Sowetan 29 April 2011). This implies that those who were supposed to create and keep a record to satisfy an objective did not do their job.

However, on a positive note, the *Mail and Guardian* newspaper (22–28 October 2010:14) reports that in a first for any provincial government in South Africa since 1994, all 25 departments and public entities falling under the Western Cape Provincial Government received unqualified audits (clean audits) for the 2009/10 financial year. Terence Nombembe, the Auditor-General of South Africa (2006-2013), attributed this to proper record-keeping as the key to ensuring a clean state and the fact that sufficient information was available during the audit to assess how the Western Cape government spent its money (*Mail & Guardian* 22-28 October 2010:14). Failure to implement proper records management can impact negatively on any organisation as it may lead to qualified reports (negative audit results). IRMT (2001) observes that in sub-Saharan Africa, and elsewhere, it is common to find financial records in a chaotic state and this undermines the ability to audit accounts efficiently and to provide evidence to detect and prosecute fraud. Typically, chaotic financial records are seen as a symptom of poor management in the accounting cadre (IRMT 2001).

Despite the crucial role of records management in the auditing process as highlighted above, many organisations, including governmental bodies, rarely see the connection between the lack of proper records management and failures of financial management (IRMT 1999c). Furthermore, most managers do not rank organising records highly among their priorities. Instead, it is thought to be a mundane chore with which management should not be concerned. This tedious task is often left to the discretion of the staff in charge of records management (IRMT 1999c). In addition, financial legislation, regulations, standards and the accounting manuals, which provide the foundation for designing financial management systems, tend to specify what records should be kept but not how they should be kept. For example, PFMA and MFMA in South Africa, state that the accounting officers (heads of governmental bodies) must keep full and proper records of the financial affairs of their organisations. Furthermore, universal

standards such as the Generally Accepted Accounting Principles (GAAP) indicate that certain kinds of information, especially financial data, must be kept. The International Standard on Quality Control (ISQC) states that audit firms should establish a proper framework to regulate the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation. The importance of record-keeping for the purpose of auditing and risk mitigation is also emphasised in the International Standard Organisation (ISO) 9001:2008, which even went a step further by defining a model for documentation level (see Table 1.1). However, all these legislation and standards do not prescribe how the management of records should be done.

Beside the financial legislation, standards and regulations not prescribing or recommending the "how"part of records management, the other dilemma is that some records (financial records, personnel records, electronic records and others) usually fall outside the jurisdiction of the organisation's records manager. As a result, these records are not managed or controlled adequately. Ngoepe (2011a:3) indicates that in South Africa, most records are managed only during their last stage when they metamorphosed into archives and by then it is too late to control the records. Failure to manage records can lead to the build-up of unwanted records, overcrowding and disorganisation. This, in turn, will make it very difficult to retrieve and use financial records efficiently and to carry out the auditing process. Auditors can make a powerful contribution to better records management by commenting on cases where record-keeping is inadequate and insisting that management should implement sanctions against persistent offenders. Palmer (2000:63) points out that the chaotic and collapsed state of records management systems is one of the primary reasons why accounting standards will not easily be implemented in developing countries. In this light, it is essential that records are managed properly to enable the auditing process and risk management.

Table 1.1: Documentation Levels (ISO 9001:2008)

Level 1 →	Policy	Defines the approach and responsibility including the assurance of customer needs
Level 2 →	Procedures	Defines Who, What and When
Level 3 →	Work instructions	Answers the How
Level 4 →	Records	Recording of Information It is evidence that management system is alive and active
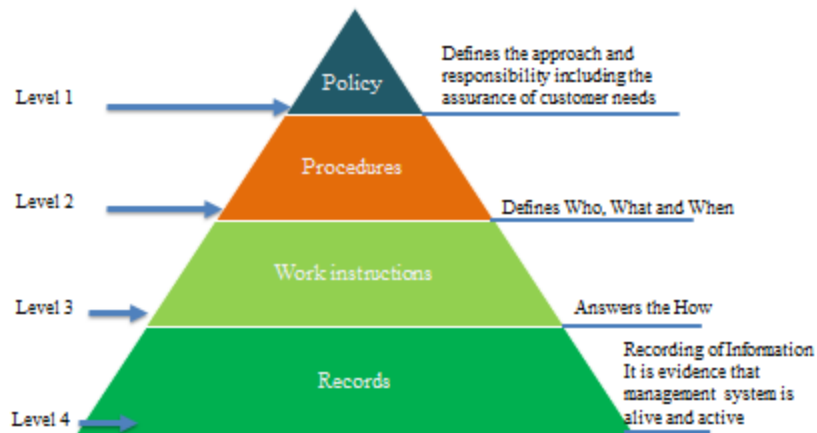
In the light of the above, this study seeks to develop a framework to embed records management practices into the auditing process in the South African public sector. Duranti (2012) urges archival and records management associations to focus on demonstrating to regulatory, auditing bodies and policy makers that they ought to embed record-keeping requirements in any activity that they regulate, audit or control. The study was prompted by the reason that many governmental bodies in South Africa are disclaimed due to a lack of supporting documentation. For example, in the 2008/09 financial year, four provincial departments and 12 entities obtained a disclaimer from AGSA (see Table 1.2). In other words, AGSA was not able to express an opinion on the financial statements primarily due to insufficient records. Auditors regard disclaimer of opinions as one of the two worst case opinions – the other being an adverse opinion where auditors fundamentally disagree with the management representations being made (Bhana 2008). Organisations receiving disclaimer of opinions face consequential implications such as lack of interest from investors, loss of credibility, impatience from communities for better service delivery, investigations for maladministration or unexpected change of leadership without succession planning, as is the case in South Africa.

Type of audit opinion	National		Provincial		Legislatures	Total
	Departments	Entities	Departments	Entities		
Disclaimer	0	4	4	8	0	16
Adverse	0	2	2	1	0	5
Qualified	12	20	30	27	1	90
Financially unqualified (with other matters)	15	108	74	56	8	261
Financially unqualified (with no other matters)	5	77	2	17	0	101
Total reported on	32	211	112	109	9	473
Total not reported on	1	12	0	18	1	32
Total entities	33	223	112	127	10	505

Table 1.2: 2008/09 Audit outcomes of national and provincial departments (AGSA 2009)

1.3   Contextual and conceptual setting

In attempting to design a framework for embedding the records management function into the auditing process, the researcher conducted a survey in the South African public sector which is audited by AGSA. Furthermore, the general reports on audit outcomes (2000/01-2009/10) of AGSA were analysed through bibliometrics method to identify reporting relating to record-keeping. Therefore, it is appropriate to put this study into context by explaining terminology used by AGSA, as well as providing information about the work and functions performed by external auditors of the South African public sector, which is AGSA.

In his editorial remarks, de Jager (2006/07:3) contends that the beginning of the 21st century can be described as the era of accountability, transparency and good governance particularly in the area of auditing in the public sector. Mechanisms that enhance the reliability of information, thereby fostering accountability, transparency and good governance, are the internal audit function and the audit committee within the reporting entity, and the external auditors outside the reporting entity. If these mechanisms are non-existent, or dormant in an organisation, the accountability chain will be broken (De Jager 2006/07:3; Roos 2009/10:31).

As mentioned in Section 1.2, in the South African public sector, accountability and good governance are clearly reflected in the 1996 Constitution, as well as in pieces of legislation such as PFMA, MFMA and lately the King Report III on corporate governance which is applicable to both the public and private sector. PFMA and MFMA enable accounting officers to manage the resources allocated to their institutions and, at the same time, hold them accountable for these resources (Du Plessis 2004/05). The King Report III and the promulgation of the two Acts enhanced the intrinsic value of the contribution of the internal audit functions and audit committee to fostering accountability. The external audit function is designed to promote accountability and to improve the reliability and trustworthiness of financial reports. The benefits of external auditing are to add credibility to the information provided, assist in the strengthening of oversight, accountability and governance in the public sector, assist in giving momentum to the process of transformation of financial management in the public sector, and to provide insights so as to facilitate foresight of decision-makers (Fadzil, Haron & Jantan 2005:833).

The Supreme Audit Institutions (SAIs) of the countries are watchdog agencies that carry out external audits of expenditure, income and assets of all government institutions in general (Norgen 2010:10). SAIs are regarded as prominent figures to ensure public sector transparency and accountability, albeit a lack of functional, institutional and financial independence would be seriously detrimental to their proper functioning. In figuring out the vital role of SAIs in a financial management and control system, it should be underscored that they are granted essential legal powers and tools in order to audit all public funds, resources and activities and report audit findings to the parliament so as to reinforce parliamentary oversight over executive branch and publicise them (Kayrak 2008:62).

The role that SAIs can play in the strengthening of public finance management and performance by enabling oversight, accountability and good governance has always been rated as a cornerstone of a democratic society. In a democracy, structures are created and elected representatives are empowered to implement the will of the people and act on their behalf. An important point of departure in constructing democratic institutions is that power and resources can be misused, leading to an erosion of trust that can undermine the essence of the democratic system. It is, therefore, critical that the citizens of a country should be able to hold their leaders

accountable (Norgen 2010:1). The democratically elected representatives can only be held accountable if they, in turn, can hold accountable those who have to implement their decisions. Legislatures, therefore, need a body in the form of a SAI that can serve as a tool in the checks and balances of public accountability and promote such accountability through the transparency created by making public its audit reports (Kayrak 2008:62). Such a body has to be independent in order to be trustworthy. In South Africa, this responsibility lies with AGSA.

Through the mandate enshrined in the Constitution of South Africa and via the process of auditing, AGSA plays a critical role in facilitating the accountability cycle and so promote democratic governance. In this regard, AGSA conducts financial and compliance audits to provide assurance to the legislatures that various spheres of government spent their finances wisely. AGSA facilitates accountability and enhances good governance over the use of public resources through the presentation of the GRAOs. The audit reports of AGSA form the basis of the GRAOs that are prepared in each audit cycle. These GRAOs provide a concise summary of the audit outcomes in individual provinces and even nationally across entities. The GRAOs identify certain broad themes and highlight specific trends that were detected during an audit cycle (AGSA 2010a:23). These reports are used to stimulate dialogue on the audit findings, ideally to a point where both the executive and senior management are able to commit to specific actions and interventions to address the findings (AGSA 2010a:23; Bhana 2008). Bhana (2008) posits that the issue of record-keeping is receiving quite a lot of what he calls "deserved" attention in AGSA's general reports as it keeps on recurring in the audit reports.

1.3.1 Brief background of AGSA

The Auditor-General of South Africa was established on 31 May 1910, as a result of the South Africa Act of 1909. However, the organisation became operational on 12 May 1911, with the commencement of the Exchequer and Audit Act, 1911 (Act No. 21 of 1911). This Act established the principle of public accounting and accountability in South Africa with regard to collection, custody and expenditure of public money. From 1911 to 1956, the powers of the Controller and Auditor-General remained virtually unchanged. The Act was amended in 1956. By the mid-1970s, performance auditing was becoming internationally established, and

accordingly, the Exchequer and Audit Act of 1975 made provision for reporting on aspects concerning the economy, efficiency and effectiveness of the management of public funds. This Act also transferred the controlling function of the Exchequer from the Auditor-General to the Treasury (Fakie 1999). The Auditor-General Act of 1989 made provision for the Auditor-General and his or her staff in a separate Act. However, although the Auditor-General enjoyed full discretion in respect of the line functioning of the Audit Office, the Executive Authority and its adjuncts had the final say on certain administrative matters relating to the Audit Office. In 1993 the Amendment Act (Act No. 123 of 1992) granted AGSA full independence from government, which gave the organisation the requisite autonomy to execute its mandate fully without favour or prejudice.

In the current dispensation, Chapter Nine of the Constitution of South Africa, 1996 establishes AGSA as one of the state institutions supporting constitutional democracy (see Appendix B for information on Chapter Nine institutions). The Constitution recognises the importance and guarantees the independence of AGSA, stating that AGSA must be impartial and must exercise powers and perform its functions without fear, favour or prejudice. AGSA is accountable to the National Assembly in terms of section 181(5) of the Constitution and section 3(d) of the Public Audit Act (PAA) (Act No. 25 of 2004) and has to report on its activities and performance of its functions in terms of section 10 of the PAA. The main accountability instruments are AGSA's budget and strategic plan, as well as the annual report, both of which are tabled annually in the National Assembly. The Standing Committee on the Auditor-General (SCOAG), established in terms of section 10(3) of the PAA, oversees the performance of AGSA on behalf of the National Assembly (AGSA 2011a).

1.3.2 The role and functions of AGSA

The role of AGSA is defined in section 188 of the Constitution of South Africa (Act No. 108 of 1996), which stipulates that AGSA is the external auditor of all national and provincial state departments and administrations, all municipalities and any other institution or accounting entity required by national or provincial legislation to be audited by AGSA. In addition to these duties,

and subject to any legislation, AGSA may audit and report on the accounts, financial statements and financial management of:

- any institution funded from the National or a Provincial Revenue Fund or by a municipality; or
- any institution that is authorised in terms of any law to receive money for a public purpose.

While AGSA is an external auditor of the public sector, the external audit function of the private sector in South Africa is regulated by the Companies Act (Act No. 7 of 2008). AGSA must submit audit reports to any legislature that has a direct interest in the audit, and to any other authority prescribed by national legislation. All reports must be made public. Since AGSA is the only audit institution mandated to perform these functions, it is regarded as the Supreme Audit Institution of South Africa (SAISA). Therefore, AGSA strengthens the country's democracy by contributing to the quality of life and well-being of South Africans through enabling oversight, accountability and governance in the public sector (AGSA 2011a). AGSA does so by performing independent audits to assess the executive government's compliance with the applicable laws and its use of public resources, which ultimately affect the public sector's ability to effectively deliver public services and which therefore impacts on the stability and strength of South Africa's constitutional democracy (AGSA 2011a).

The functions of AGSA are further regulated in PAA, which mandates the organisation to perform constitutional and other functions. Constitutional functions are those which AGSA performs to comply with the broader mandate described in the Constitution. Section 4 of PAA makes a further distinction between mandatory and discretionary audits. The mandatory audits concentrate on regularity auditing, and these have to be done every year. In this regard, governmental bodies prepare FS to report their financial position and financial performance. This is a universally established part of normal financial management. These annual financial statements (AFS) are subjected to external auditing by AGSA. According to Dwiputrianti (2011:3) in this type of audit, three points related to the public sector administration are covered: (i) assessment and verification of whether auditees' financial transactions, records and evidence have been presented with adequate transparency in accordance with audit standards; (ii)

verification of financial processes to ensure and assure that financial transactions have complied with laws and regulations, including audit standards; (iii) provision of the auditor's opinion to the public on the transparency and accountability of the public sector in managing state finances and prevents or reduces corruption, fraud and other misuses of public funds.

AGSA is required to audit the AFS and express an opinion thereon. The auditor forms an opinion on whether the FS are prepared in all material aspects in accordance with the applicable financial reporting framework. AGSA would look at the predetermined objectives, which are set out in the annual reports, and also had to audit or check compliance with the relevant legislation and regulations, especially PMFA in case of government departments, MFMA in case of municipalities and any other special enabling legislation. AGSA would then need to report any non-compliance in the audit report. Based on those findings, AGSA would report on the root cause for any non-compliance and qualifications in the audit, and that involved an examination of the internal control deficiencies (AGSA 2011a). The audit report is included in governmental body's annual report, which becomes a public document when it is tabled in parliament, providing assurance to the parliament and other stakeholders of the financial position of the organisation. It also provides an appropriate level of transparency and accountability in the management of government's financial affairs.

The discretionary audits would generally be carried out where there are complaints, and where there is particular public interest. These types of audits are done by a separate team of auditors, also from AGSA (PMG 2011). The other form of audit is the special audits, and this is done when there is a request, usually involving donor funding. The last form of audit is a performance audit (value for money audit), and this relates specifically to the use of consultants, and infrastructure (Dwiputrianti 2011:3). Performance audits involve assessing the management and operational performance of governmental bodies and consider questions of economy, efficiency and administrative effectiveness of the operations for which management is responsible. Performance audits are wider in scope than the well-defined boundaries of financial statements audits. These are not done on an annual basis because they are executed at request, which should be approved (AGSA 2011a).

When conducting the auditing process, AGSA would look at what it termed "engagement activities", which included risk assessment, determining the skills and competency of the audit team, and established terms of engagement. AGSA would then determine the risk assessment at the overall financial level, and then it would check detailed accounts and transactions. In performing the audit, AGSA would design audit procedures that addressed risk identified during the planning stage, and would then perform those procedures. Lastly, AGSA had to evaluate all evidence obtained, communicate the findings, prepare a management report and also prepare the auditor's report. Therefore, the auditing activities are performed in identifiable stages, namely planning, execution and reporting (Manik 2004/05; PMG 2011). Table 1.3 set-out the auditing process that is followed by AGSA.

Table 1.3: Audit process and key communication phases (AGSA 2011b)

Preliminary engagement activities	Planning	Execution	Conclusion and reporting
Development of the overall audit strategy	Meetings with management and those charged with governance	Meetings with management and those charged with governance	Auditors evaluation of audit evidence obtained on the financial results
Confirmation of terms of engagement	Obtaining & updating the understanding of the entity and its environment	Design audit procedures to address assessed risk of material misstatement	Meetings with management and those charged with governance
	Assessment of risks and internal control	Request for information by auditors	Submission of draft management report for final comments
	Development of the overall audit strategy	Perform planned and extended procedures	Evaluation of management comments & submission of final management report
		Communication of audit findings by auditors	Formulation of the appropriate audit opinion & discussion of draft audit report
		Evaluation of management responses	Submission of final signed audit report

When AGSA receives a set of financial statement from a governmental body in terms of PFMA and MFMA, and its responsibility is to express an opinion. It is required that an auditor states in the opinion that generally accepted accounting principles have been followed and applied on a basis consistent with that used the preceding year. That opinion effectively is an assurance as to

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the state of the financial statements. Therefore, AGSA would first look at the risk that the figures could have been misstated or incorrect, and that is the risk it would identify (AGSA 2011b). A factor to be borne in mind when assessing the risk would be the strength of the internal control environment, and what procedures had been prepared to address the risk identified. When conducting the audit, AGSA would also check the bank statements, so part of the audit involved doing reconciliations on interest received, to ensure that this, for instance, could not be removed, and to ensure that everything on the bank statement was also shown in the financial statements (AGSA 2011b). In arriving at the audit opinions, AGSA, like most auditors world-wide, applies two internationally recognised principles to its reporting:

1. status of fair presentation (where AGSA evaluates the extent of material omissions or errors that are likely to mislead the reader of the report); and
2. status of internal controls and governance (where AGSA evaluates the possibility of omissions or errors occurring without being detected early enough o prevented from occurrence).

Audits invariably identify errors and/or omissions of greater or lesser amounts in the financial statements and other sections of the annual report. As a result, there are different audit opinions that AGSA could express: unqualified, qualified, adverse and disclaimer opinions (see Table 1.4 for an explanation on different kinds of audit opinion). An unqualified opinion with no other matters means that everything is correct (PMG 2011). This means the opinion has no reservations concerning the financial statements. This is also known as a 'clean opinion' meaning that the financial statements appear to be presented fairly in all material respect. An unqualified audit with matters of emphasis means that although the financial statements fairly reflect the true position, there are some matters that AGSA must point out (PMG 2011). There would be findings on predetermined objectives and findings on compliance. A qualified opinion means that the auditor has taken exception to certain current-period accounting applications or is unable to establish the potential outcome of a material uncertainty (AGSA 2011b). With an adverse opinion, the auditor disagrees with the representation made by the management in the financial statements. A disclaimer opinion indicates a lack of supporting evidence to the extent that the auditor is not able to form an opinion on the financial statements. This is the most severe

type of audit opinion. This is an example of lack of accountability as financial statements submitted are not accompanied by supporting evidence.

Table 1.4: Different kinds of audit opinions (AGSA 2011b)		
Severity	**Audit opinion**	**Explanation**
None	Unqualified audit opinion	Audit findings do not justify any further audit disclosure.
Least severe opinion	Unqualified audit opinion with emphasis of matter	To bring matters to the attention of the users of the financial statements which are not significant enough for the audit opinion to be qualified, or with regard to statutory reporting requirements.
Severe opinion	Qualified opinion	Except for matters highlighted under the qualification, the financial statements present a fair view.
More severe opinion	Adverse	An adverse opinion is expressed when the effect of a disagreement between the auditors and the auditee is so material, pervasive and/or fundamental to the financial statements that the auditor is not in agreement that the financial statements result in a fair presentation.
Most severe opinion	Disclaimer	An audit opinion is disclaimed when the possible effect of a limitation of scope of the audit work is so material, pervasive and fundamental that the auditor has not been able to obtain sufficient appropriate audit evidence, and accordingly is unable to express an opinion on the financial statements.

After the audits, AGSA annually produces entity-specific reports on all government departments, public entities, municipalities and public institutions. Over and above these entity-specific reports, the audit outcomes are analysed in consolidated general reports that cover both PFMA and MFMA cycles. In addition, reports on discretionary audits, performance audits, and other special audits are also produced. AG tables reports to the legislature with a direct interest in the audit such as parliament, provincial legislature or municipal councils. These reports are then used in accordance with their own rules and procedures for oversight (AGSA 2011b). In this study, these reports (2000-2010) are analysed utilising bibliometrics to identify the role of records management in contributing to the audit opinions.

Since 2007, AGSA has introduced the process of root cause analysis – "the ability to identify the core of what went wrong and to define what should be done to address audit findings and by whom – in simple, easy-to-understand language" (AGSA 2010a:3). The formalisation of root cause reporting represents a significant step forward in this regard as it allows AGSA to drill down to the real cause of issues contained in audit qualifications. In this way, both management and oversight mechanisms are able to determine the key drivers of the audit findings; deal with these issues constructively and move towards clean audit opinions, which is clear confirmation of good governance in the public sector (AGSA 2010a:3). The process of root cause analysis has since matured to the consolidated reflections under three headings: the importance of leadership, good financial and performance management, and good governance and oversight as the basis for improving audit outcomes (AGSA 2011b).

In its endeavour to assist governmental bodies, more specifically municipalities to reach the target of clean administration by 2014, AGSA has introduced "clean audits awards". The inaugural awards to seven municipalities were held during May 2011 (see Appendix C for a list of municipalities that received the award and clean audits for 2009/10). When bestowing the awards, AG (2011c) indicates that the 2014 clean audit target can still be attainable, provided that only seven out of 283 municipalities obtained clean audits in 2009/10 financial year. According to AG (2011c), this is possible if leadership and other role players take charge and drive the turnaround strategy towards positive results. However, as this study will show, over 200 is quite a large number for municipalities to turn the corner by 2014. Perusal of AGSA reports reveals that the municipalities that achieved positive review have a common thread that binds them: the commitment and single-minded intention of their leadership to lead and set the right tone from the top; basic internal controls are in place; the municipalities perform daily, monthly and quarterly reconciliations of financial records and there is a working partnership between leadership and audit committees to ensure effective oversight (AGSA 2011b).

1.4   Framework for the study

As stated in Section 1.2, many governance frameworks have been developed around the globe to guide the implementation of risk management, internal auditing and records management, as

well as to be used as best governance practices. However, the theoretical framework to be applied in this study is based on the governance model set out in the King Report III. While many organisations around the globe have embraced good governance for many years, it was only in 1994 that the King Report on Corporate Governance, which is regarded as a seminal work on corporate governance, was issued in South Africa (Jackson & Stent 2010; Moloi & Barac 2009/10:49). This culminated from the establishment of a Committee on Corporate Governance in 1992. The Committee was formed under the auspices of the Institute of Directors in Southern Africa (IODSA) (Mallin 2010:2). Chaired by Mervyn King, the committee produced the King Report on Corporate Governance late in 1994. The King Report Committee was similar in concept to the Cadbury Committee[2] in the United Kingdom (UK), but with wider terms of reference (Naidoo 2009:32). Unlike the Cadbury Committee which was disbanded on completion of its mandate, the King Committee continued to exist after completing its first report. The King Report III is the premium source of guidance on corporate governance in South Africa.

Globalisation in the area of corporate governance, growth of information, and communication technology (ICT) and e-commerce, together with legislative development in South Africa necessitated the updating of the King Report I. Furthermore, significant corporate failures such as Enron[3] and the demise of South African companies such as Regal Bank added momentum and urgency for the drafting of the King Report II in 2002 (Moloi & Barac 2009/10:49). The third report on corporate governance in South Africa became necessary because of the new Companies Act, (Act No. 7 of 2008) and changes in international governance trends (IODSA 2009:5). Launched on 1 September 2009, by the Institute of Directors, the King Report III officially came into effect on 1 March 2010. It heralded a new era in which risk management, internal auditing and recorded information are seen to be more important. The King Report III has nine chapters (see Appendix D for the list of the nine chapters of the King Report III). Chapters 3, 4, 5 and 7 are relevant to this study as they deal with audit committee, risk

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[2] The Cadbury Committee was formed as a result of corporate failures in the UK. Its report was released in 1992 dealing with financial aspects of corporate governance.

[3] The Enron scandal was revealed in October 2001, and eventually led to the bankruptcy of the Enron Corporation, an American energy company based in Houston, Texas, and the dissolution of Arthur Andersen, which was one of the five largest audit and accountancy partnerships in the world.

management, information management and internal auditing. Furthermore, the chapters provide a valuable guidance on how the processes can be integrated.

One of the key principles promoted by the King Report III is the need for a board or top management to appreciate that strategy, risk, performance and sustainability are inseparable (McLaren-Kennedy 2010). The King Report III recognises the importance of including information as an integral part of corporate governance as information is used as an enabler of business. The risk of loss of recorded information is also regarded as one of the components of the audit (Mullon 2009). The King Report III favours risk-based internal audits over compliance-based internal audits. The risk-based approach places more emphasis on internal auditing, understanding the risks associated with the strategic direction of the organisation and determining whether internal controls and processes adequately address these risks (Jackson & Stent 2010). In terms of the King Report III, people responsible for organisational governance must be able to rely on competent and trustworthy internal resources, capable of accurately assessing the effectiveness of the processes in place to manage and mitigate risks (Institute of Internal Auditors 2009). The King Report III applies to all private and public entities in South Africa. The principles contained in the Code were, therefore, drafted so that they can be applied by every entity and in doing so; achieve good governance across the entire economic spectrum in South Africa (Prinsloo & Pieterse 2009/10:53).

The governance of corporations can be on a statutory basis or as a code of principles and practices, or a combination of the two (IODSA 2009:6). For example, the United States of America (USA) has chosen to codify a significant part of its governance in an act of Congress known as the Sarbanes-Oxley Act. This legislated basis for governance is known as 'comply or else'. In other words, there are legal sanctions for non-compliance. In this regard, the cost for compliance is burdensome, measured both in terms of time and direct cost. Further, the danger is that the board and management may become focused on compliance at the expense of enterprise (IODSA 2009:6). The compliance-based approach has internal audit checking that the organisation has complied with its internal controls (including records management) and legislation.

The voluntary basis for governance compliance is known as 'comply or explain'. This has been adopted by the 56 Commonwealth countries, including South Africa and the 27 states in the European Union (EU), including the UK. However, the voluntary basis approach has evolved to 'adopt or explain'. Therefore, the King Report III, is on an 'apply or explain' basis (IODSA 2009:7). The 'apply or explain' regime shows an appreciation for the fact that it is often not a case of whether to comply or not, but rather to consider how the principles and recommendations can be applied.

In Chapter Four of the King Report III, there is a call for governance systems, processes, continuous risk assessments and related risk actions to be integrated. The entire risk management process and governance are contained in the guidelines. Furthermore, an effective risk-based internal audit function needs to be properly positioned. The King Report III requires that internal audit forms part of the combined assurance model, which links back to risk assessment and assurance. Prinsloo and Pieterse (2009/10:54) accurately observe that governance, risk management and records management are inseparable as stated by the King Report III; hence this study will use the Code as a model to develop a framework to embed records management into the auditing process. Moreover, the fact that the scope of the King Report III is applicable to government departments and that the Code is meant for organisations in South Africa makes it more relevant to be utilised as a framework for this study. Records management is viewed as a key component of any organisation's corporate governance and critical to its accountability and thereby enabling the auditing process (Willis 2005:86).

The shortcoming of the King Report III is the placement of much emphasis on information technology (IT) as if the concept embraces the wider information management. Even though the emphasis of the King Report III is more on information communication technology (ICT) than the other branches of information management, there is a strong link between this framework and other theories of records management. According to IRMT (1999a:5) the care of records and archives particularly within the context of the public sector is governed by four important principles or theories. "These are (1) that records must be kept together according to the agency responsible for their creation or accumulation, in the original order established at the time of their creation; (2) that records follow a life cycle; (3) that the care of records should follow a

continuum; and (4) that records can be organised according to hierarchical levels in order to reflect the nature of their creation" (IRMT 1999a:5). These principles and concepts are known as:

- the principle of *respect des fond,*
- the life-cycle concept,
- the continuum concept, and
- the principle of levels of arrangement and description.

Chachage and Ngulube (2006:2) stress that of all the above principles "the records life cycle is the dominant theory in the archival and records management field". Yusuf and Chell (2005:50) share the sentiments when stressing that the concept of a life cycle is at the core of most records management programmes. As a core concept in records management, the life cycle is invariably and widely accepted by records management professionals (Yusuf & Chell 2005:50). The concept is important because it serves as the basis for a total records management programme. The concept was begun in the US by Theodore Schellenberg of the National Archives of the USA in 1934 (Shepherd & Yeo 2003:5; Yusuf & Chell 2005:51). The effective management of records throughout their life cycle is a key issue in the public sector. Without it, vast quantities of inactive records clog up expensive office space and it is virtually impossible to retrieve records for legal, financial, administrative and information purposes (IRMTa 1999:17). Such a situation undermines the accountability of the state and endangers the rights of citizens. As Ngulube (2011:3) has rightly observed, many scholars such as Akotia (2003); Akussah (2002); Harper (2004); Kenosi (1999); Mnjama (2003; 2005); Ndenje-Sichalwe and Ngulube (2009); Ngoepe (2009; 2011) Ngulube and Tafor (2006) and Wamukoya (2000) have expressed disappointment over the state of records management in sub-Saharan Africa as they revealed that many records offices operate as "records warehouses" instead of records management offices where records are systematically controlled from creation to their final disposal through archiving or destruction.

While the King Report III helped to entrench the processes and reporting requirements of good governance, organisations are now also learning that, to enable a smooth reporting process, they have to get their houses in order when it comes to information management. The King Report III

draws the attention to this imperative in Chapter 5, clause 6, which deals with management of information assets: "The board should ensure that information assets are managed effectively." Essentially, the King Report III stresses that an organisation's information is in itself a company asset. Thus, the company's directors are accountable for strategically managing and protecting this information asset to extract optimum value, as they should be doing with any other company asset. The onus is thus on the company directors to ensure that governance information is supported by efficient and effective records management. It all comes down to the basics of having a proper records management system in place as it (records management) is the bedrock of information management and is fundamental to good business practice. As outlined in the King Report III every business should have an information committee of senior executives who audits the information processes and monitors the full life cycle of information – from creation or receipt to disposal.

1.5 Problem statement

Despite the importance of recorded information to the auditing process as stated in the King Report III and AGSA's six good practice indicators for governmental bodies to achieve clean audit results, many governmental bodies in South Africa are disclaimed every year due to a lack of documentation. While various researchers and organisations around the globe acknowledge the importance of proper record-keeping for the auditing process and corporate governance, AGSA (2010a) observes that records management is often not regarded as essential for good governance in the public sector of South Africa. As indicated in Section 1.2, whenever AGSA conduct an audit assignment, most of the times the constraint it faces is that supporting documentation cannot be provided by organisations being audited (Nel 2011). Even though records management provides the basic layer for accountability, Isa (2009:148) postulates that an integrated records management and corporate governance approach is not yet being practised in the public sector world-wide. Furthermore, IRMT (1999c) and Palmer (2000:63) bewail that records management tends to be excluded from the criteria for a sound financial management infrastructure. Together, records management and auditing provide the layer of control that is essential to ensure transparency, accountability and good governance.

Nair (2006/07:11) argues that despite PFMA and MFMA having clear and noble intentions to improve financial management in the public sector, some governmental bodies still appear to be struggling with certain aspects of its implementation. This has led to AG expressing concern in the GRAOs that certain areas of financial management were still problematic in the public sector. In this regard, AG has specifically identified the following areas that still appear to pose challenges: internal audit and audit committees; risk management; internal controls; record-keeping and supply chain management (Bhana 20080. Ironically, research shows that some areas of public administration are reluctant to embrace the contribution that records management can make to good governance and accountability (Australian National Audit Office 2003:21; Isa 2009:133). When a records management system breaks down, the consequences for financial management are serious. Typical symptoms according to IRMT (1999c) include the following.

- Monitoring systems are inadequate and information is difficult to access,
- Votes ledgers are not kept properly and an important tool for expenditure control is lost, and
- Accounts are not produced on time, rendering them of limited value for expenditure control and monitoring.

1.6   Research purpose and objectives

The general purpose of this study was to develop a framework to embed records management into the auditing process, with a view to entrench a culture of clean audits in the public sector in South Africa. The specific research objectives as reflected in Table 1 were to:

1. Explore the relationship between records management and corporate governance.
2. Investigate the role of records management in the auditing process.
3. Investigate the contribution of records management towards risk mitigation.
4. Analyse the general reports of AGSA (2000 -2010) in relation to findings on record-keeping.
5. Establish if governmental bodies have set-up functioning internal audit committees that include records professionals.
6. Develop a framework to embed records management practices into the auditing process in the public sector in South Africa.

Table 1.5: Illustration of the relationship between research objectives and questions				
Research objectives	**Research question**	**Research approach**	**Source of data**	**Chapter**
To explore the relationship between records management and corporate governance	What is the relationship between records management and corporate governance?	Qualitative	Literature	Two Four Five Six
To investigate the role of records management in the auditing process	What is the role of records management in the auditing process?	Qualitative Quantitative	Literature Questionnaires Interviews	Two Four Five Six
To investigate the contribution of records management towards risk mitigation	What is the contribution of records management towards risk mitigation?	Qualitative Quantitative	Literature Questionnaires Interviews	Two Four Five Six
To analyse the general reports of AGSA (2000 – 2010) in relation to findings on record-keeping	What are the reporting trends in AGSA's general reports (2000 – 2010) in relation to record-keeping?	Quantitative Qualitative	AGSA's general reports	Four Five Six
To establish if governmental bodies have set-up functioning internal audit committee that include records professionals	Have governmental bodies set-up functioning internal audit committee that include records professionals?	Quantitative Qualitative	Questionnaires Literature review	Four Five Six
To develop a framework to embed records management practices into the auditing process in the South African public sector	What framework can be suggested to embed records management practices into the auditing process in the South African public sector?	Qualitative	Literature Questionnaires Interviews	Six

1.7 Justification and originality of the study

Chadwick, Bahr and Albrecht (1984:31) point out that at least three kinds of problems stimulate social research: policy problems, problems of social philosophy and problems intrinsic to developing scientific disciplines. This point is also emphasised by Creswell as quoted by Ngulube (2003:20) that "the significant of studies are concerned with three major questions". Issues related to the last two are usually cast in the language of abstract intellectual discourse. The first, however, deals with what is wrong with the community, the society, or the world.

In line with the argument put forward by Chadwick, Bahr and Albrecht (1984:31), this study is interdisciplinary and will contribute to policy development in the area of records management

and auditing. The study supplements previous studies undertaken in African countries such as Gambia (1999), Ghana (1999), Namibia (2001), Nigeria (2002) and Tanzania (2001) by IRMT regarding the management of financial records. Although similar studies have been carried out, those studies focused more on investigating the management of financial records rather than on linking records management to the auditing process. The only study that came close was carried out by Isa (2009) at the Glasgow University for his doctoral thesis. Moreover, no such comprehensive studies have been carried out in South Africa. Until now, no empirical study on the role of records management in auditing and risk management has been undertaken within the South African context. Therefore, the present study will underline the fundamental role played by record-keeping in the auditing process. The study will contribute to the records management literature by providing empirical evidence concerning the nexus between records management and the auditing process. Even though the study applies tools, techniques and theories from other studies, the outcomes will be specific to the South African context. To that extent the results will be relatively original.

As Ryan (2006:125) would attest, many studies have been undertaken about records management, but few deal directly with linking negative audit outcomes to a lack of proper records management. For that reason, this study attempts to fill the gap by developing a framework of embedding records management into the auditing process. Moreover, government departments in South Africa are disclaimed and a lack of proper records management practice is often cited as one of the key contributors. The findings of this study can be used by government departments in South Africa and elsewhere to provide a means to improve the audit results. The study will propose a framework for embedding records management function into the auditing process. The existence of such a framework will assist government departments in achieving clean audits. This will be in support of a firm commitment by political leaders in South Africa to drive clean audit opinions in government by 2014. The recommendations of the study, if implemented, are bound to have a positive impact on audit findings of many government departments.

The importance of this study is also underscored by IRMT (2001) when stressing that "many efforts to strengthen financial controls have failed because the fundamental structures needed to

underpin them are often overlooked, that is, record-keeping". Therefore, there is a need to address this issue; hence the researcher embarked on the study of this nature. The study will provide useful information and data to decision-makers, records managers, auditors, researchers, policy-makers, and academics who have an interest in the role of records management in enhancing the auditing process and mitigating risk. It is hoped that the study will facilitate future investigations in the relationship between records management and auditing.

1.8   Scope and delimitation of the study

This study was limited to the regularity audits of governmental bodies in the public sector in South Africa which are audited by AGSA. The public sector in South Africa consists of four spheres of government, namely: national government departments, provincial government departments, municipalities and constitutional bodies/public entities. However, other statutory bodies that were not listed in PFMA were excluded from the study as they are not consistently audited by AGSA. Equally beyond the scope of the study were other types of audits performed by AGSA such as performance audits, forensic audits and information system audits. These types of audits are not performed consistently but are done only on request or if there is a need. Therefore, an assumption is that there would be insufficient data on these types of audits as only few organisations would have been audited in this regard. Furthermore, AGSA (as external auditors of government) was also included in the study. The private sector was also excluded from this study as it does not fall under the auspices of PFMA or MFMA.

1.9   Definitions of key terms

Yusuf and Chell (1998:96; 2005:28) contend that defining terminology in research is crucial to dispel confusion and for better understanding, both for those who are new to the subject and those who are familiar with the subject. The key terms and concepts are identified and explained in this section to provide the context in which they will be used in the study.

1.9.1 Auditing

Odendaal (2009/10:44) defines auditing as an independent validation of a transaction or of representations in the form of FS by management of an entity. FS are fundamentally a collation of transactions that are presented in a manner that purports to represent the performance of an entity (Bhana 2008; Mallin 2010: xx). The objective of FS is to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making economic decisions. They also show the results of the management's stewardship of the resources entrusted to it. To meet this objective, FS provide information about an entity's assets, liabilities, equity, income, expenses, including gains and losses, contributions by and distributions to owners in their capacity as owners, and cash flows (Elements of FS are illustrated in Table 1.6). All that is done from an audit perspective is to independently assess whether representation of FS is fair. According to Jackson and Stent (2010) auditing is a process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicate the results to the interested users. In its broadest context, auditing is the process of attesting to assertions about economic actions and events.

Table 1.6: Elements of financial statements (Thamakga 2011:11)	
Element of financial statements	**Location in the financial statements**
• Assets • Liabilities • Owner's equity	Balance sheet
• Income and gains • Expenses and losses	Income statement

The thrust of the above definitions is that the objective of an audit of FS is to enable the auditor to express an opinion as to whether or not the FS fairly present (or give a true and fair view), in all material respects, the financial position of the entity at a specific date, and the results of its operations and cash flow information for the period ended on that date, in accordance with an identified financial reporting framework and or statutory requirements. Therefore, the auditors' opinion:

·   enhances the credibility of the FS; but

- does not guarantee the future viability of the entity; and
- does not guarantee the efficiency or effectiveness with which management has conducted the affairs of the entity.

It is not the objective of an audit to discover or prevent fraud or to ensure that entities are complying with laws – this is management's responsibility (Max, Van der Watt & Bourne 2004:5). For the purpose of this study, auditing refers to a process of gathering evidence to support the auditor's findings and opinions.

1.9.2 Governance

Governance is the process by which the owners and creditors of an organisation exert control and require accountability for the resources entrusted to the organisation (Rittenberg, Johnstone & Gramling 2008:39). Many parties have a vested interest in the quality of an organisation's governance, for example, board of directors/top management, audit committee, internal auditors, and others. Prinsloo and Pieterse (2009/10:54) view governance as the exercising of power over the management of resources. It involves the nature and extent of authority, as well as the control and incentives applied to deploy human and economic resources for the well-being of the public at large. In the context of this study, governance refers to the system or process whereby operations of an organisation are directed or controlled. Corporate governance is therefore concerned with improving the performance of an organisation for the benefits of shareholders, stakeholders and economic growth (Okpara 2011:184). It refers to the process by which organisations are directed, controlled and held to account.

1.9.3 Records management

IRMT (1999d:14) defines records management as that "area of general administrative management concerned with achieving economy and efficiency in the creation, maintenance, use and disposal of the records of an organisation throughout their entire life cycle and in making the information they contain available in support of the business of that organisation". The National Archives and Records Service of South Africa (NARS) (2007:1) describes records management

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as a process of ensuring the proper creation, maintenance, use and disposal of records throughout their life cycle to achieve efficient, transparent and accountable governance. The thrust of all these definitions is that records management controls records from creation to disposal. Therefore, for the purpose of this study, records management is defined as the systematic control of records from creation to disposal. Table 1.7 lists and defines records management processes.

Table 1.7: Records management processes (IRMT 1999d)	
Process	**Description**
Records capture	- Identifying business information as records and putting them aside for future use and reference - Registering a record by assigning it a unique identifier - Entering, generating or copying metadata into a record profile
Records classification	- For retrieval – assigning a code, number or index term that can be used to retrieve the record - For disposal – assigning a disposal authority that can be used to determine the record's retention period and its eventual disposal (destruction or preservation) - For security – assigning a security classification code to determine who may access the records and under what conditions
Records storage	- Providing a reliable storage location and ensuring that records are not altered or tampered with to protect their integrity
Records preservation	- Implementing a preservation plan that, in the case of e-records, anticipates technology obsolescence and media degradation to protect the long-term usability of the records
Records access	- Providing records users with search, retrieve and display tools - Enforcing records access and security restrictions
Records tracking	- Tracking the current custody and location of records - Maintaining audit trails on the access and use of the records - Establishing version control and differentiating originals from copies
Records disposal	- Appraising groups of records (disposal classes) and assigning them a common retention period and final disposal (preservation or destruction) - Identifying and monitoring the retention period for records and triggering a disposal event when the retention period expires - Transferring records to semi-current or archival repository for storage - Securely destroying records

1.9.4 Internal control

Internal control is the process designed, implemented and maintained by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting,

effectiveness and efficiency of operation and compliance with applicable laws and legislation (Rittenberg, Johnstone & Gramling 2008:6). Jackson and Stent (2010) argue that internal control is a process implemented by an entity's board of directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) reliability of financial reporting, (2) compliance with applicable laws and regulations, and (3) effectiveness and efficiency of operations. These objectives are designed to assist the organisation in achieving its most important objectives such as successfully implementing corporate strategies to achieve returns for shareholders. In this study, internal control refers to internal processes which are designed and implemented by management to achieve organisational objectives. PFMA and MFMA require the accounting officer to ensure that the entity has and maintains effective, efficient and transparent systems of internal control, as well as financial and risk management.

There are five components of internal control, namely:

1. The control environment – establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.
2. The risk assessment – involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.
3. Control activities – policies, procedures and policies that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.
4. Information and communication – supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows the entity's employees to carry out their financial reporting duties.
5. Monitoring – covers external oversight of financial controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.

1.9.5 Risk management

To understand the concept risk management, it is imperative and relevant to define and describe the concepts 'risk'. The term risk is derived from the Italian word *risicare* which means "to dare". Dittenhofer (2001:471) defines risk as "the probability that an event or activity can occur that will adversely affect an organisation or will impede the organisation's ability to accomplish its objectives and goals". Risk is, therefore, an inherent part of business and public life as it covers all aspects of all organisational activities (Tchankova 2002:290). Based on the definition of risk, risk management can, therefore, be defined as the process of identifying, controlling and monitoring risk. In other words, the antithesis of risk is control. Risk management is regarded as an essential element of good corporate governance. In this regard, risk management means having in place a corporate and systematic process for evaluating and addressing the impact of risks in a cost-effective way and having staff with the appropriate skills to identify and assess the potential for risks to arise. Risk management contributes to good corporate governance by providing reasonable assurance to the board and top management that organisational objectives will be achieved within a tolerable degree of residual risk. It also provides protection to directors in the event of adverse outcomes, as these may not be as severe as they might otherwise have been if there was no effective risk management. Furthermore, those accountable can, in their defence, demonstrate that they have exercised a proper level of diligence (COSO 2004:3).

In the past, most organisations focused attention on risks to hard asset and finances only as they were worried about money and disaster (Tchankova 2002:290). With increasing attention being paid to intellectual capital (knowledge), skills and reputation – there is a strong trend towards managing risks to both hard and soft assets (Massingham 2010:465). This heralded new comprehensive assessment of the whole business environment termed enterprise-wide risk management (ERM). Fraser and Henry (2007:393) define ERM as a "process commissioned by an entity's board of directors and management applied in strategic setting and across the enterprise, designed to identify potential events that may affect the organisation and manage the risk to be within its risk appetite". According to Singh and Newby (2010:309) ERM is a managerial function that must be integrated with organisational (strategic and operational) processes. Therefore, risk management can be applied at many levels in an organisation:

strategic level, tactical level and operational level. It may be applied to specific projects, to assist with specific decisions or to manage specific recognised risk areas. For each stage of the process, the Australian/New Zealand (AS/NZ) 4360:2004 risk management standard recommends that records should be kept to enable decisions to be understood as part of a process of continued improvement. As a result of the emergence of ERM, gone are the days when risk management was managed in separate silos alongside managerial functions, such as fire and safety, loss control, internal audit, occupational health and safety, legal compliance, fraud prevention, project risk management and other managerial functions. Nowadays, corporate governance has risk management firmly in its sights; hence it is recommended that risk should be managed holistically throughout the organisation. Rasid, Rahman and Ismail (2011:569) and Tchankova (2002:290) identify four major risk management frameworks as: identification, measurement, mitigation and monitoring and reporting (see Table 1.8 for the stages of risk management process).

Table 1.8: Risk management processes (Tchankova 2002:290)
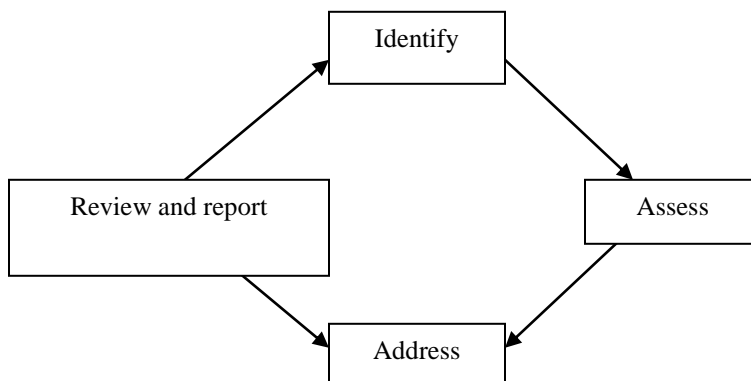
In the risk management process, the first step is risk identification. At this stage, all possible risks will be identified, despite their gravity or likelihood of occurrence (Egbuji 1999:96). Knowing the risk helps organisations to plan for the mitigation. In the second stage, risk analysis, the purpose is to understand the nature and level of the risks, so that it can be managed appropriately (Lomas 2010:191). During this stage business impact analysis (BIA) is conducted. The purpose of BIA is to help organisations identify which business units, operations and processes are essential to the survival of the organisation. The BIA facilitates the identification

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of how quickly essential business units and/or processes have to return to full operation following a disaster situation (Davidsson 2010:225).

The identified and prioritised risk needs to be managed. The third stage is for determining the significance or value of the identified risks. The purpose of this stage is to make decisions based on the outcomes of risk analysis about which risks need treatment and priorities. According to De Zwaan, Stewart and Subramaniam (2011:587) the management of risk can be categorised in four different ways known as "four T's" as indicated in Table 1.9.

Table 1.9: Four T's for managing risks (Williams, Bertsch & Dale 2006:71)						
TERMINATE Avoid or eliminate the loss of exposure	and /or	**TREAT** Risk and loss control activities	and /or	**TOLERATE** Acceptable level of risk	and/or	**TRANSFER** Insurance or non-insurance

The risk management system must be reviewed periodically. This is the last step of risk management. This involves regular checks to ensure that risk assessments remain up to date. It is necessary to monitor the effectiveness of all steps of the risk management process. It is necessary to monitor risks as factors that may affect the likelihood of an outcome may change. Risk responses that were once effective may become irrelevant, control activities may be less effective or may no longer be performed, or objectives may change. This can be due to the arrival of new personnel, restructuring or the introduction of new processes (COSO 2004:75). It is, therefore, necessary to repeat the risk management cycle regularly. This stage involves learning lessons from the risk management process by reviewing events, the treatment plans and their outcomes. Monitoring can be done in two ways: through on-going activities or separate evaluations.

1.10 Research methodology

Powell and Connaway (2004:187) argue that the research problem determines the research approach and the methods employed. In other words, no single approach fits any problem. Therefore, researchers should use methods appropriate to the topic at hand (Chadwick, Bahr & Albrecht 1984:33). As Babbie and Mouton (2001:218) would attest, the research questions guide

the design of the research in terms of what data is needed to answer the questions, where such data is and how such data is to be collected and analysed.

In order to propose a framework to embed records management into the auditing process in the public sector of South Africa, this study relied on mixed methods research (MMR). Researchers use the concept "MMR" to denote the use of various measuring instruments for collecting data. Ngulube, Mokwatlo and Ndwandwe (2009:108) argue that MMR involves combining qualitative or quantitative approaches to conduct an enquiry. It provides the necessary array of data. Onyango (2002:102) defines MMR as a process where different methods, techniques and tools of data collection or data sources are combined in a single study. Although a combination of research approaches may be frowned upon by some because of the vastly different theoretical backgrounds and methods of data collection in each, a combined approach was valuable in this study.

In this study, the integration of quantitative and qualitative research occurred:
- within the research questions, for example, both quantitative and qualitative questions were asked;
- within data collection, that is, open-ended questions on a structured questionnaire;
- within data analysis, that is, qualitative data were used to substantiate numerical data; and
- on data interpretation, that is, quantitative and qualitative results were examined for convergence of findings.

This study used a combination of data collection tools with a self-administered questionnaire as the principal instrument. Data collected via questionnaires were supplemented through interviews, content and informetrics analysis of AGSA's general reports. Bryman and Bell (2003:304) describe content analysis as an approach to the analysis of documents and text that seeks to quantify in terms of predetermined categories in a systematic and replicable manner. A content analysis was carried out to set the study in the context of current thinking on governance, accountability, financial and records management issues which, in turn, were used to inform an informetric analysis of AGSA's general reports (2000/01-2009/10). Twining as quoted by Sitienei and Ocholla (2010:38) defines informetric as a method that uses quantitative analysis

and statistics to investigate patterns. The research questions constituted the main focus area. The population of the study consisted of governmental bodies (national departments, provincial departments, municipalities and statutory bodies). AGSA's stakeholder database, which listed 283 municipalities, 37 national government departments, 108 provincial government departments in all nine provinces and 30 constitutional bodies/public entities which appear in schedules 1 and 2 of PFMA, were used as a sampling frame. The population was divided into stratums of municipalities, national departments, provincial departments and public entities to ensure representativity. Municipalities and provincial departments were further grouped into sub-stratums according to their respective provinces. Since the population being studied was large, sampling was conducted to ensure that the final sample size was manageable. A comprehensive discussion of the research methodology employed in the current study is presented in Chapter Three.

1.11   Structure of the thesis

- Chapter 1 contains an introduction to/background of the study, contextual setting, framework of the study, the problem statement and sub-problems, the aim (and auxiliary objectives) of the investigation, a description of the methods of investigation, the justification of the investigation and definition of concepts.
- Chapter 2 deals with literature review regarding the contribution of records management in the auditing process. The chapter discusses components that enable good corporate governance process (auditing, audit committee and internal controls) and the role of records management in facilitating transparency, accountability and good governance in the public sector. It also deals with the role of records management in mitigating risk. Risks emanating from poor/or lack of records management are identified and discussed.
- In Chapter 3, the research design is described in detail. Here the methods are explained in detail with regard to the study so that the reader knows exactly what data has been collected, from where and how it was collected to allow a reasonable replication of the study.
- Chapter 4 presents the results of the study. The chapter provides the informetrics analysis of AGSA's general reports (2000/01-2009/10) in relation to audit outcomes on records

management in the governmental bodies. Results of data collected via questionnaires and interviews are also analysed and presented.

- Chapter 5 provides a discussion of the findings that offer a broad interpretation of the results.

- Chapter 6 serves as a synthesis, a summary of each chapter, including a summary of the results, as well as conclusions with reference to the problem postulation and aims of the study, proving that they have been honoured. Finally, well-argued recommendations for the future are provided.

1.12 Summary

This chapter put things into perspective by providing the introduction to/background of the study, contextual setting, framework of the study, the problem statement and sub-problems, the aim (and auxiliary objectives) of the investigation, a description of the methods of investigation, the justification of the investigation and definition of concepts. The next chapter will review literature in relation to the role of records management in the auditing process, risk management and good governance.

CHAPTER TWO
LITERATURE REVIEW: THE ROLE OF RECORDS MANAGEMENT IN THE AUDITING PROCESS, RISK MANAGEMENT AND GOOD GOVERNANCE

Jesus told his disciples: 'There was a rich man whose manager was accused of wasting his possessions. So he called him in and asked him, 'What is this I hear about you? Give an account of your management, because you cannot be manager any longer.' Luke 16:1-2

2.1 Introduction

The previous chapter set the scene by providing the background to the study, contextual and conceptual setting, theoretical framework, problem statement, research objectives and questions, justification of the study, research methodology, as well as definition of key terms. Having presented the background and purpose of the study, it is appropriate to bring the reader up to date with the previous research in the area of nexus between records management, auditing, good governance and risk management. Neuman (1997:122) suggests that the first step in narrowing a topic into a researchable question is to examine what the literature says about it. On the other hand, Babbie and Mouton (2001:565) posit that every scientific study should be placed in the context of the general body of scientific knowledge. In this regard, a researcher must indicate where the study fits into the big picture.

This chapter provides literature review regarding the role of records management in the auditing process, risk management and good governance. Willis (2005:86) is spot on when stressing that the relationship between record-keeping, auditing process and good governance has not been explored in much depth by scholars. This sentiment is echoed by Isa (2009:iii) in his doctoral thesis, when pointing out that the records management community claims that records have to be preserved for accountability, but they rarely explore the role records play in the governance and auditing processes. Moreover, the contribution of records management to good governance and auditing process is often not recognised by other professions and management (IRMT 1999d:65). Isa (2009:iii) is of the view that in an age where corporate governance and accountability is a global agenda, it is imperative for the records management professionals to do self-introspection of their role in order to change the perception by other professions about records management's contribution towards achieving organisational goals in a highly regulated and compliance-bound environment in both the public and private sectors.

According to ANAO (2003) records management is a key component of any organisation's corporate governance and is critical to its accountability and transparency. Akotia (1996:9) tows similar lines that even the first and last stages of the budgetary cycle, accountability and auditing, are dependent upon effective records management. Furthermore, Metrofile (2010) observes that for many governmental bodies in South Africa, financial year-end is a stressful period as it invokes a range of mixed and at times anxious feelings, particularly when it comes to the external auditors from AGSA checking the supporting records. This point is also emphasised by AG (2011a) in his monthly online column, that governmental bodies in South Africa have a tendency to prepare the full set of accounts and the supporting documentation at the eleventh hour at the end of the financial year. Metrofile (2010) believes that much of the audit concern AGSA raises in governmental bodies, can be mitigated through proper records management by ensuring that the information needed by auditors is properly arranged and readily available.

In order to understand the role of records management in the auditing process, this chapter provides a historical account of the relationship between the two fields by touching on the history of accounting. Furthermore, the chapter discusses components that enable good corporate governance process (auditing, audit committee and internal controls), as well as the role of records management in facilitating transparency, accountability, risk management and good governance in the public sector. As Isa (2009:3-4) would attest, it is essential to explore the relationship between records management, auditing and risk management in order for organisations to benefit from the synergy of their integration. Nowadays, few areas in any sector are getting as much attention as auditing and risk management. Therefore, records management can utilise the opportunity to leverage its low status by integrating with auditing and risk management. On the other hand, the success of auditing and risk management will depend on proper records management as it would be revealed later in this chapter. This chapter is guided by Chapters Three (Audit Committees), Four (Governance of Risk), Five (Governance of Information Technology) and Seven (Internal Audit) of the King Report III. First the purpose of literature review is given.

2.2 Purpose of literature review

A literature review is "a critical summary and assessment of the range of existing materials dealing with knowledge and understanding in a given field". The purpose of literature review is to locate the research project, that is: to form its context or background; and to provide insights into previous work" (Blaxter, Hughes & Tight 2001). In other words literature review helps to integrate the study into a broader framework of relevant theory and research. According to Babbie and Mouton (2001:103) literature review answers the following questions:

- What have other scholars written about the topic under study?
- What theories address it and what do they say?
- What research has been done previously?
- Are there consistent findings, or do past studies disagree?

The literature establishes the conceptual framework within which the research is located. In this regard, a number of studies are referred to, in order to establish the importance and viability of the research questions. Literature review introduces the researcher to the debates and arguments surrounding the topic. This enables the researcher to gain insight into the topic and to identify the key issues that need to be explored. Literature review is a useful source of questions since it identifies gaps in knowledge, shows potential pitfalls, and helps researchers avoid unnecessary duplication by showing what has been covered already. In the initial stages of research, literature review helps the researcher to establish the theoretical roots of the study, clarify ideas and develop methodology, while later on the literature review serves to enhance and consolidate the knowledge base and helps to integrate the findings with the existing body of knowledge. Since an important responsibility in research is to compare research findings with those of others, it is here that the literature review plays an extremely important role (Kumar 2005:30). Literature review therefore plays a role in determining both the feasibility and credibility of research.

According to Polit and Hungler (1995:69-70), the literature review can provide information about what is already known, provide a conceptual context, and help to identify research strategies. Kumar (2005:32) explains that literature review also helps to determine gaps in the literature, and discover unanswered questions. In this study, as recommended by Kaniki (2002), a

combination of historical, thematic and theoretical/ empirical approaches was adopted.

2.3 A historical perspective of the relationship between record-keeping, auditing and corporate governance

In his closing remarks at the first annual records management seminar hosted by AGSA, the deputy auditor-general (DAG), Makwetu (2011) argued that the historical relationship of records management and auditing is as old as civilization. To gain a perspective of the relationship between record-keeping and auditing, it is relevant to provide a history of accounting through the 'double-entry system', as it enhances the way in which the connection between the two fields can be understood, as the accounting cycle begins with the creation of a record. Dandago (2009:9) argues that accounting is a service-providing discipline, making available financial information for various decisions to be guided. As a process, accounting is about identifying (through proper record-keeping), measuring (through preparation of FS) and communicating economic information (through publishing or making known the FS prepared) to give room for informed judgements (Dandago 2009:9; Van Vuuren, Vorster & Myburg 2005:16).

Accounting has its origins in the earliest times in the history of human society as a means of providing owners of resources with information on how their resources have been managed (Dandago 2009:23). Today this process is reflected through various corporate governance models, such as the King Report III on Corporate Governance. Van Vuuren, Vorster and Myburg (2005:15) trace accounting back to the era of the Roman Empire (c753BC-476AD) around 100 BC. The nature and extent of the commercial and related business activities in the Roman Empire created a need for a book-keeping system. The stewards (managers of resources) rendered periodic accounts of their stewardship as a demonstration of accountability. It is this practice that has metamorphosed into the preparation and presentation of FS by organisation today (Dandago 2009:23).

However, modern accounting, in the form of the double-entry system (see Table 2.1 for the formula of double-entry system), had its origins in Italy towards the end of the 13th century. Makwetu (2011) argues that the idea of double-entry originated from the duality of every transaction. This is as a result of the fact that there are two sides to every transaction, which is

commonly viewed to imply that for every giver, there is a receiver. This is what Duranti (2012) would refer as trusters (givers) and trustees (receivers). The trust-bond between trusters and trustees is usually based on four characteristics of the trustees, namely:

- *reputation*, which results from an evaluation of the trustee's past actions and conduct;
- *performance*, which is the relationship between the trustee's present actions and the conduct required to fulfil his or her current responsibilities as specified by the truster;
- c*onfidence*, which is an assurance of expectation of action and conduct the truster has in the trustee; and
- c*ompetence*, which consists of having the knowledge, skills, talents, and traits required to be able to perform a task to any given standard.

Dandago (2009:94-95) traces the history of double-entry system from an Italian friar, Frater Luca Bartolomes Pacioli (1445-1517), the father of accounting to contemporary record-keeping. On the other hand, Makwetu (2011) and Ngoepe (2008:31) contend that auditing and record-keeping is as old as the first societal groups, because the need of a memory arises naturally in any organisation. In the histories of the earliest civilisations, before the art of recording could be known, auditing took place orally. The steward in charge of the cattle, goods and other forms of wealth would, from time to time, produce to his master the wealth with which he was entrusted and give account of his stewardship, reciting from memory the goods and cattle's acquired, those disposed of and those still in his possession. The master would listen to this recital of the steward's transactions and question him thereon. The master was the listener, the auditor. This explains the derivation of the word auditing from the Latin word (*audire*, which is to listen) which acquired a secondary meaning: "One who satisfies himself as to the truth of accountability of another" (Dandago 2009:95). This also manifests in the book of Luke 16:1 when Jesus told his disciples about the parable of the shrewd manager who was summoned by his master to orally account for his management activities. At the end, the manager lost his job as he could not account.

It can therefore be argued that the most ancient forms of memory were oral and the most ancient keepers of records were the remembrances, that is, individuals entrusted with the task of

memorising rules, contracts, sentences and transmitting them by recitation to their juniors, authorities and those involved in contractual agreements (Duranti 1993:30). Makwetu (2011) asserts that the frailty of human memory led to Pacioli inventing a double-entry system of accounting. This resulted from the challenge experienced by the merchants when trading with sailors. Apparently, the traders relied on the remembrances for memorising agreements and the shapes of the vessels. Once agreement had been reached, the sailors would go around the globe to trade and return after a long time. When it was time for exchanging the goods, the remembrance would be called to identify the ships and the traders. However, this approach was not reliable due to the frailty and subjectivity of human memory (Makwetu 2011; Ngoepe & Van der Walt 2009:117).

Having identified the loophole, Pacioli published a book in 1494 on mathematics (Summa) which included 36 chapters explaining the double-entry system (Smith 2008). The inclusion of the double-entry system, in his book resulted in Pacioli being generally recognised as the author of the first published double-entry book-keeping text. Instead, according to Dandago (2009:74), Pacioli simply described a method used by merchants in Venice during the Italian Renaissance period. His system included most of the accounting cycle as it is known today. For example, he described the use of journals and ledgers, and he warned that a person should not go to sleep at night until the debits equaled the credits - the assertion that AG (2011b) propagates to this day (2013) for governmental bodies to obtain clean audits. Pacioli's ledger included assets (receivables and inventories), liabilities, capital, income, and expense accounts (Rogers 2011). Pacioli demonstrated year-end closing entries and proposed that a trial balance be used to prove a balanced ledger (Manal 2011). As well, his treatise alluded to a wide range of topics from accounting ethics to cost accounting.

Table 2.1: Formula for double-entry system (Dandago 2009:94)
Assets = owner's equity + outsider's equity

The double-entry system was central to the success of Italian merchants, necessary to the birth of the Renaissance (Smith 2008). Industrial Revolution (1750-1850) firms required accountants to provide the information necessary to avoid bankruptcy and their role developed into a profession.

Big business required capital markets that depended on accurate and useful information. This was supplied by what became an accounting profession. Today, a global real-time integrated information system is a reality, suggesting new accounting paradigms (Manal 2011; Rogers 2011). Understanding this history was needed to develop the linkage between record-keeping and auditing.

As reflected in the historical account, auditing has its roots in accounting. Auditing existed primarily as a method to maintain governmental accountancy, and record-keeping was its mainstay (Manal 2011). According to McNamee and McNamee (1995:34) the earliest records ever audited were Babylonian clay tablets about 5,000 years ago. McNamee and McNamee (1995:34) reckon that the world's first auditor might have created the tiny marks on the clay tablets next to inventory entries. By the time of the Middle Kingdom of the Nile, the Pharaoh's deputy was overseeing the storage of grains. Auditing was a matter of redoing the work of others. Systems were very simple, and auditing meant observing, counting and double-checking records. Auditing did not change much for nearly 5,000 years (Manal 2011). In some countries where modern auditing is just now being introduced, re-performance is still the mainstay of the auditor. McNamee and McNamee (1995: 34-35) describe the old auditing method as a 'checker checking a checker.'

It was not until the advent of the Industrial Revolution (1750-1850), that auditing began its evolution into a field of fraud detection and financial accountability (Manal 2011). Businesses expanded during this period, resulting in increased job positions. Management was hired to operate businesses in the owners' absence (the process that would later in the modern world be controlled through corporate governance models), and owners found an increasing need to monitor their financial activities, both for accuracy and for fraud prevention. Contemporary discussions of corporate governance focus on relations between ownership and management within "joint-stock, limited-liability, publicly-held, predominantly large-scale enterprises" (Herrigel 2006:3). Anecdotal evidence suggests that the idea was formalised in the 1980s as a result of the separation between ownership from the control (Marx, Van der Watt and Bourne 2004). Corporate governance was therefore introduced to ensure that the agents of the owners of companies (directors and in the case of the public sector, the director-general) control their entity

in ways that will serve the interests of the shareholders (owners and investors or in the case of public sector: ministers, mayors and the public). The directors are responsible for managing the entity and the shareholders are responsible for appointing the directors. This focus centres attention on the balance of power between shareowners and managers, together with the consequences of that balance for enterprise performance. In the early 20th century, the reporting practice of auditors, which involved submitting reports of their duties and findings, was standardised as the "Independent Auditor's Report" (Manal 2011). The increase in demand for auditors led to the development of the testing process. Auditors developed a way to strategically select key cases as representative of the organisation's overall performance. This was an affordable alternative to examining every case in detail, and it required less time than the standard audit (Manal 2011; Smith 2008).

Allinson, as quoted by Isa (2009:82), posits that auditing has changed from the way it was used in accounting for the checking of financial reliability of a business to a process where a record is maintained of a particular series of events in order to provide evidence in the case of a dispute, to check on the effectiveness of control systems and to provide evidence in the case of criminal activity. These records are commonly known as audit trails or logs. An audit log is a sequence in which an auditor's work can be independently verified while a working paper is where the auditor tests transactions and items (Phukubje 2011). Audit trails facilitate the process of determining accountability, effectiveness and integrity of an employee, a department, or even an organisation by automatically capturing and storing all the actions that are taken upon an electronic record, the user initiating and carrying out the action and the date and time of events (Isa 2009:82).

All types of information systems, including financial management systems, need to provide an audit trail feature for both audit purposes and security reasons. Therefore, decisions to prioritise the comprehensiveness of any system must be based on the input from the audit and records management team. Achieving organisational goals and containing costs are their utmost concern. Financial records, as compared to other types of records, are constantly under surveillance because this type of record presents evidence of fiscal value and have immediate impacts on the financial stability of an organisation (Isa 2009:82). However, financial information is just a

tangible evidence of performance and not an end in itself. The accuracy of financial records is crucial and should be constantly monitored to detect if there is any corruption or mishandled business transaction that may lead to loss in or, even worse, bankruptcy of an organisation (IRMT 1999b:65). As Isa (2009:82) correctly observed, the rise and fall of an organisation is highly dependent on its financial status. Records, according to Hare and Mcleod (1997:2) also play a role in this regard and are kept for the following:

- Information – ensure that operations are carried out appropriately and aid decision-making.
- Evidence – as proof when faced with lawsuit.
- Compliance – as proof that regulations have been observed.

From the historical perspective, we can gather that, accounting provides financial information to users of such information, and auditing is a means to ensure that such information is reliable and comforts with established rules and regulations. The purpose of audit is to compare '*what is* to *what should be*' (McNamee & McNamee 1995:37). Both accounting and auditing rely on proper record-keeping to fulfil their purposes. Accounting reflects all transactions involving the receipt, transfer and disbursement of government funds and property. It is clear from the preceding discussion that financial information, in the form of published accounts, is a key instrument for transparency in decision making and the budgetary process. Accounting uses information from records to classify, summarise and interpret accounting statements to interested parties for their information or action. Audit, on the other hand, reviews, monitors, evaluates and adds authenticity to the accounting report and other recorded financial information. An effective internal and independent external audit function is an essential element for turning important data in records into meaningful information.

Control is the dominant, if not primary, reason for developing accounting systems. Effective systems must be comprised of a set of internal controls that manage the cycle of recording, analysing, classifying, summarising, communicating and interpreting financial information both in aggregate and in detail to support public sector accounting. These controls regulate the quality of information passing through the system and are based on verifiable procedures that control whether transactions are originated, checked, authorised and recorded according to the

accounting manual instructions and financial regulations (IRMT 1999c). When these processes are properly mapped in an organisation, they lead to good corporate governance.

2.4   The components of corporate governance in the public sector

In Section 1.4 the governance framework utilised in this study (the King Report III) was discussed. Furthermore, the concept governance was defined in Section 1.9.2 and the indication is that it relates to the way in which an organisation arranges its processes and structures so that it can make decisions, carry out its work and monitor its progress. This means making sure the entity is organised and does its work in a way that is efficient, accountable and complies with relevant laws. The concept corporate governance was born in the 1980s as a result of the separation of ownership from management. However, it existed in some form from time immemorial as discussed in Section 2.3. As a result of the global financial crisis, various corporate failures such as the collapse of Enron and WorldCom[4], and locally in South Africa, the collapse of Saambou, Fedsure and Fidentia, as well as public concern over the apparent lack of effective boards/management, the importance of corporate governance in both the public and private sectors has been increasingly acknowledged (Truter 2007:1). These factors had contributed to the explosion of interest in corporate governance. Improving corporate governance is now receiving significant attention from almost every sector of society (Rezaee 2010:48). Many private and public sector organisations worldwide view corporate governance as a business imperative (Truter 2007:1).

Barac (2001) describes corporate governance as the structures, processes, cultures and systems that stimulate the successful operation of organisations. An intrinsic value of corporate governance is accountability. Rezaee (2010:48) lists the three principles of corporate governance as identified by the International Federation of Accountants (IFAC) as:

1. Openness - to ensure that stakeholders have confidence in the decision-making process and actions of the public sector entities and in the management of their entities.

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[4] When WorldCom, the US telecommunications giant, was placed under bankruptcy, the US witnessed one of the largest cases of accounting fraud in history. Former CEO, Bernie Ebbers, was convicted of orchestrating this US$11 billion accounting fraud and was sentenced to 25 years in prison on 13 July 2005.

2. Integrity - to ensure honesty and objectivity, high standards of propriety and probity in stewardship of public funds and resources.

3. Accountability - to ensure that public sector entities and individuals within them are responsible for their decisions and actions.

The purpose of corporate governance according to Willis (2005:89) includes the following:

- To foster ethical behaviour.
- To enhance the reputation of a business/entity.
- To comply with the laws.
- To make the business entity more efficient and effective.
- To avoid disaster.

In South Africa, interest in good governance resulted in corporate controls such as PFMA, MFMA and King Report III. Both PFMA and MFMA require public entities to have accounting officers (for example, municipal manager for local government, director-general for government departments and chief executive officer for statutory bodies and parastatals) who will be responsible for leadership and strategic direction, defining control mechanisms and reporting on stewardship and performance. As a result of King Report III, the methods of corporate governance by which private companies are directed and controlled are therefore also applicable to public entities (Barac 2001).

Governance can be used in several contexts such as corporate governance, international governance, national governance and local governance (ESCAP 2011). Good corporate governance relates to the concepts of accountability and transparency. Chinyemba (2011) contends that good governance, accountability and transparency are the basis of productive relationships with stakeholders and are underpinned by records that are reliable and authentic. Good governance has eight major characteristics which are reflected in Table 2.2, namely: it is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law (ESCAP 2011).

Table 2.2: Characteristics of good governance (ESCAP 2011)

From an administrative standpoint, good governance thus demands sound public administration of bureaucracies and the policies they carry out. The projection of the concept of good governance onto the national system progressively boosts people's trust in government as services improve and the risk of maladministration is reduced (Isa 2009:133).

As Barac (2001) would concur, good governance is thus reliant upon the introduction and maintenance of mechanisms to promote that behaviour and performance of management which are in the interests of the stakeholders of the organisation. This means for an organisation to be accountable and transparent, a number of corporate governance components such as internal audit, audit committee, internal controls and records management programme need to be put in place. A close working relationship between these structures can improve the effectiveness of corporate governance (Rezaee 2010:48). Although records play an essential role in the accountability and transparency processes, it is often not regarded as essential for good governance by senior management in either the public or private sector. Isa (2009:148) postulates that an integrated records management and audit approach is not yet being practised in the public sector, hence this study attempts to develop a framework to entrench records management into the auditing process. Where records are not kept properly it is not unusual to hear of 'ghost workers' on the payroll for many years. For example, the Mail & Guardian (2005) reported that 179 'ghost workers' were identified in the books of the Eastern Cape health department at a cost of R1,59 million per month in 2005. This was due to a lack of proper record-keeping in the department. Corporate governance in public entities requires that effective

and appropriate measures be established to ensure statutory accountability and accountability for public money. The following section discusses the components of corporate governance: auditing process; audit committee; internal control and records management, as guided by PFMA, MFMA and King Report III.

2.4.1 Auditing process

Audits are performed to manage and confirm the correctness of an organisation's accounting procedures. Auditing evolved as a business necessity once it became evident that a standardised form of accountancy must exist to avoid fraud (De Jager 2008/09:3). It has developed into a standardised yet complex field that is regarded as an important procedure in the management of business finance (Manal 2011). According to Isa (2009:82) and McNamee and McNamee (1995:35) auditing was not developed to track or detect the culprits of mismanagement, instead it was meant for business improvement by discovering evidence through audit trails. Therefore, auditing, according to Ferreira (2007:82) was developed for business improvement by discovering evidence through audit trails, not to track or detect the culprits of mismanagement.

Audits are carried out in terms of a structured approach consisting of a planning, execution and reporting phase. In conducting an audit, the auditor ensures that the audit efforts are concentrated on the areas where the risk is perceived to be higher, rather than the areas where the risk appears to be lower or insignificant. Communication between management of the entity and the audit team is of the utmost importance. For this purpose, a steering committee is established, whose main purpose is to secure co-operation between management and the audit team. The steering committee seeks inputs on matters such as the audit plan and audit findings. This ensures that the eventual report will not contain any surprises for the entity, and affords the entity an opportunity to make timely input and effect corrective action.

The process is that organisations prepare FS of their activities, which represent their overall performance. These FS are evaluated by auditors, who assess them according to the industry's generally accepted standards. They are examined for accuracy and fairness in their reporting. Organisations are expected to pass their audits, as the results are very important to its reputation

and success. According to Evans, Carlon and Massey (2005) the FS might not be presented fairly for two main reasons: error and fraud. The auditor's role is to look for misstatements caused by either reason. This approach augmented the prior technique of re-performing every step. Nowadays auditing involves sophisticated risk modelling, statistical sampling, and customer-focused total quality management as part of the auditing process (McNamee & McNamee 1995:35; Rogers 2011). Audits are very valuable to external company affiliates, such as shareholders, investors and members of the public because they provide an extra reassurance of their choice in investments when issues arise (De Jager 2008/09:3; Phukubje 2011). Audits enable the discovery of evidence by scrutinising relevant records.

In conducting an audit, auditors follow various investigative processes and procedures in order to express an informed opinion on the veracity of an entity's financial and other information (De Jager 2008/09:3). These procedures and activities are performed in identifiable stages, namely: planning, execution and reporting and are collectively known as the auditing process (the approach used by AGSA is set out in Table 1.3 and the approach used by the Auditor-General of Botswana is set out in Appendix E). The approach used by AGSA was instrumental in developing a framework to embed records management into the auditing process. Towards the goal of expressing an opinion, a series of procedures and activities is performed to obtain evidence to substantiate the auditor's opinion. The auditor obtains audit evidence by means of test of controls and substantive procedures that are:

-   sufficient: quantity of audit evidence, and
-   appropriate: quality of audit evidence.

AG (2011b) notes that the reliability of audit evidence is influenced by its source and nature. For example, external audit evidence is better than internally generated evidence. However, internally generated evidence is more reliable when the related controls are functioning effectively. Audit evidence the auditor obtains directly is more reliable than evidence supplied by the client. Written evidence (in documentary form), on the other hand, is better than oral representation. Original documents are more reliable than evidence provided by photocopies or fax (Phukubje 2011). Therefore, as Duranti (2012) would agree records professionals have a duty

of care towards the records entrusted with custody, ethically and legally, as they are accountable for their actions to:

- their profession (ethically),
- their organisation (administratively and legally),
- society (legally and morally), and
- the next generation (historically and morally).

If unable to obtain evidence or if the records are unreliable, the auditor would issue an adverse opinion or a disclaimer. Working papers serve as proof of the work done to support the audit opinion. According to AGSA (2011a) and Phukubje (2011) the auditor obtains evidence by means of one or more of the following procedures:

- Risk assessment procedure.
- A mixture of test of controls.
- Inspection of records and of tangible assets.
- Observation of a process or procedure (this is limited to a point in time in which the observation took place).
- Confirmation of information directly from a third party.
- Recalculation of the arithmetical accuracy of records.
- Re-performance by the auditor manually.
- Analytical procedure of financial and non-financial data.
- Making enquiries of knowledgeable persons, both financial and others, from the entity or outside.

Broadley (2005) posits that no governance process, no matter how well designed, will fully prevent greedy, dishonest people from putting their personal interests ahead of the interests of the companies they manage. However, many steps can be taken to improve corporate governance and thereby reduce opportunities for accounting fraud. The auditing profession has an important role to play in this regard. However, according to Broadley (2005) the auditor does not have direct corporate governance responsibility but rather provides a check on the information aspects of the governance system. In both the public and private sector there are audits that are internal (internal audit) and external (external audit) to the organisation. Once an organisation becomes

too big for the direct monitoring of the critical aspects of its activities by the principals, some form of additional monitoring is required. This oversight mechanism is generally described as an audit. The form and nature of the audits are driven by how it is appointed. If the appointment is driven by the needs of government regulation, to keep shareholders informed, then the appointment is considered to be that of an external auditor (Wright 2009:1).

2.4.1.1 Internal audit function and its role in the public sector

Internal audit plays an important role in any country's public sector. According to Fargason (2011) the Institute of Internal Auditors (IIA) defines internal auditing as "an independent appraisal function established within an organisation to examine and evaluate its activities as a service to the organisation". Internal auditors, therefore, are employees of an organisation hired to assess and evaluate its system of internal control (Fowzia 2010:22). Fraser and Pong (2009:105) argue that the internal audit function operates independently from other sections within the organisation and reports to the audit committee. The objective of internal auditing is to assist members of the organisation to effectively discharge their responsibilities. Top management is responsible for ensuring that, as far as possible, the internal audit function, while carried out by the organisation's employees, is free from restrictions that could limit its scope (Fowzia 2010:22). It is mandatory, therefore, that the internal audit function be responsible only to the audit committee to preserve the independence of the internal auditor from influences by the personnel subject to internal auditing (Fraser & Pong 2009:105).

Internal audit has responsibility for checking and examining that the systems through which transactions pass are operating efficiently and are implemented at all times. Furthermore, Elliot (2007:555) argues that internal auditing must not be confined to financial transactions only. The internal auditing processes serve also to review compliance with laws, regulations and other external requirements; internal policies and directives and other requirements including appropriate authorisation of transactions (Fargason 2011). In the final analysis, it should assist the organisation through its fact-finding, judgmental evaluation followed by recommendations, and follow-up action. The internal auditor can also assist line management by ensuring that adequate controls have been implemented and are operating effectively or by identifying

weaknesses in the system and recommended remedial actions, where necessary (Thompson 2003:17). Internal auditing has a role to play in an organisation's corporate governance, internal control structure, risk management analysis, records management and financial reporting process. With regard to records management, internal auditors can help improve the effectiveness of record-keeping by highlighting areas in which records managers can improve, as well as acknowledging areas in which they performed well (Isa 2009:82).

Elliot (2007:554) indicates that internal audit schemes are often derived from the ISO 9001:2008 Standard, clause 8.2.2, which stipulates the need (or mandatory requirement) for an internal auditing process. In the South African public sector, the concepts of internal audit functions and audit committees were only introduced during 2000, after the enactment of PFMA (Nair 2006/07:11). Therefore, it is a legislative requirement for governmental bodies in South Africa to establish an internal audit function. PFMA stipulates that that the accounting officer should ensure that governmental bodies establish and maintain a system of internal auditing. Furthermore, section 165 (1) of MFMA requires each municipality to have an internal audit unit. The internal audit function may be outsourced if the organisation requires assistance to develop its internal capacity and the management has determined that this is feasible or cost-effective. De Jager (2006/07:3) points out that the internal audit function in South Africa has grown significantly as a result of the release of the King Report III, PFMA and MFMA. The effectiveness of internal audit activity is to a large extent dependent on the effectiveness of audit committees. This in turn will enhance the intrinsic value of the contribution that the internal audit function already makes to the furthering of accountability. Nair (2006/07:12) observes that AGSA has on several occasions reported that audit committees in government are generally ineffective; hence this study would like to establish whether such committees exist in governmental bodies as required by legislation and the King Report III. The introduction of PFMA and MFMA had a significant effect on internal auditing, as it resulted in internal auditing becoming a legislated component of public sector administration. However, Janse van Rensburg and Coetzee (2010/11:29) believe that these pieces of legislation have brought several new challenges for the government. One of these challenges is the fact that the government is facing an increase in demands for better quality and higher quantity of service delivering, while at the

same time is required to keep tight control of expenses incurred in producing these results. All is not lost, as the internal audit function is in the ideal position to assist government with this task.

The establishment of an internal audit function is an important contributing factor towards good governance. Internal auditing can assist organisations in improving the effectiveness, efficiency and economy of their operational units by enhancing the control of procedures and evaluating the effectiveness of their policies and procedures. According to Ferreira (2007:30) the greatest value of internal auditing is in the area of providing assurance that significant business risk is being appropriately managed and that the risk management framework is operating effectively. Truter (2007:104) observed that the process of documenting evidence is vital but difficult in the public sector as a result of the absence of systematic record-keeping systems. As AG (2011b) has rightly observed, most public organisations do not prepare audits for external auditors and this culminates in negative audit results.

Given the different needs and structuring of governmental bodies, the role of the internal audit department will vary. However, the internal audit department's functions and responsibilities should be set out in an internal audit charter to emphasize the importance and necessity of their function in an organisation. AGSA (2010b) highlights the aims of an internal audit function as to:

1. provide the management of the organisation an objective assurance and consulting activity, guided by the philosophy of adding value to improve the operations,

2. assist the management and the organisation to accomplish its objectives by ensuring a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance process,

3. assist the management with the effective discharge of their responsibilities, by furnishing them with independent analysis, appraisals, recommendations and information concerning the activities they have reviewed, and

4. embody support to management in identifying and managing risks, thereby enabling them to effectively manage the organisation. This can be achieved through control self-assessment (CSA) where an interactive discussion-based workshop is held between the internal audit department and the management to identify goals and objectives and the

risks threatening the accomplishment of such goals and objectives. Furthermore, it can be achieved by enhancing the management's understanding of risk management and underlying concepts and by assisting them in implementing an effective risk management process. Internal audit will also provide feedback on the quality of the organisation's controls and performance.

The Professional Standards of the Institute of Internal Auditors (PSIIA) best describe the responsibilities of internal audit function as to:

- review the reliability and integrity of financial and operating information, and the efficiency of systems to identify, measure, classify, and report on such information.
- review the systems established to ensure compliance with management policies, plans, procedures, laws and regulations which could have a significant impact on operations and management information.
- review the systems and compliance therewith relating to the safeguarding of assets and verify the existence of such assets.
- appraise the degree of economy, efficiency and effectiveness with which resources are employed.
- review operations or programmes to ascertain whether results are consistent with established objectives and goals and whether operations or programme are carried out as planned.

It is clear from the discussion that the internal audit function should have an understanding of the operational unit's objective and related risks impacting on its performance, before they can be seen as a dynamic management tool that will make a positive contribution to the achievement of the organisation's objectives. Internal audit has evolved over the past few years into a profession in its own right, and if applied to its full potential, an effective internal audit department will be a very valuable control mechanism that will be to the advantage of not only the external auditors, but also to the management. The services that the internal audit function provides to a government organisation are typically assurance services, consulting services or a combination of the two (Janse van Rensburg & Coetzee 2010/11:30). The advantages of a well-established and professional internal audit department can be far-reaching in the context of good governance.

2.4.1.2 External auditing and its role in the public sector

The external audit function entails an independent examination of the financial statements of an entity for the purpose of expressing an opinion thereon (Thompson 2003:17). The external audit function is designed to promote accountability and to improve the reliability and trustworthiness of financial reports. Government has a moral and legal responsibility to report on their performance. Those from whom they receive authority and those to whom they provide a service have a right to know. There has been a rise in public expectations for effective performance and governance as well as transparency and public accountability (Norgen 2010:2). Through recorded information, the public has the opportunity to assess whether the government has been equal to its assignment or has fallen short on ability, achievement or even honesty. Public records, if well managed, have the potential to provide a meaningful resource through which both the executive and civil service machinery can present themselves as honest, well-meaning and accountable. The necessity for the regulation and control of the spending of public monies by government has long been recognised. In democracies that duty essentially belongs to Parliament. The latter, however, does not have the ability to audit the books of the many institutions that spent public funds. For that special purpose, parliaments and other legislative bodies are assisted by the SAIs in their land. A SAI provides the highest level of external auditing of governmental bodies in a country.

An important point of departure in constructing democratic institutions is that power and resources can be misused, leading to an erosion of trust that can undermine the essence of the democratic system (Kayrak 2008:62). It is, therefore, critical that the citizens of a country should be able to hold their leaders accountable (Norgen 2010:1). The democratically elected representatives can only be held accountable if they, in turn, can hold accountable those who have to implement their decisions. Legislatures, therefore, need a SAI that can serve as a tool in the checks and balances of public accountability and promote such accountability through the transparency created by making public its audit reports (Kayrak 2008:62). Such a body has to be independent in order to be trustworthy. The SAI plays a significant role in ensuring that public funds are spent in a manner that will improve the lives of ordinary people (AGSA 2010a). They

enable those charged with governance and oversight to fulfil their functions more effectively by providing information and insight.

As explained in Section 1.3, in South Africa, this responsibility lies with AGSA. The SAI of the country is a watchdog agency that carries out external auditing of expenditure, income and assets of all government institutions in general (Norgen 2010:10). The SAI is regarded as a prominent figure to ensure public sector transparency and accountability, albeit a lack of functional, institutional and financial independence would be seriously detrimental to their proper functioning. In figuring out the vital role of the SAI in financial management and control systems, it should be underscored that it is granted essential legal powers and tools in order to audit all public funds, resources and activities and report audit findings to the parliament so as to reinforce parliamentary oversight over executive branch and publicize them (Kayrak 2008:62). This is true in most of the World Bank's borrowing countries, as constitutional or legal arrangements provide for an SAI to report independently on the use of public resources (Benner & De Haan 2008:16). The role that the SAI can play in the strengthening of public finance management and performance by enabling oversight, accountability and good governance has always been rated as a mainstay of democratic society.

The SAI is well placed to promote the integrity of the public sector by contributing to accountability and transparency (Benner & De Haan 2008:16). No matter through what type of public organisations government power and authority are developed, it is the adequacy of any checks and balances in the exercising of that power that determines its public acceptability (Kayrak 2008:62). Checks and balances come in many forms, including parliamentary oversight, courts of law and a wide variety of oversight bodies such as the auditor general. The SAI has an important role to play in facilitating effective accountability through auditing on behalf of the taxpayer. The SAI therefore promotes:
- clean and transparent administration;
- the efficient and effective utilization of resources; and
- good governance.

The benefits of external auditing are to add credibility to the information provided, assist in the strengthening of oversight, accountability and governance in the public sector, assist in giving momentum to the process of transformation of financial management in the public sector, and to provide insights so as to facilitate foresight of decision-makers (Fadzil, Haron & Jantan 2005:833). The external auditor helps an entity achieve its objectives by bringing an independent and objective view. According to Thompson (2003:17-18) the external auditor contributes directly through its "audits - whether compliance, financial statement, value-for-money, comprehensive or performance audits - and indirectly by providing useful information to management, the board of directors, and shareholders/stakeholders". The accountability of a governmental body can arguably only be achieved when it demonstrates considerable transparency, which in turn can only take place when trust is supported by authentic and reliable records.

According to Nel (2011) auditors in the public sector have four areas of interest in proper records management: compliance, accountability, operational efficiency and robust world class public institutions. The foundation for all these areas is records. Inadequate records, for example, limit auditors from expressing an opinion. This has dire consequences for the lives of all citizens as auditors cannot confirm that the money was spent wisely by public organisations. Therefore, Nel (2011) recommends that records management must be viewed as a business process designed to support business objectives. Furthermore, a culture that promotes effective and efficient records management to facilitate timely decision-making should be instituted by public organisations.

It is not the external auditor's official role to investigate intent or actions. Instead it is within their remit to report that they are 'unable to give an opinion' when records are not available, are untidy or are out of date (IRMT 1999a). If auditors' suspicions are raised, they can then notify the appropriate authorities and may, in some cases, assist in investigations. However, standards and best practices for financial record-keeping must be in place in order to evaluate the adequacy of record-keeping systems and the auditor's role ought to be strengthened to enable them to comment on the provision of records. Without any objective way to evaluate the adequacy of record-keeping systems (best practice guidelines and standards) it is impossible to criticise current systems and encourage improvements.

2.4.1.3 Relationship and differences between internal and external auditing in the public sector

Fowzia (2010:22) and Pop, Bota-Avram and Bota-Avram (2011) argue that co-operation between internal and external auditing leads to a range of benefits for both parties. For example, the co-operation will help external auditors to raise the efficiency of the FS. From the internal audit perspective, the coordination assures a plus of essential information on the assessment of risk controls. The external auditor, without the assistance of the internal auditor would be too expensive as the audit method and fees follow a risk-based approach (Bhana & Ngoepe 2009:20).

Pilcher, Gilchrist and Singh (2011) correctly argue that the extent of reliance of the external auditor on the internal auditor's work depends on the quality of the internal audit function. Indeed, as AG (2011b) would agree, the internal audit function serves as a potentially valuable control to each of the components of corporate governance: external auditors and audit committee. Pilcher, Gilchrist and Singh (2011) contend that the Auditing Standard of Australia (ASA) 610 provides guidance to the external auditor on whether and to what extent reliance should be placed on the internal auditors.

Broadly speaking, the records requirements of external auditors are the same as those for internal auditors. As part of the regularity audit, the work and activities of the internal audit and its effect on the external audit procedures should be considered. While the SAI has the sole responsibility of expressing an audit opinion and determining the nature, timing and extent of audit procedures, certain parts of the internal audit work may be useful. An effective internal audit department will prompt the SAI to rely on controls rather than to take a more substantive route. As part of assessing the effectiveness of internal controls, the external auditor must obtain an understanding of the internal audit department during strategic planning and assess its effectiveness, as it will influence the nature and timing of the external audit, as well as the extent of the audit procedures. Apart from the financial implication, the internal audit department can be a valuable source of information to the external auditors by making it possible for them (external auditors) to obtain a high level of understanding of the business of the auditee.

Glass (2005) stresses that in almost every sense, the relationship between internal and external auditing should not differ between the public and private sector. This is because essentially the same standards apply and the individuals involved in the auditing process share a common base of training and experience. What is more, auditors (both internal and external) are (or should be) ultimately concerned about the wise and prudent management of entity resources that have been entrusted to managers on behalf of the entity's "owners" (Glass 2005).

Internal and external audits differ with regard to the level of their independence or objectivity, accountability, responsibility and the scope of the work performed, as well as in the way they deal with concepts of materiality, control and risk as outlined in Table 2.3. These differences underlie and account for the differences in the approach followed by each of them.

Area	Internal audit	External audit
Table 2.3: Differences between internal and external audits (AGSA 2010b; Pop, Bota-Avram & Bota-Avram 2011)		
Independence	- Operates as part of the organisation they serve. - Appropriate organisational status necessary to enhance objectivity.	- Completely independent from the organisation they audit.
Accountability	- Accountable to the organisation they serve.	- Accountable to the legislature or governing board of the auditee.
Responsibility	- Responsibility towards the organisation they serve as set out in the internal audit charter and senior management.	- Statutory responsibility to express an independent opinion on the financial statements of the auditee.
Scope	- Depends on limits, if any, as set by the audit committee, internal audit charter and senior management. - Can cover all aspects of internal controls including financial, operation and compliance control.	- In the public sector – the functions of the SAI are set out in the constitution, for example, AGSA's functions are set out in the Constitution and the Public Audit Act (No. 25 of 2004) and those of the Office of the Auditor General of Botswana is set out in the Financial & Audit Act.
Concept of materiality	- Used to determine scope, focus and depth of audit work and the assessment of the effectiveness of the control environment.	- Fundamental for the planning, performing and finalisation of an audit.
Concept of internal control	- To assure senior management that control activities are adequate and operating efficiently.	- Need to review the effectiveness of internal controls to provide assurance that the financial statements are fairly presented.
Concept of risk	- Perform risk assessments to identify audit focus areas. - Use risk assessments as a tool to assist senior management in managing risk.	- Perform risk assessments to identify audit focus areas. - Use risk assessments to assess the effectiveness of the controls.

It is clear from the preceding discussion that the internal audit function evaluates and assesses compliance with financial regulations and the accounting manual, tests the operational controls of the system and checks the credibility of transactions. On the other hand, the external auditing function imposes control through an independent review and appraisal of the financial system.

2.4.2 Audit committee

According to Ferreira (2007:4) in order to ensure that organisations increase good corporate governance, a well-functioning audit committee should be in place. Ferreira (2007:27) defines audit committee as a "standing committee of the management created to provide an oversight function on behalf of the management with regard to financial reporting process, internal control, risk management, auditing and governance process". The concept audit committee was conceived in 1939. It was only in 1940 that the New York Stock Exchange (NYSE) endorsed the concept (Isa 2009:133). Since the 1970s the role of the audit committee has received more attention, as a result of the Watergate scandal[5] (Ferreira 2007:32). The audit committee could benefit the organisations by reviewing the performance of internal auditors and facilitating risk management and controls. An audit committee is part of internal control systems that are essential for preparing the organisation for an audit. The audit committee ensures the integrity of integrated reporting and internal financial controls and identifies and manages financial risk. It is also responsible for overseeing the internal audit function's integral component of the risk management (IDOSA 2009:56).

Traditionally, the role of an audit committee was to oversee, monitor and advise entity management and external auditing in conducting audits and preparing statements. The role changed as a result of corporate scandals such as Enron and WorldCom (Isa 2009:133). While the King Report III recommends the establishment of an audit committee for the private and public sectors, PFMA and MFMA compel all public institutions to establish an effective and efficient audit committee. Principle 3.1 of the King Report III calls for the board/management to ensure that the organisation has an effective and independent audit committee (IDOSA 2009:56). As highlighted above, it is a statutory requirement in South Africa for the creation of an audit committee. In terms of section 77 of PFMA, an audit committee must be established and consist

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[5] Watergate is a general term used to describe a political scandal between 1972 and 1974. The word refers to the Watergate Hotel in Washing D.C. It was here that the office of the Democratic National Committee was burgled on 17 June 1972. The burglary and subsequent cover-up eventually led to moves to impeach President Richard Nixon. Nixon resigned the presidency on 8 August 1974. "Watergate" is now an all-encompassing term used to refer to: political burglary, bribery, extortion, phone tapping, conspiracy, obstruction of justice, destruction of evidence, tax fraud, illegal use of government agencies such as the CIA and the FBI, illegal campaign contributions and use of public money for private purposes. Most of all, "Watergate" is synonymous with abuse of power. http://watergate.info/background/

of at least three persons of whom, in the case of a department:—

(i)   one must be from outside the public service;

(ii)   the majority may not be persons in the employ of the department, except with the approval of the treasury; and

(iii)   the chairperson may not be in the employ of the department; must meet at least twice a year; and may be established for two or more departments or institutions if the treasury consider it to be more economical.

Equally, section 166 (1) of MFMA requires each municipality to have an audit committee. The role of the audit committee is to function as an independent advisory body to the municipal council, accounting officer and political office-bearers on matters relating to risk management, accounting policies, internal controls and audits). However, as IRMT (1999b:65) would concur, the surprise omission from the layer is records management. It is record-keeping that gives form and substance to financial systems and provides the means by which financial decisions and transactions may be verified and reported. In this regard, the audit committees should assist management in discharging their duties relating to the safeguarding of information assets and the preparation of financial reporting.

Nair (2006/07:11) argues that despite PFMA and MFMA having clear and noble intentions to improve financial management in the public sector, most governmental bodies still appear to be struggling with certain aspects of its implementation. This led to AG expressing concern in the GRAO that certain areas of financial management were still problematic in the public sector. In this regard, AG (2011a) has specifically identified the following areas that still appear to pose challenges:

- Internal audit and audit committees.
- Risk management.
- Internal controls.
- Record-keeping.
- Supply chain management.

It has also been revealed in research by scholars such as Cascarino and Van Esch (2005:179), Isa

(2009:133) and Njunga (2008:8) that many audit committee members do not possess the necessary skills, knowledge and experience to act as audit committee member both in the public and private sectors. Njunga (2008:8) casts aspersions that most governmental bodies appoint members of the internal audit committee just to comply with PFMA and MFMA, but not for the purpose of improving corporate governance. As a result, many audit committee members lack the necessary skills and competency to help governmental bodies to achieve clean audits.

2.4.3 Internal controls

Internal control has always been regarded as a priority strategic corporate governance defence mechanism. It is a value-added management tool and not an admin burden. According to Naciri (2010:109) it provides reasonable assurance regarding the achievement of objectives in the following categories:

1. effectiveness and efficiency of operations.
2. compliance with applicable laws and regulations.
3. reliability of financial reporting.

Different aspects of an entity's internal control may affect the outcome of an audit. A system of internal control, which includes an internal audit function and proper records management, plays a significant role in the governance process. Proper internal controls are critical for management to discharge their responsibilities effectively. Only from this position can management have confidence in the integrity and adequacy of information used for decision-making. Internal control is a dynamic integral process that is continuously adapting to the changes an organisation is facing. Management and personnel at all levels have to be involved in this process to address risks and to provide reasonable assurance of the achievement of the entity's mission and general objectives (INCOSAI 2010:6).

In South Africa, PFMA and MFMA urge public organisations to establish a system of internal control of assets and liabilities (including registers), as may be prescribed. Furthermore, accounting principles and internal audit rules require that organisations establish adequate and functional internal controls to improve corporate governance processes. These principles include

the GAAP and the IIA standards. Internal controls play an important role in corporate governance systems. Controls help organisations to prepare accurate and complete financial statements at the end of each month and quarter.

In his monthly online column, AG (2011a) emphasises the importance of leadership in relation to the design, implementation and maintenance of effective internal control systems within government departments, municipalities and entities. For government entities to obtain clean audit reports, AG (2011a) posits that the final thrust, even though it lies with government decision-makers and policy-makers will only happen when all public service employees put their collective weight together and influence initiatives (such as proper records management, right tone from the leadership regarding good governance and implementing key controls) aimed at improving good governance. In trying to help governmental bodies to achieve clean audit reports, AGSA has introduced a quarterly snapshot of whether auditees have improved, remained stagnant, regressed or failed to implement audit recommendations towards clean administration since the last tabled annual reports (AG 2011a). This tracking process incorporates the key control dashboard and assessments are done by AGSA at the auditee on quarterly basis. It is envisaged that this will assist the leadership to spot and remedy loopholes in their administrative system early, instead of waiting for the annual audit cycles legislated by PFMA and MFMA. The tool is further aimed at facilitating discussions with the legislature and leadership in proactively helping them to focus on the key areas of concern in their respective portfolios (AG 2011a). In adopting this tool, the leadership in government will have constructive accountability sessions with their administrators on matters related to corporate governance.

The assessment of internal controls by AGSA does not constitute an audit, but according to AG (2011b), it is part of an early warning system to guide leadership towards enhanced audit outcomes. These assessments gauge the strength of key controls, point out any deficiencies and address lapses before the commencement of the annual audit cycle. The matters assessed by AGSA in the quarterly key control visits include: the role of leadership in driving improved audit outcomes, financial and performance management and information management. For an entity to have sound financial controls, AG (2011b) recommended that management should regularly review interim/monthly reporting and prepare regular, accurate and complete financial and

performance reports that are supported by reliable sources of records. Therefore, a proper records management system must also be in place. AG (2011b) encouraged governmental bodies to proactively develop a compliance checklist to prevent deviations from laws and regulations.

Strengthening the role of records management as an internal control system should become a distinct component in institutional and technical capacity building. Records management reforms should be tightly integrated with information technology, as well as overall economic development plans. For this to become reality, records management must be judged as a specialization requiring particular skills (IRMT 1999b:94). From the internal control and audit perspectives, the movement of records within the financial management structure should be prompt, seamless and secure. Therefore, records managers and those involved in the internal control and auditing process need to participate in designing systems, monitoring their operation, and recommending improvements. IRMT (1999a:3) decries that accountants and auditors understand that records are needed for accountability, but are only just beginning to recognise the need for records management.

2.5 The role of records management in demonstrating accountability, transparency and good governance

Good governance, accountability and transparency have long been established as the basic principles of governing organisations, particularly public institutions. These principles hinge on the availability of information to members of the public, as well as on being open about how the institutions are governed and decisions are made. According to Wamukoya (2000:25), the need for records and the role of record-keeping operate in three distinct domains, namely: the business domain, the accountability domain and cultural domain.

- Business domain: government departments need records to conduct their business and to support further service delivery.
- Accountability domain: records are an indispensable ingredient in organisational accountability, both internal (such as reporting relationships) and external (to regulators, customers, shareholders and the law). Records show whether the organisation or individuals in it have met defined legal, organisational, social or moral obligations in

specific cases. In all accountability forums, records are consulted as proof of activity by senior managers, auditors, lawyers and others.

- Cultural domain: demands that records are preserved and made available to society for posterity and for historical research. This provides the basis for writing a country's cultural and national history. It is when records are used for any purpose beyond the support of the business activity which created them or for accountability for that business activity. Records may be regarded as becoming part of the resources available to society to account for its collective behaviour. Records function as the memory of individuals, organisations and society.

Chinyemba (2011) further argues that reliable records are the basis for organisations to achieve accountability, transparency and good governance.

2.5.1 Accountability

In a discussion paper, INCOSAI (2010:4) argues that in a democratic society, structures are created and elected representatives are empowered to implement the will of the people and act on their behalf. In constructing a democratic institution, an assumption is that power and resources can be misused, leading to an erosion of trust that can undermine the essence of the democratic system. In this regard, it is imperative that the citizens should be able to hold government accountable (Norgen 2010). Therefore, accountability is the requirement to give an account of how a responsibility that has been conferred or delegated to some person or institution has been carried out or fulfilled by that person or institution (Witthöft 2003/04).

Witthöft (2003/04) describes accountability as the requirement to give account of the performance of a duty or competency, entrusted to a person or organisation. In other words, it is the obligation to answer for a responsibility that has been conferred. It is often linked with the obligation of leaders, governments and managers to answer for their actions to those who selected, elected or appointed them (Thompson 2001:16). In this regard, the ultimately accountability rests on the shoulders of those who have been given authority. Where there is a distinction between the owners of the funds and the administrators of the funds, there is a need for mechanisms to assure the owners of the funds and the public that the information is accurate

and reliable (Roos 2009/10:31). This requirement is particularly necessary in the case of public organisations, and for elected representatives with a duty of accountability to the public, and to the different operational structures delivering services in the public sector (De Jager 2004/05:4). According to de Jager (2006/07:4), mechanisms that enhance the fostering of accountability, transparency and good governance are the internal audit function and the audit committee within the reporting entity, and the external auditors are outside the reporting entity. Again, the surprise omission is records management. If these mechanisms are non-existent, or dormant in an organisation, the accountability chain will be broken (De Jager 2006/07:3; Roos 2009/10:31).

Ngulube (2004:2) posits that "accountability implies that organisations and individuals should be able to explain their actions to others in a transparent and justifiable manner". To be accountable in the sense expected by modern governance is no easy matter. Accountability requires that the systems of reporting and controls in the organisation must be appropriate and transparent. At the base of many of these systems lay the basic system of record-keeping (Ngoepe 2004:3). The mechanisms for accountability within the government cannot work properly without good records management. Records are the primary means by which governmental bodies explain their decisions and prove what they have done (Chibambo 2003). If records were never going to be used again it would not matter how they were stored. A government department's ability to function efficiently and give account of its actions could be negatively affected if proper records management practices are not applied. The absence of practices to organise and dispose of records can seriously impair the government's ability to be accountable, adopt policies, make decisions and deliver services (Ngoepe 2004:3). To this end, it is imperative that a government department should take responsibility for ensuring that its records management practices are aligned with the broader principles of good governance (Ngoepe & Van der Walt 2009:117).

Information, particularly in the form of records, is essential for supporting accountability both in the broadest sense and also in terms of financial accountability. With the drive toward modernising administration there is a corresponding need to ensure accountability through a greater magnitude of internal and external controls. Information on what public servants knew, when they knew about it, what action they took, and the subsequent outcome is critical to establishing accountability.

In a nutshell, accountability can be achieved by:

- compliance with the law, internal and external regulations.
- fulfilling auditing requirements.
- responding to challenge (Shepherd & Yeo 2003).

To support accountability requirements, record-keeping systems must be designed to ensure the creation of adequate records and their capturing, maintenance and accessibility over time (Upward 2000). If governmental bodies have a quest for accountability, they must establish and invest in a viable records management programme. Ironically, research shows that some areas of public administration are reluctant to embrace the contribution records management can make to good governance and accountability (Isa 2009:133). This presupposes that understandable information is readily available and accessible by all stakeholders who will be affected by the decisions taken and their enforcement (Upward 2000). Records can foster accountability in the organisation by indicating that the institution is conducting its financial affairs in a compliant and transparent manner.

2.5.2 Transparency

Having considered what accountability entails, attention now is directed to the issue of transparency. Transparency is the ease with which an outsider is able to make a meaningful analysis of an organisation's actions and its economic fundamentals (IRMT 1999d:111). Organisations must make the necessary information available in a frank and accurate manner on a timely basis. As Chinyemba (2011) would attest, transparency is established by the availability of reliable records about how the institution conducts its business. Indeed, records are an indispensable element of transparency, both within the organisation and externally. Whether it is regulators or auditors, shareholders or citizens, the first step in an accountable organisation is transparency of processes. This, according to Willis (2005:90) requires effective maintenance of and appropriate access to accurate records. Therefore, records management practices should not be seen in isolation, but rather as a vital accountability element of a sound corporate governance framework.

The demand for transparency, either political or managerial, is greater than ever as a society became more complex and global (Isa 2009:231). Without reliable and authentic documentary evidence, an organisation cannot demonstrate to its shareholders, stakeholders and the public that it has used resources responsibly and it has fulfilled its mandate. Relatively, the public sector has to demonstrate a greater transparency than the private sector because resources mainly come from taxpayers' money. The private sector mostly needs to satisfy their shareholders and stakeholders (Isa 2009:231). Arguably, transparency enables accountability by providing reliable, relevant and timely information about the organisation's activities to the authority or public. Cases of poor governance proved that wherever corruption and a failure of accountability are found, an associated failure in record-keeping is, almost, invariably, identified as part of the cause (Isa 2009:231). This point is also emphasised by Palmer as quoted by Ndenje-Sichalwe and Ngulube (2009:5) that in all transparency forums, records are consulted as proof of activity by auditors, lawyers or by anyone inquiring into a decision, process or performance of an organisation. Records are the primary means by which governmental bodies explain their decisions and show what they have done. This means transparency is demonstrated through information contained in records.

2.5.3 Good governance

The two key indicators of good governance (accountability and transparency) were discussed. Good governance goes wider and hinges on the cardinal value of fairness and transparency. According to Chinyemba (2011) good governance principles were established to protect all stakeholders and society against the excessive concentration of power in the hands of management. Good governance and access to information require proper records management practices, so that public officials can account for their decisions and activities with reference to accurate, reliable and accessible information.

Isa (2009:146) suggests that the public sector should possess a proper record-keeping system in order to retain the public trust. Every investigation requires an effective record-keeping system to be conducted. However, in reality, records management is rarely considered as important in underpinning efficient services. Records that are maintained in a properly established records

management programme are an instrument for establishing good governance (Chinyemba 2011). Yet few governmental bodies have in place a robust records management programme that can support good governance. An effective records management programme ensures that the organisation maintains an auditable trail of how money has been spent and how decisions have been made (IRMT 1999d:111). It also provides the evidence-base to assist organisational compliance with legislation and regulations governing operation.

According to Ngoepe and Van der Walt (2010:88) the elements of proper records management that can enable good corporate governance include:
   (i)   Records management strategy.
   (ii) Records management policy and procedures.
   (iii) Records control mechanism, for example, filing system, records control schedule, register of files opened and destruction register.
   (iv) Disposal programme.
   (v)   Training.

A study by the World Bank in 1989 linked good governance to leadership, accountability, access to records, among others (Akotia 2005:3). Wamukoya, as quoted by Ndenje-Sichalwe and Ngulube (2009:5), catapults that the chaotic state of public records in many African countries and the near the collapse of record-keeping system in some of the countries make it virtually impossible to hold officials accountable for their actions. Kemoni, Ngulube and Stilwell (2007:4) note that records are key tools in meeting governance objectives such as auditing and management of resources. ICA (2004) also observes that records provide evidence of activities and transactions. Cox and Wallace (2002) are of the opinion that the most salient feature of records is their power as sources of accountability. Willis (2005:86) cites six key requirements that are delivered by proper records management:
   (i)   Transparency – doing things in a way that is open to scrutiny.
   (ii) Accountability – having to answer for the things one does.
   (iii) Due process – doing things in an agreed, documented and controlled manner.
   (iv) Compliance – having systems to ensure that things are properly done.
   (v)   Meeting statutory – meeting applicable legal obligations, for example, PFMA.

(vi)Security of information – having systems to ensure protection of information.

Bearing in mind the role of proper records management in organisations, Willis (2005:88) recommends that a robust records management policy should form part of an organisation's corporate governance and auditing process. In this regard, a records management programme should provide the framework for the physical and logical control of records and prevent unauthorised access, tampering, loss, or destruction (whether intentional or accidental). Internal control and audit are concerned with reviewing the economy, efficiency and effectiveness of operations. The physical framework that records management provides should add another layer of security and reassurance that operations are functioning to the level required (IRMT 1999d: 111, Isa 2009:146).

2.5.4 Legislative framework for accountability, transparency, risk management and good governance in South Africa

In the South African public sector, the demands for greater accountability, transparency, risk management and good governance are clearly reflected in the 1996 Constitution, PFMA, MFMA and lately the King Report III which is applicable to both the public and private sectors. The Constitution of South Africa provides the foundation for efficient and effective public service delivery. Section 195(1)(f) of the Constitution of South Africa (Act No. 108 of 1996) determines that government should be accountable and transparent. Accountability and transparency can only be achieved if:

- the public, to which governmental bodies are accountable, has ready access to all information that underpins the decision-making processes of governmental bodies; and
- AGSA has ready access to information on the financial transactions of governmental bodies, to enable it to report to the public on the spending of their tax monies.

The Constitution also provides for national legislation to establish the general policy framework by which governmental bodies should operate to ensure effectiveness and efficiency. The National Archives and Records Service of South Africa Act (Act No. 43 of 1996) provides the legal framework according to which records management practices are regulated. Furthermore,

the Promotion of Access to Information Act (Act No. 2 of 2000) provides an opportunity for members of the public to scrutinise the affairs of public and private organisations through request for access to records. Therefore, governmental bodies should recognise their responsibility by implementing and maintaining proper records management. Governmental bodies can only be effective and efficient if:

- records management is considered a business process designed to support business objectives;
- records are considered a resource and are utilised fully to realise business objectives; and
- each governmental body creates and maintains a culture which promotes proper records management to facilitate efficient and timely decision-making.

PFMA and MFMA enable accounting officers to manage the resources allocated to their institutions and, at the same time, hold them accountable for these resources (Du Plessis 2004/05). Both PFMA and MFMA require government departments and municipalities for each financial year to prepare AFS which fairly present the state of affairs of the government department or municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year. These FS must be submitted to AGSA for auditing within a stipulated time, that is, within two months after the end of the financial year to which those statements relate.

A proper records management programme is a critical element for an organisation to prepare its FS. It will allow for verification of the completeness and accuracy of data reported in FS and assist in the execution of the auditing process. Therefore, a records management programme should ensure that financial records are maintained throughout the entire life cycle in a consistent and systematic manner, and that the audit function and external accountability of the organisation is supported (Appendix F is a checklist for assessing organisations on their records management programme).

On the other hand, clause 36 of the King Report III states that records are the most important information assets as they are evidence of business activities. Furthermore, clause 37

recommends that the board/management should ensure that there are systems in place for the information management assets by:

(i) ensuring the availability of information in a timely manner.

(ii) implementing a suitable information security management programme.

(iii) ensuring that all sensitive information is identified and classified.

Risk management is an important part of the system of checks and balances of good corporate governance as required by the King Report III, PFMA and MFMA. The King Report III calls for continuous risk assessments and related risk actions and disclosures. It specifically relates to a risk-based approach to establishing a system of internal control and the review of effectiveness which organisations are required to make to be compliant. The entire risk management process and risk governance is contained in this guideline. The King Report III stipulates that ERM is the responsibility of managers at all levels, and should be practised by all staff on a daily basis. However, the ultimate accountability with regard to ERM lies with the board. The King Report III focuses on defining roles and responsibilities for risk management which are crucial in the successful embedding of risk management within organisations. Supporting this is the concept that risk must not reside with one person or function, that is, the chief risk officer (CRO) or the risk management function, but risk requires an inclusive approach across the company in order to be successful.

MFMA has a requirement in terms of section 62 (1) (c) (i) for effective, efficient and transparent system of risk management. Section 38 of the PFMA requires government departments to institute and maintain effective, efficient and transparent systems of financial and risk management. The National Treasury has also provided guidance with the Public Sector Risk Management Framework. PFMA requires all public entities and departments to ensure that they develop and maintain effective and efficient systems of financial and risk management and internal control. They also have to develop and maintain a system of internal audit under the control and direction of an audit committee, prevent losses resulting from criminal conduct and take effective and appropriate steps against perpetrators.

It is clear from the preceding discussion that the King Report III and the promulgation of PFMA and MFMA have enhanced the intrinsic value of the contribution of the internal audit functions and audit committee to fostering accountability in the South African public sector. Perhaps the discussion can be summed with a statement by Mwakyembe (2000) that "without access to recorded information, there is no transparency, without transparency, there can be no accountability; and without accountability, there is no democracy".

2.6   The implications of records management towards risk mitigation

This section discusses the nexus between records management and risk management. Fraser and Henry (2007:393) are of the view that the relationship between risk management and records management has not been clearly articulated by scholars. Isa (2009:4) ponders that the embedding of records management into the risk management function is a long-term exercise to ensure that records consideration is at the heart of all management processes. Both public and private organisations face different kinds of risks daily that affect the reliability of records and effectiveness of internal controls, such as making loss, negative cash flows and ultimate bankruptcy which can lead to liquidation. According to Ebaid (2011:108) it is difficult for organisations to avoid risk. However, what matter most is the management of identified risks the organisation is exposed to. Thus, effective risk management plays an integral part in the development of the control environment which, in turn, provides management with the necessary assurances that the organisation will achieve its objectives within an acceptable degree of residual risk. In a nutshell, risk management is the cornerstone of good corporate governance. Sarens and de Beelde (2006:64) rightly observe that effective corporate governance, risk management and records management are not easily achieved in many organisations.

Willis (2005:88) suggests that a robust records management programme should form part of the organisation's risk management process, as records and the management of risk are considered inseparable. This way, the lowly spirit of records management in many organisations would be revived. Fraser and Henry (2007:393) identify two contexts in which the inseparability and nexus between records and risks can be considered, namely: records for mitigating business risk and business risks associated with managing records. Therefore, the following sections discuss the

role of records management in mitigating risk. As well, risks emanating from poor or lack of records management are identified and discussed. As Isa (2009:3-4) would attest, it is essential to explore the relationship between these two areas in order for organisations to benefit from the synergy of their integration. Nowadays, few areas in any sector are getting as much attention as risk management in many organisations. Therefore, records management can utilise the opportunity to leverage its low status by integrating with risk management.

2.6.1 The relationship between records management and risk management

Even though the relationship between records management and risk management has not been clearly articulated as pondered by Fraser and Henry (2007:393), several scholars such as Isa (2009); Lemieux (2010); Williams, Bertsch & Dale (2006) and Willis (2005) have investigated the nexus between the two fields. In a study conducted by IIA (2009), it was revealed that many organisations thought they did not really understand the link between risk and records management. On the other hand, Chernobai, Rachev and Fabozzi (2007:xv) contend that there is a historical relationship between risk management and records management even though the risk management field has its origin in the insurance industry. From time immemorial, human beings have strove for centuries to understand the risk affected by factors such as storm, fire or flood (Graham & Kaye 2006:1). In the 1980s, risk management in manufacturing industries took hold with the adoption of total quality management. Very few organisations took a wide-angle view of risk and controls beyond finance, even in these cases as postulated by Lemieux (2010:210) attention was generally focused on hazard-related or insurable risk. It was only in the 1990s that the field of risk management received greater recognition.

Risk commentators such as Caldwell (2008:164); Fraser and Henry (2007:393); Hiles (2002); Lemieux (2010:211) and Sarens and De Beelde (2006:64) are of the view that the 11 September 2001 incident in the United States changed the world with regard to risk management as many companies ceased to exist after the event. However, the roots of modern risk management are much older and were already deeply embedded in the management of many organisations long before that fateful day in 2001. Risk was rarely projected and it was only when records were kept that an opportunity presented itself to interrogate these records to offer prediction of the future.

Today most organisations have as part of their corporate executive staff, an individual with the title of chief risk officer (CRO). As a result, risk management and corporate governance have been entwined and to many, they were synonymous with good management. This is also manifests itself in governance tendrils such as King Report III and Turnbull.

While internal monitoring bodies within organisations such as internal audit functions and audit committees are becoming increasingly involved in ERM, records management is conspicuous by its absence. Fraser and Henry (2007:393) postulate that historically there has b.een no unit within organisations that was charged with risk management. As a result, internal audit departments and audit committees took the opportunity to fill the gap simply because many risks have an obvious financial dimension. According to ISA (2009:4) records management ensures the availability of records for risk assessment and systematically captured the records of risk management processes, yet it is does not form part of risk management in many organisations. As such it should be involved in or incorporated into the risk management process.

Every organisation creates an array of records relating to internal and external activities relevant to it. These records are needed at all levels of an organisation to identify, assess and respond to risks (COSO 2004:67). Both financial and non-financial records are relevant. For instance, financial information is used in developing FS for reporting purposes. Reliable records are fundamental to planning, budgeting, and a range of other management activities. Information comes from an array of sources and a challenge for management is to process and refine large volumes of data into actionable information. This challenge according to Ngoepe (2011b:106) can be met by establishing a records management programme.

McNamee and Selim developed a model that relates risk management and internal audit to the demands of corporate governance (Van Peursem 2005:489). Equally, Isa (2009) has explored the linkage and made a call for organisations to integrate records management and risk management. He proposed some guidelines of how the integration can be done. Isa (2009:258) recommends that:

> Record-keeping practice and risk management elements must be nurtured and embedded in all
> business activities across the organisation. This can be realised by forming a working committee

comprising the audit committee, archivist and records manager and risk management team to implement such an approach across the board. Therefore, records management professionals should embrace the opportunity to contribute to the achievement of corporate governance.

Effective records management ensures the availability of records for future assessment in order to determine whether the recommended risk mitigation has been followed by relevant business process owners. A review of literature reveals that records management seems to support risk management in several ways. As stated in Section 2.1, in this study risk is approached in two ways, that is, records for mitigating business risk and business risks associated with managing records. Lemieux (2010:210-211) provides a typology between records management and risk management as:

- using records to explore types of risk.
- risk to records.
- records as causes of other types of risk.
- changes to the record that pose a risk to the profession.
- risks associated with traditional archival function.
- records management applying risk management process.

Proper records management can help with the management of these risks. Lomas (2010) argues that just like auditing, records management frameworks need to be risk-based. ISO 27001 provides a clear framework for information management that has the potential to embed the role of records management into organisational structure. Risk assessment is a mandatory part of ISO 27001. Proper record-keeping assists organisations in satisfying clients' needs and also helps it deal positively with risks (ANAO 2003:11). Records provide information of actions performed and decisions taken. Creating and managing records help organisations to do business and manage the risks associated with that business. Without adequate records, organisations may have difficulty providing evidence of its actions and decisions.

It is clear from the preceding discussion that risk management is not a stand-alone activity that is separate from the main activities and processes of the organisation. It is an integral part of all organisational processes. The inputs into the process of managing risk are based on information

sources such as records, experience, stakeholder feedback, observation, forecasts and expert judgement. All decision-making within the organisation, whatever the level of importance and significance, involves the explicit consideration of risks and the application of risk management to some appropriate degree. This can be indicated by records of meetings and decisions to show that explicit discussions on risk took place. Risk management activities should be traceable and records provide the foundation for improvement. Spira and Page (2002:640) chastise the records management community itself for not understanding its role in underpinning the accountability of governance. If this is the case, it is vital for the records management community to scrutinise their present role and approach in order to change the perception by other professions about their contribution towards achieving organisational goals in a highly regulated and compliance-bound environment in both the public and private sectors (Colbert & Alderman 1995:310; Isa 2009:3). ANAO (2003:30) recommends that record-keeping should be based on a systematic assessment of the business needs of an organisation and its stakeholders' interests in records and a risk-based analysis of the likelihood and consequences relating to meeting those needs.

Risk is central to records management processes and needs to be a clear component of any records management framework (Lomas 2010:191). The success of risk management is partly dependent on the accuracy of records in organisations, as every judgement made must be based on reliable information. In an age where transparency, accountability and compliance are of increasing concern, it is essential for organisations to comply with regulations and, if they do not, to be able to explain why (Isa 2009:53). As Sampson (2002:169) puts it:

> Records and information management is a function of risk management when it is designed to minimise risks related to information security threats and government or court actions. It enables a proactive approach to potential adversities, rather than a knee-jerk reaction in a crisis. It weighs the cost, benefits, and risks of various record-keeping practices against the relative value of various record groups. Such analysis identifies those practices that will provide the most flexibility within the legal, ethical, and practical constraints.

Sampson (1992:134; 2002:169) further asserts firmly that the main contribution of records management to risk management is through records retention schedules, which allocate a suitable retention period to various records, notably, perceived threats of litigation. Lomas (2010:191) states that even in an era of more open government, it is inconceivable that compliant

procedures can be applied uniformly as they simply cost too much. Reed (1997:191) suggests that not all processes generate records, and it is the role of the records management function working within a risk management framework to identify how far each process should be recorded. However, as Isa (2009:66) would attest, this role cannot be accomplished in the absence of commitment from managers of various departments across an organisation.

It can be argued that risk is associated with avoiding or mitigating obstacles to achievement and high-risk awareness can lead to risk aversion – a motivation to avoid risk at all costs. From a liability standpoint, records are necessary to demonstrate that an organisation has conducted itself reasonably. If nothing was recorded, it didn't happen. Records management can no longer be a tactical solution to a departmental problem, but must be approached as an enterprise-wide strategy and solution that improves operational efficiency in all areas. Failing to manage records throughout their life cycle is a growing risk facing every company.

2.6.2 Risks emanating from poor or lack of records management in organisations

In his keynote address to the South African Records Management Forum (SARMAF) conference, Bhana (2008) questioned whether it is fair to equate poor records management to high risk. Putting it slightly differently, Sampson (1992:134) questions whether proper records management can mitigate risk. The answer to both questions is affirmative. AG (2011a) is on record for noting the importance of keeping records as a key component of any entity's governance. AG (2011a) further contends that "the risk assessments in governmental bodies should also review record-keeping, so that government entities' records management priorities do not pose any legislative or business risk to the organisation."

Organisations operate in a world that grows more litigious, risky and highly regulated (KPMG 2011). Failing to manage the records throughout their entire life cycle is a growing risk facing every organisation. In the past, records management was purely paper-based and the challenge was less. Traditionally, records management processes have been undertaken by records management staff. The digital world brings new complexities to records management. Now the work has been transferred to end-users and is not proving successful (Henttonen & Kettunen

2011:87). In an electronic environment the challenges include: managing access, versioning, controlling and surrogates. Therefore, records management can no longer be a tactical solution to a departmental problem, but must be approached as an enterprise-wide strategy (KPMG 2011). Records management is a solution that improves operational efficiency in all areas. The starting point is to identify key areas of records management that pose a risk to the organisation or have a significant cost impact.

Indeed, how well an organisation manages its records will impact on certain business and legal risks. Often, the cost of poor record-keeping is hidden, hence few organisations bother to establish a records management programme. There are probably several risks that come to mind, but four risks identified by Bhana (2008) and Ngoepe (2011b:75-76) that need to be considered from poor or lack of proper record-keeping are reputation, legal, financial and information loss. Bhana (2008) and Ngoepe (2011b:76) posit that a government institution with lack of proper record-keeping is at risk of information loss when individuals resign or leave the office. This is a common phenomenon and has almost become a chestnut or cliché since people often refer to individuals that they hold in high regard because of their "institutional memory". The institutional memory of institutions should in fact be vested in the institution's records management systems, which are further supported by appropriate knowledge management frameworks.

Several other scholars also identify risks associated with poor or lack of records management. For example, Fraser and Henry (2007:393) identify two types of process-level risk assessments for record-keeping. The first is a strategic approach to managing business information by undertaking a systematic, risk-based assessment of record-keeping needs and designing appropriate record-keeping strategies. The second is an assessment, by individual work units, of the risks that they face in achieving their objectives including record-keeping. As well, Egbuji (1999:94) categorises risks into reputation, litigation and environmental risks. The Institute of Charted Accountants in England and Wales (ICAEW) classify risks into five main categories as: financial, business, compliance, operational and knowledge management (Fraser & Henry 2007: 392-393). McKemmish and Acland (1999) warn that failure of record-keeping system may lead to organisational risks and societal risks. These risks include the following:

- Lack of evidence that an organisation did something under contract or according to regulation.
- Inability to find mission critical information.
- Loss of proof of ownership, rights, obligations.
- Lack of documentation of who knew what when.
- Inability to locate its proper context information that may be incriminating in one context and innocent in another.
- Inability to demonstrate that policies and procedures were in place and consistently followed.
- Societal risks.
- Impairment of functioning of society and its institutions.
- Loss of evidence of the rights of people as citizens and clients.
- Inability of societal watchdogs to call to account governments, corporations and individuals.
- Loss of collective, corporate and personal identity.

It is no exaggeration to suggest that a solid records management programme can be an effective insurance policy to an organisation. Ngoepe (2011b:33) contends that organisations without proper records management run the risk of destroying records too soon and, consequently, of not being able to produce the records when legally required. Alternatively, they (organisations) adopt the costly practice of keeping everything forever – a practice that can also backfire in legal proceedings. The organisation is then required to produce everything it has relating to the proceedings, not just what it is legally required to have. At the very least, producing all related records is time-consuming and expensive (Ngoepe 2011b:33). How well organisations manage records will impact on certain business and legal risks including:

- Loss of revenue (financial risk).
- Loss of legal rights and failure to comply with legislation (legal risk).
- Exposure to penalties in litigations and investigations (legal and financial risk).
- Violation of the law (compliance risk).

- Staff time is wasted searching for lost or mislaid documents (knowledge management risk).

- Inability to prove what has been done or agreed upon (legal risk and reputation risk).

- Storage of records with no archival or business value, which leads to fruitless expenditure (financial risk).

- No continuity in the event of disaster or employees resigning or changing positions (knowledge management risk).

- Accidental access to organisational records by external people due to employees leaving records in their workstations unprotected (security risk).

All these risks can negatively affect the reputation of an organisation. The risks may lead to increased costs, delays and anxiety among staff, loss of stakeholder goodwill, litigation, loss of information or process quality. Proper records management can mitigate all these risks. Records are necessary for organisations to function properly. Just as individuals need insurance, government entities need a records management programme to ensure that they are covered if and when, trouble arises. Otherwise, the loss of control of records has consequences for all citizens. For example, imagine how a country would be without records of birth and citizenship, property ownership, health, social grants, and others. Without the records, government will not be able to address issues such as poverty, crime, social grants, AIDS, land rights and even the provision of basic services such as water and electricity (Ngoepe 2011b:1). Furthermore, without accurate records of actual income and expenditure, the process of preparing budgets can become almost meaningless. Poor record-keeping affects the entire accounting function, with the result that reporting and auditing may become virtually impossible. Corruption and fraud become difficult to detect. In fact, the absence of reliable records is an enabler for corruption and fraud. Virtually all approaches to improve financial management rely upon more efficient use of information, but these approaches cannot succeed if financial records are badly managed. Records provide a reliable, legally verifiable source of evidence of decisions and actions.

Finally, all the above risks can be divided into two major categories, namely: strategic and operational risk, as identified by Singh and Newby (2010:309). Strategic risks are those risks with the potential to deter the organisation from achieving its strategic goals and emanate from

business policy decisions, changes in the economic environment, legal and regulatory changes and stakeholder relationships. Strategic risks are managed by identifying factors that impact on the organisation's ability to achieve its business objectives. On the other hand, operational risk is the risk of potential loss caused by fraud, error or systems failure that may arise due to breakdown in internal controls. Such risks are managed by policies and procedures and a comprehensive system of internal controls, such as segregation of duties. Internal controls ensure the reliability and integrity of information.

In view of all the above identified risks, record-keeping must be approached by government institutions as a risk management function. Effective risk management is the cornerstone of good governance and can lead to improved performance – resulting in better service delivery, more efficient use of resources, as well as helping to minimise waste and fraud. Applying the principles and practices well is no guarantee for success, as other factors can influence and determine outcomes. Nevertheless, not doing so would most likely lead to less than required results and, probably, even failure. As Egbuji (1999:93) would attest, without records organisations cannot function. Organisations rely on records to analyse, reduce and eliminate risks such as losses in court proceedings. Records also protect assets and revenue.

2.7   Summary

In this chapter, it has been established that relevant records are required to support activities performed in the course of business, decision-making and accountability. It is therefore, essential that the heads of public organisations through their own accountability and assurance mechanisms, such as internal audit, audit committees and boards of management, must both support and gain commitment from all their staff who are, in turn, responsible for record-keeping in respect of their own assigned activities and public duties. As Isa (2009:133) would attest, if records management is integrated with other governance components, it will break its narrow roots and become an even more valued function of general management. This chapter has provided literature review regarding the role of records management in the auditing process, risk management and good governance. The historical perspective of the relationship between auditing and records management was traced through the history of accounting. Risks emanating

from poor or lack of proper records management were identified and discussed. The components of corporate governance, as well as legislative framework for corporate governance in South Africa were also discussed. The next chapter examines and justifies research methodology utilised in this study.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1   Introduction

The previous chapter discussed the literature review regarding the topic being studied. In Section 1.10, the choice of research methodology for this study was discussed in brief. Hermon and Schwartz as quoted by Ngulube (2003:194) argue that LIS (including archival science and records management) scholars have the tendency to concentrate on the findings of their research without examining the methodology used. Equally neglected by most LIS scholars are issues of reliability and internal validity, as well as ethical considerations when conducting research (Jane 1999:211; Neuman 2003:29; Ngulube 2003:1947). In an informetrics analysis of research procedures utilised by Master of Information Studies students at the University of Natal (1982-2002), Ngulube (2005:127) found that most of the theses ignored the evaluation of the research procedures. The action of the students is contrary to the argument put forward that for research in LIS to contribute to theory and improve planning, practice and decision-making, it should rely on objective methods and procedures. Indeed, as Jane (1999:211) would concur, the production of valid knowledge hinges upon the method of research used. This sentiment is echoed by Fielden (2008:7) and Ngulube (2005:127) when stressing that methods employed by researchers are key to the quality of their research outputs. Describing the methods used by a researcher is essential because it enables other researchers to replicate and test methods used in the study.

Furthermore, a detailed and accurate account of research procedures may also enable readers to explain differences in findings among studies dealing with the same research question in terms of differences in procedure (Jane 1999:211; Ngulube 2003:194; 2005:128). In this regard, readers will make use of the findings and recommendations of LIS research if they have some degree of confidence in the quality of work described and the accuracy of inferences drawn. Therefore, the purpose of this chapter is to present the selected research methodology and the data collection techniques that guided the description and interpretation of this study. The chapter covers justification of research paradigm, research approach, population of the study, sampling method and data collection tools which helped the researcher in answering the research questions,

evaluation of research methodology, as well as ethical issues which were considered when conducting this research and issues of reliability and validity of data collection.

3.2   Research design

Jane (1999:211) and Leedy and Ormond (2005:1) define research as "a systematic process of collecting, analysing, and interpreting data in order to increase our understanding of the phenomenon about which we are interested or concerned." In line with this definition, in LIS discipline, scholars are concerned with the exploration of the nature of the information phenomenon. Table 3.1 provides a classification of the types of research according to category, methodology, purpose and time dimension.

Table 3.1: A classification of the types of research (Singleton & Straits 2010:270)		
Classification	**What is investigated**	**Types of research**
Category	Use	Basic research Applied research
Methodology	Approach	Quantitative research Qualitative research MMR
Purpose	Aims	Exploratory research Descriptive research Explanatory research
Time dimension	Periods of time/duration	Cross-sectional research Longitudinal research Case-study research

The following sections discuss the justification of research in terms of categories, purpose, time dimension and approach as highlighted in Table 3.1.

3.2.1 Categories of research

According to Neuman (1997:21) research can be divided into categories as reflected in Table 3.1, that is, according to what it is used for. These categories are basic research (research that tends to expand fundamental knowledge) or applied research (research that tends to solve specific pragmatic problems). Basic research is used to enhance fundamental knowledge about social reality while applied research is used to solve specific problems, or if necessary, try to make

specific recommendations. According to Neuman (1997:22-23) basic research tries to support or reject theories by explaining social relationships, as well as interpreting changes in communities in order to enhance new scientific knowledge about the world. Applied research is descriptive in nature and its main advantage is that it can be applied immediately after having obtained the results (Jane 1999:211). The major goal of applied research is to gather information that contributes to the solution of a societal problem. Unlike applied research, basic research does not emphasize the solving of specific or real problems. Instead, the main distinguishing feature of basic research is that it is intended to generate new knowledge. This is not to underestimate the fact that although problem solving is not the goal of basic research, its findings could eventually be useful in solving a particular problem. 'The relationship between variables and statistical significance are fundamental to basic research, whereas both practical significance and statistical significance are important to applied research' (Bickman & Rog 1998:xi). In this study, a basic research approach was adopted, as the study concentrates more on expanding knowledge in the area of the relationship between records management and auditing, as well as proposing a framework to embed records management into the auditing process. It is envisaged that such a framework will assist governmental bodies in achieving clean audit results, thereby solving the challenges of disclaimers.

3.2.2 Purpose of research

Social research serves many purposes. Three of the most common and useful purposes as identified by Neuman (2003:29) are: exploratory (explore a new topic), descriptive (describe a social phenomenon) and explanatory (explain why something occurs). Although a given study can have more than one of these purposes examining them separately is useful as each has different implications for other aspects of research design. A large proportion of social research is conducted to explore a topic or to provide a basic familiarity with that topic. This approach is typical when a researcher examines a new interest or when the subject of study itself is relatively new. Exploratory studies are most typically done for the following reasons: (i) to satisfy the researcher's curiosity and desire for better understanding, (ii) to test the feasibility of undertaking a more extensive study, (iii) to develop the methods to be employed in any subsequent study, (iv) to explicate the central concepts and construct a study, (v) to determine priority for future

research and (vi) to develop new hypotheses about existing phenomena (Leedy 1997:204; Taylor 2005:94).

Another major purpose for many social scientific studies is to describe situations and events. The researcher observes and then describes what was observed. The primary purpose is to analyse trends that are developing, as well as the current situation. Therefore, data derived can be used in diagnosing a problem or advocating a new programme (Taylor 2005:93). Sources of data in descriptive studies are numerous, such as: surveys, case studies, trend studies, document analyses, time-and-motion studies and predictive studies. As indicated above, the third general purpose of social scientific research is to explain things. Neuman (2003:29) notes that while studies may have multiple purposes, one purpose is generally dominant. The dominant purpose of the present study was exploratory and descriptive. In other words, the research sought to examine, inter alia, trends of audit findings in relation to records management, role of records management in the auditing process and risk management and involvement of records management practitioners in the audit committees of governmental bodies in South Africa, as well as to propose a framework for embedding records management into the auditing process.

3.2.3 Research approach

Many researchers identify two major methodological paradigms that have dominated the social research scene as qualitative and quantitative (Amaratunga, Baldry, Sarshar & Newton 2002:17*;* Creswell 2006; Leedy & Ormond 2005:135; Mouton & Marais 1989:156). Each of these approaches (qualitative and quantitative) has been linked to one of the metatheoretical traditions, that is, the quantitative approach is linked to positivism and the qualitative approach to phenomenology or interpretevism (Mangan, Lalwani & Gardner 2004:565). Table 3.2 outlines comparisons and differences of features of qualitative and quantitative approaches to research. The third paradigm is identified by researchers as mixed method research (MMR) in which researched combine both qualitative and quantitative (Creswell 2006).

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Table 3.2: Comparison and differences of features of quantitative and qualitative approaches to research (Amaratunga *et al* 2002:17)	
Quantitative	**Qualitative**
Both are systematic in their approach	
Objective	Subjective
Deductive (testing of theory)	Inductive (generation of theory)
Generalisable	Not generalisable
Numbers	Words
Follows a natural science model, particularly positivism	Interpretative

3.2.3.1 Qualitative research

Mouton and Marais (1989:157) define qualitative as all non-numeric data words, images and sounds. Qualitative research emphasises meanings (words) rather than frequencies and distributions (numbers) when collecting and analysing data. It is a way of collecting information on the knowledge, attitudes, beliefs and behaviours of the target population (Ramos & Ortega 2006:11). Qualitative research designs involve case study (where a particular individual, programme, or event is studied in depth for a defined period of time), ethnography (where the researcher looks at an entire group – more specifically, a group that shares a common culture – in depth), phenomenological study (a study that attempts to understand people's perceptions, perspectives and understandings of a particular situation), content analysis (a detailed and systematic examination of the contents of a particular body of material for the purpose of identifying patterns, themes or biases) and grounded theory study (uses a prescribed set of procedures for analysing data and constructing a theoretical model from them) (Leedy & Ormond 2005:135-141). Qualitative research involves the use of qualitative data such as in-depth interviews, document and participant observation to understand and explain social and cultural phenomena (Creswell 2006). It often focuses on viewing the experiences from the perspective of those involved. It involves analysis of data such as words (from interviews), pictures (from video), or objects (from an artefact) (Mouton & Marais 1989:158).

Qualitative researchers typically locate themselves within an interpretevistic tradition, albeit they also often hold a realist's assumptions about the world and the contextual conditions that shape and embed the perspectives of those they seek to study. Primarily qualitative research seeks to

understand and interpret the meaning of situations or events from the perspectives of the people involved and as understood by them. It is generally inductive rather than deductive in its approach, that is, it generates theory from interpretation of the evidence, albeit against a theoretical background. Methods of qualitative research include: observation, interviews, historical narrative, case study, documentary analysis and action research.

3.2.3.2 Quantitative research

Quantitative research, on the other hand, is data or evidence based on numbers (Leedy 1997:104). It uses mathematical analysis. It is the main type of data generated by experiments and surveys, although it can be generated by other research strategies too such as observations, or analysis of records. It includes the use of closed survey methods and laboratory experiments and usually ends with confirmation or disconfirmation of the hypotheses tested (Creswell 2006). Quantitative research places the emphasis on measurement when collecting and analysing data. It is defined, not just by its use of numerical measures, but also because it generally follows a natural science model of the research process measurement to establish objective knowledge. Generally it makes use of deduction, that is, research is carried out in relation to hypotheses drawn from theory. Methods of data collection in quantitative research include: surveys (questionnaire), structured interviewing, structured observation, secondary analysis and official statistics, content analysis according to a coding system, quasi-experiments, classic experiments (Leedy & Ormond 2005:135). Table 3.3 outlines the strengths and differences of qualitative and quantitative research.

Table 3.3: Strengths and weaknesses of quantitative and qualitative paradigm (Amaratunga *et al* 2002:19)		
Theme	**Strengths**	**Weaknesses**
Quantitative	- Provide wide coverage of the range of situations - Fast and economical - Where statistics are aggregated from large samples, they may be of considerable relevance to policy decisions	- The methods used tend to be rather inflexible and artificial - They are not very effective in understanding processes or the significance that people attach to actions - They are not very helpful in generating theories - Because they focus on what is, or what has been recently, they make it difficult for policy makers to infer what changes and actions should take place in future
Qualitative	- Data-gathering methods are seen more as natural than artificial - Ability to look at change processes over time - Ability to understand people's meaning - Ability to adjust to new issues and ideas as they emerge - Contribute to theory generation	- Data collection can be tedious and they require more resources - Analysis and interpretation of data may be more difficult - Harder to control the pace, progress and end-points of research process - Policy makers may give low credibility to results from the qualitative approach

3.2.3.3 Mixed method research

As indicated in Section 1.10, this study relied on mixed methods research (MMR). MMR means adopting a research strategy that employs more than one type of research method (Creswell 2006). In other words, it involves both collecting and analysing quantitative and qualitative data. In the past, LIS research only focused on adopting either a quantitative or a qualitative methodology. MMR, also referred to as the third path (Gorard & Taylor 2004), the third research paradigm (Johnson & Onwuegbuzie 2004) and the third methodological movement (Ryan, Scapens & Theobald 2002) has been widely used and recognised by LIS scholars recently. MMR is known to be a profoundly comprehensive technique for research in social sciences through integration of thematic and statistical data (Harrison & Reilly 2011:8).

A recent body of work debates the appropriateness of combining qualitative and quantitative methods within a single research project. Issues addressed in this debate include whether

qualitative and quantitative methods investigate the same phenomena, are philosophically consistent, and are paradigms that can reasonably be integrated within a study (Creswell 2006; Ryan, Scapens & Theobald 2002). The perception that qualitative and quantitative approaches are distinct is that they are said to be based on different philosophical principles. To the extent that these principles are seen to be competing, they are said to belong to different 'paradigms' and this led to "paradigm wars". According to Gorard and Taylor (2004) paradigms are incommensurable. In short, according to the paradigmatic position, qualitative and quantitative approaches are seen to be intrinsically different beasts underpinned by different philosophical assumptions.

Ngulube, Ndwandwe and Mokwatlo (2008:106) argue that the "paradigm wars" were between the positivists and constructivists. The rise of a new breed of researchers who were not prepared to perpetuate the antagonism between the positivist and constructivist worldviews (Bergman 2008:2) saw the affirmation of MMR as a third research paradigm along quantitative and qualitative worldviews. The quantitative paradigm with its positivist stance views research as objective, context-free and with outcomes that can be determined reliably and validly. This view has dominated research thinking in many disciplines since the 19th century (Leech & Onwuegbuzie 2009:266). The rise of MMR as a third research approach heralded the end of the artificial tensions induced by ontologism, epistemologists and methodologists and the fall of walls erected between the qualitative and quantitative approaches. With the emergence of MMR, the concern about identity associated with qualitative and quantitative standpoints is gradually disappearing. The criticism of the dichotomy between qualitative and quantitative approaches was based on the grounds that research is complex and diversified in practice and cannot be perceived in terms of artificial compartmentalisation (Brannen 2005).

As Fielden (2008:7) would attest, the researcher is of the view that the two methods can be combined successfully in cases where the goal is to increase validity of new measures and/or to generate greater understanding of the mechanisms underlying quantitative results in at least partially new territory. Furthermore, data analysis using mixed methods will amalgamate statistics and thematic approaches. On this occasion, mixed methods have complementary strengths and no overlapping weaknesses.

Although qualitative and quantitative research differs as explained above, they can complement each other. Therefore, it would be a mistake to prescribe any methodology as the best for any researcher, as research is understood in different ways. If various methods and techniques are used for measuring the same variables and these measuring instruments yield identical results, it will lead to a greater and deeper measure of belief in these instruments (Ryan, Scapens & Theobald 2002). In line with the arguments put forth, this study used both quantitative and qualitative research in order to maximise the theoretical implications of research findings.

Neuman (2000:122) suggests that, "the best option is for a range of approaches that will allow flexibility in understanding problems, and offering multiple insights into their solutions". This point is also underscored by Ngulube, Mokwatlo and Ndwandwe (2009:105), as well as Leech and Onwuegbuzie (2009:265) who assert that "mixing research methods can add insights and understanding that might be missed when a mono-method (qualitative or quantitative) strategy is used." As Neuman (2000:123) would attest, each approach adds something essential to the ultimate findings. By using multiple methods that do not share the same inherent weaknesses, researchers enhance chances of solving the problem (Singleton, Straits & Straits 1988:360). Morse and Niehaus (2009:13) postulate that if MMR is conducted with deliberate care, it becomes a stronger design than one that uses the single method because the supplemental component enhances validity of the results.

In order to mix research in an effective manner, the researcher first considered all relevant characteristics of qualitative and quantitative research as reflected in Tables 3.2 and 3.3. For example, the major characteristics of quantitative research are focused on deduction, confirmation, theory/hypothesis testing, explanation, prediction and statistical analysis. The major characteristics of qualitative research are induction, discovery, exploration, theory/hypothesis generation and qualitative analysis. A key feature of MMR is its methodological pluralism or eclecticism, which frequently results in superior research (compared to monomethod research) (Johnson & Onwuegbuzie 2009:14). MMR provides strengths that offset the weaknesses of both quantitative and qualitative research.

According to Ngulube, Ndwandwe and Mokwatlo (2008:107), three distinctive types of mixed research strategies have emerged, namely:

I.   Sequential strategies: qualitative data is collected and analysed before the quantitative data collection and analysis phase (or vice versa);

II. Concurrent methods: data is collected using both qualitative and quantitative procedures simultaneously (for example, administering a questionnaire which has both closed-ended and open-ended questions; and

III. Transformational techniques: using a theoretical perspective to guide and drive the entire study design.

MMR is done by the sequential and simultaneous use of quantitative and qualitative methods. It is important, however, to use the two methods at random or for convenience sake. In addition, MMR advocates the use of both inductive and deductive research logic which is a great strength in itself. Having an inductive-deductive cycle enables researchers to equally undertake theory generation and hypothesis testing in a single study without compromising one for the other. With matching deductive-inductive dichotomies, researchers can provide better inferences when studying the phenomenon of interest (Jogulu & Pansiri 2011:688). Five purposes of using MMR suggested by Greene, Caracelli and Graham (1989) are triangulation, complementarily, development, initiation and expansion. In this study, MMR was used during data collection, analysis, interpretation and discussion. Both qualitative and quantitative data were collected. Furthermore, qualitative data were used to substantiate quantitative data.

3.2.4 Time dimension

Time plays a pivotal role in the design and execution of research. In research, it is necessary to determine beforehand how much time will be required to obtain the necessary information. This study utilised a survey design to collect data as would be explained in Section 3.3. Surveys are characterised as either cross-sectional, longitudinal and trend or prediction studies (Leedy & Ormond 2005:183). Collectively longitudinal, cross-sectional and trend studies are sometimes termed developmental research because they are concerned both with describing what the present relationships are among variables in a given situation and accounting for changes occurring in

those relationships over time (Cohen, Manion & Morrison 2007:205). A cross-sectional study is nonrecurring in nature and produces a snapshot of a population at a particular point in time. In other words, it is when all the information on a specific topic is collected at the same time and no identical project will be done after a specific period of time. It is limited to a specific period of time. Substantial savings in time and money are two of the reasons to choose this method.

On the other hand, longitudinal surveys are used when one intends to describe or assess change or development over a longer period of time. In this type of research, two or more studies are done on a specific topic or more studies are done on a specific topic or phenomenon over a period of time (Cohen, Manion & Morrison 2007:213). The study is done with a standardised measuring instrument to determine if there was any change in the group(s) in the course of time. Longitudinal designs encompass trend, cohort and panel studies (Cohen, Manion & Morrison 2007:213). Trend studies essentially look at how concepts change over time; cohort studies are concerned with how historical periods change over time; and panel studies at how people change over time.

Cross-sectional studies are easier to conduct than longitudinal studies, because the researcher can collect all the needed data at the same time. In contrast, a researcher who conducts a longitudinal study must collect data over a lengthy period and invariably loses some participants along the way, perhaps because they move to unknown locations or because they may no longer want to participate (Leedy & Ormond 2005:183). Longitudinal studies are difficult to carry out and they demand substantial resources and time since the same set of variables has to be studied over a period of time (Robson 1993:50). The present study adopted a cross-sectional approach. The attraction of the method lies in the possibility of scanning a wide spectrum of issues in order to measure or describe any generalised features (Creswell 1994:11).

3.3   Research procedures

According to Creswell (2009:3) research designs are plans and procedures for research that include the decisions from broad assumptions to detailed methods of data collection and analysis. Research procedures typically include the population and how it was obtained, sampling

procedures, instrumentation used, procedures employed in gathering and processing data, and statistical treatment of data. Research results may be dependable if they are based on sound and justifiable research procedures that are clearly explicated by other researchers. The consumers of the research products have a right to know how the study was conducted. The research design specifies which research questions must be answered, how and when the data will be gathered, and how the data will be analysed. Leedy, as quoted by Beck and Manuel (2008:25) argues that in charting the research design, researchers need to address four important questions that work together in shaping the research project:

1. What are the data needed?
2. Where are the data located?
3. How will the data be secured?
4. How will the data be interpreted?

In other words, research design is a plan or blueprint of how one intends conducting the research (Babbie & Mouton 2001:74). The ensuing sections will discuss survey design, population, sampling and data collection tools for the study.

3.3.1 Survey

This study utilised survey research procedure to investigate the development of a framework for embedding records management into the auditing process. Survey research involves the administration of questionnaires or interviews to relatively large groups of people (Singleton & Straits 2010:9). Regardless of whether the survey makes use of interviews only, questionnaires only, or a combination of the two, the procedures tend to be standardised for all respondents in order to enhance the reliability of the data. It involves investigating a large number of people/units geographically spread out over a wide geographical area. According to Singleton and Straits (2010:263) survey research conforms to the following:

1. A large number of respondents are chosen through probability sampling procedures to represent the population of interest.
2. Systematic questionnaire or interview procedures are used to ask prescribed questions of respondents and record their answers.
3. Answers are numerically coded and analysed.

While in most surveys, the units of analysis are individuals, this is not always the case as this study utilised governmental bodies as units of analysis. Surveys are largely quantitative and have been a widely used method in the field of LIS research. For example, an informetrics study by Ngulube (2005:131) established that, out of 82 LIS dissertations that were approved by the University of Natal during the period 1982 to 2002, the survey method accounted for 56 (69.14%) of the methods used.

Surveys have limitations such as failure to establish the casual relationship between variables, problems of self-reporting, increased bias, effects of sampling techniques, and non-response rates (Creswell 2006). However, the attraction of economy in design and rapid turn-around in data collection warrant the use of surveys for many studies, including the current one. A key strength of survey research is that, if properly done, it allows one to generalise from a smaller group to a larger group from which the subgroup (sample) has been selected. The survey research method is one of the techniques employed in carrying out research and for the present research; it was found appropriate considering the population being studied was geographically dispersed.

3.3.2 Population and sampling

The first task in sampling is to define the population of interest. Babbie (2004:112) defines a population for a study as that group (usually of people) about whom the researcher wants to draw inferences. The population of a study refers to a set of objects, whether animate or inanimate, which are the focus of research and about which the researcher wants to determine some characteristics. For example, a set of records, or an event, or institution, or people could constitute a study population. According to Singleton and Straits (2010:154) it is advisable for researchers to get a clear picture of the population before selecting the sample, thus starting from the top (population) and working down (to the sample) in contrast of working from the bottom up. Defining a population is a two-step process. First, one must clearly identify the target population, that is, the population to which the researcher would like to generalise his/her results. To define the target population, the researcher must specify the criteria for determining which cases are included in the population and which are excluded (Singleton & Straits 2010:155). The

population of this study consisted of governmental bodies in South Africa (national departments, provincial departments, municipalities and statutory bodies), as well as AGSA's consolidated general reports on audit outcomes (2000-2010).

The second phase of population definition involves constructing the sampling frame. The sampling frame denotes the set of all cases from which the sample is actually selected. Ideally, researchers would like to study the whole population. However, with limited time and money, researchers are unlikely to study the entire body of relevant facts about the whole group of people under investigation, even though in the cases where the population is small, it is possible to do so. Therefore, the findings and conclusions in survey research are based on information gathered from a limited number of people from whom generalisations can be made about the whole number. AGSA's stakeholder database, which listed 283 municipalities, 37 national government departments, 108 provincial government departments in all nine provinces and 30 constitutional bodies/public entities listed in schedules 1 and 2 of PFMA, was used as a sampling frame.

Having obtained a sampling frame, a sampling technique is decided, that is, how the respondents or event will be selected from the sampling frame. There are two sampling techniques: probability or random sampling which refers to a procedure whereby each person (element) has an equal chance of being chosen in the sample and non-probability sampling (a sampling procedure where the population may or may not be accurately represented). Probability sampling designs offer two major advantages over non-probability sampling designs. They remove the possibility that investigator biases will affect the selection of cases. The second advantage is that, by virtue of random selection, the law of mathematical probability may be applied to estimate the accuracy of the sample. With probability sampling, one knows to which population the sample may be generalised, as well as the limits of generalisability, but with non-probability sampling, the population itself is undefined and the laws of probability do not apply. Table 3.4 identifies different types of probability and non-probability sampling procedures and their descriptions.

Table 3.4: Sampling techniques (Singleton & Straits 2010:155-157)	
Sampling procedure	**Conditions under which the procedure is typically used**
Simple random sampling	*Probability sampling procedures* Survey research in which the investigator wants to avoid sample bias and ensure that every element has an equal chance of being in the study
Systematic sampling	Survey research when a list of the sampling frame is available
Stratified random sampling	Survey research in which the investigator wants to study particular homogeneous strata or sub-populations
Cluster sampling	Survey research when it is difficult and/or expensive to obtain an exhaustive list of the population
Convenience sampling	*Non-probability sampling procedures* Survey or experiments in which an easily accessible group is required
Snowball sample	Survey or experiments in which study participants are difficult to identify, hard to locate, or socially devalued
Purpose or judgement sampling	Survey or experiments in which the researcher wants to study a group or groups based on particular characteristics or circumstances
Quota sampling	Survey or experiments in which the investigator has hypotheses about different strata or sub-populations

Since the population being studied was large and heterogeneous, this study used a stratified random sampling. The assumption was that if other types of probability sampling were applied, chances are that national government departments and statutory bodies could have been underrepresented as they were few, while municipalities and provincial government departments could be overrepresented as they were many. The population comprised of 283 municipalities, 37 national government departments, 108 provincial government departments and 30 statutory bodies.

Therefore, the population was divided into stratums of municipalities, national departments, provincial departments and public entities to ensure representativity. Municipalities and provincial departments were further grouped into sub-stratums according to their respective provinces. Thereafter, a simple random sampling was selected from each stratum through a two way process, that is, (i) by assigning each governmental body a numerical label and (ii) using statistical software (NEMESIS 3.1.0) to select numerical labels at random. Participants from the chosen sample were selected purposively and consisted of either the records management staff

member or internal audit staff member. In some instances, especially in municipalities where there were no records managers, municipal managers were selected. With stratified random sampling, the researcher does not leave the representativeness of the sample entirely to chance. Instead, the researcher makes sure that the sample is similar to the population in certain respects. The attraction of this technique is that it reduces the standard error by controlling a proportion of the variance (Sapsford 1999:70). The more robust and rigorous the sample design, the greater the likelihood will be, when generalising, that it will be representative of the true population characteristics.

Then the challenge according to Bartlett, Kotrlik and Higgins (2001:46) is how large a sample is required to infer research findings back to a population. Sampling theory helps in arriving at good estimates of sample size. Peers as quoted by Bartlett, Kotrlik and Higgins (2001:46) posit that sample size is one of the four inter-related features of a research design that can influence the detection of significant differences, relationships or interactions. Within a survey design, determining sample size and dealing with non-response bias is essential (Ngulube 2000:166). Generally, survey designs try to minimise both alpha error (finding a difference that does not actually exist in the population) and beta error (failing to find a difference that actually exists in the population). Ngulube (2005:134) contends that a sample that is too large could result in a waste of resources. On the other hand, a sample that is too small diminishes the utility of the results. A large sample is likely to be representative and may give the researcher the confidence that the findings truly reflect the population. The method by which the sample is obtained is key to validity and reliability of conclusions made by a researcher, as opposed to ad-hoc or arbitrary sampling procedures which may exclude some of the elements that comprise the target population (Ngulube 2005:133-134). To address the challenge, Miaoulis and Michener as quoted by Israel (2009) indicate that in addition to the purpose of the study and population size, three criteria usually will need to be specified to determine the appropriate sample size: "the level of precision, the level of confidence or risk, and the degree of variability in the attributes being measured". Furthermore, there are several approaches to determining the sample size, namely: using a census for small populations, imitating a sample size of similar studies, using published tables, and applying formulas to calculate a sample size (Singleton & Straits 2010:155). Each approach has flaws and strong points.

However, this study utilised the mathematical equation (see Table 3.5) for determining sample size for larger population. In this regard, a Raosoft sample size calculator, available on website http://www.raosoft.com/samplesize.html was used to calculate the level of confidentiality and the margin of error.

Table 3.5: Equation for sampling (Raosoft 2012)

$$X = Z(^c/_{100})^2 r(100-r)$$

$$N = {^{Nx}}/{_{((N-1)E^2 + x)}}$$

$$E = Sqrt[^{(N-n)x}/_{n(N-1)}]$$

Where N is the population size; X is the critical value for the confidence level and E is the margin of error.

According to Ngulube (2005:135) a common rule of thumb is a 95% confidence level so that the results are accurate to within ±3%. A sampling error of 3% and a 95% confidence level means that a researcher can be 95% confident that the population would resemble the sample, ±3% sampling error (Ngulube 2005:135). Increasing the number of respondents relative to the total population reduces the sampling error. In this study, a margin error of 5% was accepted and a confidence level of 90% was needed as recommended by the software utilised.

Therefore, in tandem with the argument put forward above, a proportional sample size of 37% (171) was taken from the population. In other words, the sample in each stratum was taken in proportion to the size of the stratum (see Table 3.6 for the sampling proportion). The advantage with proportional stratified sampling is that it makes representativeness of a particular segment of the population possible (Singleton & Straits 2010:183). For each governmental body selected in the sample, the participants consisted of either a records manager or an internal auditor or an audit committee member or a municipal manager who were selected purposively. After determining the strata, respondents were selected purposively from each stratum, and the sub-samples were combined to form the total sample. Therefore, the sample constituted of 105 municipalities, 14 national departments, 40 provincial departments and 12 public entities/ statutory bodies taking a tally to 171. Furthermore, two external auditors responsible for regularity audits in the municipalities and government departments and an executive committee member from AGSA were included in the study through the interviews. The participants from AGSA were chosen purposively.

Table 3.6: Stratified proportional sampling		
Stratum	**Elements in population**	**Proportional sampling**
Municipalities	283 x (37%)	105
National departments	37 x (37%)	14
Provincial departments	108 x (37%)	40
Statutory bodies	30 x (37%)	12
Total		**171**

3.3.3 Data collection instruments

In social science research, two sources of data are distinguished: primary data (comes directly from original sources such as interviews, observation or questionnaires) and secondary data (consist of materials that come from someone other than the original source, for example, published book). As secondary data is always someone else's interpretation of primary data, secondary data must be carefully cross-checked for accuracy. According to Stacks and Hocking (1992) a third source of data can be distinguished, that is, tertiary data (consists of interpretation of or comments on secondary sources, for example, book review). This study used both primary and secondary data. The secondary data consisted of published studies, articles, texts, and other unpublished dissertations dealing with archives and records management studies in general. Web-based sources were also examined. In this study, three techniques were employed for primary data collection, namely: questionnaires, interviews and content analyses of AGSA's audit reports. In research as explained, the use of various methods to collect the same data for corroboration or triangulation is highly commendable. The ensuing sections discuss the data collection techniques utilised in this study.

3.3.3.1 Questionnaire

This study used a combination of data collection tools with a self-administered questionnaire as the principal instrument (see appendix G for the example of questionnaire used). A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents (Kalusopa 2011:133). Questionnaire is the most common instrument used in survey research designs. Questionnaires exist in different formats.

They can either be self-administered, online, postal or mail-based, interviewer-administered, telephonic or interview schedules (Creswell 2006). The most popularly used questionnaires are self-administered and interviewer-administered questionnaires. Self-administered questionnaires include online questionnaires, postal questionnaires, as well as delivery and collection questionnaires.

The major considerations involved in formulating questions are their content, structure, format and sequence. Bryman and Bell (2003:187) state that designing a good questionnaire involves selecting the questions needed to meet the research questions of the study; testing them to make sure they can be asked and answered as planned. Typical questionnaires use statements and questions which give a researcher more flexibility in the design of measuring instruments (Babbie & Mouton 2001:233). In asking questions, researchers have two options: open-ended questions, in which case the respondent is asked to provide his or her own answer to the question, or close-ended question, in which case the respondent is asked to select an answer from among a list provided by the researcher (Babbie & Mouton 2001:233). The attraction of closed-ended questions is that they are easy to code as compared to open-ended questions and do not discriminate unduly on the basis of how articulate the respondents are (Leedy & Ormond 2005:183). However, the major disadvantage of closed-ended questions is that they can create artificial forced choices and rule out unexpected responses. In this study, in order to include all possible responses that might be expected, closed-ended questions had some open-ended options such as "other, specify", "if not, why", "if yes, why". According to Babbie and Mouton (2001:237) "the use of this alternative represents an excellent compromise between closed and open-ended responses.

A questionnaire was chosen for this study because of its many advantages as data collection instrument. Creswell (2006) posits that a questionnaire permits wider geographical contacts and facilitates the collection of large amounts of data and information in a relatively short period of time. Indeed, self-administered questionnaires can be easily distributed to a large number of people and they often allow anonymity (Anderson & Poole 2001:17; Bryman & Bell 2003: 187; Mitchell & Jolley 2004:180). It also accommodates a variety of questions and secondly it minimises time and money constraints. In this study, the participants were spread geographically

all over South Africa. A questionnaire that allows anonymity was created on an open source survey tool and the link was sent to the participants via e-mail. It is worth noting that in some instances (more specifically rural municipalities) questionnaires were mailed via the post office with a return stamped envelope enclosed as the participants did not have access to e-mails.

Babbie and Mouton (2001:344) argue that no matter how careful the research design is, a data collection instrument such as a questionnaire will always have the possibility of error. Therefore, the surest protection against such errors is to pre-test the questionnaire. For the purpose of this study, the questionnaire was tested with a group of auditors and records management practitioners from AGSA, Limpopo Department of Health, City of Joburg and Development Fund Institutions (DFI), such as Trans-Caledon Tunnel Authority (TCTA), Development Bank of Southern Africa (DBSA), Independent Development Corporation and Land Bank. Changes were effected thereafter based on the feedback by the test groups. It is worth mentioning that data obtained in the pre-test were not included in the analysis.

3.3.3.2 Interviews

The study used interviews to supplement data obtained via questionnaires (see Appendix H for a list of interview questions). Interview, as a data collection tool, uses personal contact and interaction between an interviewer and an interviewee (respondent). Interviews can be structured, semi-structured or completely open and unstructured (Creswell 2006). The case where questions are standardised for all respondents in order to enhance the reliability of data epitomises a structured interview. In an unstructured interview, the objectives may be very general, the discussion may be wide-ranging and individual questions will be developed spontaneously in the course of the interview. The interviewer is free to adapt the interview to capitalise on the special knowledge, experience or insights of respondents (Anderson & Poole 2001:20). Between the two extremes, the semi-structured interview would have specific objectives, but the interviewer would be permitted some freedom in meeting them. As well, the scope of the interview would be limited to certain subtopics and the questions probably would be developed in advance (Babbie & Mouton 2001:245; Singleton & Straits 2010:266).

The interview technique, as a method of collecting data, has various advantages, such as more accurate responses because of contextual naturalness; a greater likelihood of self-generated answers; a symmetrical distribution of interactive power and greater effectiveness with complex issues (Singleton & Straits 2010:266). Further advantages include more thoughtful responses, more accurate results, owing to lower respondent workload, better response rates; appropriateness for marginalised respondents and relevance for research involving sensitive questions. On the other hand, disadvantages of interviews include: small population coverage, time consuming for the researcher, difficulty to meet appointments, lack of reliability, can be misleading, and require good interviewing skills (Creswell 2006; Singleton & Straits 2010:267).

The interview guidelines proposed by Babbie and Mouton (2001:245) were taken into account while conducting interviews. It was ensured that all the questions were understood by the respondents before they responded and further comments and suggestions were sought from respondents through probing. Before its application, the interview schedule was pre-tested. A scheduled structured interview was based on an established questionnaire, a set of questions with fixed wording and sequence of presentation, as well as more or less precise indications of how to answer each question (Bless & Higson-Smith 1995:107). In this study, telephonic interviews were conducted with selected respondents from AGSA. Telephone interviews offer a substantial savings in time and money and are easier to administer, although they require simpler questions and may elicit less complete responses.

3.3.3.3 Informetrics

This study also conducted an informetrics analysis of AGSA's consolidated reports on audit outcomes from 2000/01 to 2009/10. Informetrics is the quantitative study of information production, storage, retrieval, dissemination, and utilisation (De Bellis 2009). Informetrics research investigates the existence of empirical regularities in these activities and attempts to develop mathematical models, and ultimately theories, to better understand information processes (Wolfram 2000:77). The term 'informetrics' as the broad term comprising all-metrics studies related to information science, including bibliometrics (bibliographies, libraries), scientometrics (science policy, citation analysis, research evaluation), webometrics (metrics of

the web, the Internet or other social networks such as citation or collaboration networks), cybermetrics (which is similar to webometrics, but broadens its definition to include electronic resources) (De Bellis 2009). Although it has been argued that among all these terms, informetrics attempts to embrace all derivatives and purports to study the quantitative aspects of information in any form (De Bellis 2009), this study used the traditional quantitative informetrics and bibliometrics methods to analyse AGSA's consolidated general reports from 2000/01 to 2009/10. Therefore, the terms informetrics and bibliometrics will be used interchangeably in this study.

Informetrics is unobtrusive, as its focus is on the products of human activity (reports, books, articles, web pages and so on), not on humans themselves. This means that there is no need to control for experimenter, interactional investigator or other similar effects arising from the influences of researchers and human subjects on each other (Beck & Manuel 2008:167). Furthermore, informetrics data sources pre-exist the study, and they are usually readily accessible as it was the case with the current study. These are data that have been generated for purposes other than those for which the researcher is using them (Singleton & Straits 2010:11). Available-data research often avoids reactive measurement error because the data are used without the knowledge or participation of those who produced it (Singleton & Straits 2010:403). Prominent among such data sources would be written records, letters, diaries and reports. In the present study, the consolidated general reports on audit outcomes were freely accessible on AGSA's website address. Some of the reports that were not available online were provided to the researcher by AGSA's web content manager and library project administrator. All of these factors make informetrics one of the more straightforward ways to get started in research. The relationship between informetrics and content analysis is complex. Some authors equate the two (De Bellis 2009) while others have informetrics as a type of content analysis (Singleton & Straits 2010:403) and others describe the two as separate methodologies (Beck & Manuel 2008:164). Informetrics studies can be categorised into the following four groups:

1. Studies that seek to learn about information sources.
2. Studies that seek to learn about institutional trends.
3. Studies that seek to learn about people's behaviour.
4. Studies that seek to learn about socio-intellectual phenomenon.

The current study can fall under the first two areas. In addition, according to Wolfram (2000:78) major areas of study within informetrics include:

a) Classic bibliometrics' laws' - These traditional areas of study deal with: Author productivity, examining the publication contributions of authors to a given discipline; journal productivity, examining the concentration of articles in a subject area within a set of scholarly journals, and word usage, examining the frequency of occurrence of words within texts.

b) Citation and co-citation analysis - This area looks at citing patterns of authors and publications or how authors are co-cited within articles, to determine strengths of relationships among authors, literature or disciplines.

c) Scientific indicators - Studies examine the productivity of scientific output within disciplines or nations.

d) Information growth and obsolescence - This area investigates how literatures within subject areas grow over time.

e) Document/information resource usage - This area looks at how information resources are used over time.

Johnson (2011:92) laments that many bibliometrics and informetrics studies are superficial and thus fail to explore the reasons underlying the phenomenon that they measure. In this regard, too many informetrics researchers have not even asked themselves what the purpose of their research is and what problem it will solve. According to Johnson (2011:92) the researchers provide too much description of the characteristics of journals and make too little effort to put these facts into perspective. "In a specious attempt to imitate scientific method, many papers do little more than demonstrate that the authors can count and categorize – and that the teaching of bibliometrics has been seriously deficient" (Johnson 2011:92). However, the current study looked beyond the numeric results of audit opinions to ask ''why is this situation occurring?'' and linked the negative audit outcomes to a lack of proper records management in governmental bodies and proper records management to clean audit outcomes. Knowledge of these empirical regularities has been used for the development of a framework to embed records management into the auditing process. It is hoped that such framework will help governmental bodies in South Africa to achieve and sustain clean audit results as in line with the 2014 Operation clean audits.

3.4   Reliability and validity of the instruments

The quality of a research study depends to a large extent on the accuracy of the data collection procedures (Ndenje-Sichalwe 2010:158). In other words, correct usage of data collection instruments ensures reliability and validity of research results. Reliability and validity are the major technical considerations in both quantitative and qualitative research. Reliability and validity helps to establish the truthfulness, credibility and believability of findings (Neuman 2006:188). Reliability is a matter of whether a particular technique applied repeatedly to the same object, would yield the same result each time (Babbie & Mouton 2001:119). It is concerned with questions of stability and consistency (Singleton & Straits 2010:130). Validity, on the other hand, is the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration (Babbie & Mouton 2001:122). Validity is synonymous with accuracy. Research is considered to be valid when the conclusions are true or correct and reliable when the findings are repeatable. A valid measure is necessarily reliable, but a reliable measure may or may not be valid.

Reliability generally refers to the extent to which a variable or set of variables is consistent in what it is intended to measure. When multiple measures are taken, reliable measures will all be consistent in their values. Lack of reliability refers to random or chance error. If measurement results are not reliable, it becomes more difficult and precarious to test hypotheses or to make inferences about the relations between variables in quantitative research (Ihantola & Kihn 2011:43). Neuman (2006:188) also cites the following as threats to reliability:

> Lack of pretesting, not all alternatives are provided, the questions are not presented in the proper order, the questionnaire is too long or hard to read, and the interview takes too long.

Issues of validity and reliability are addressed adequately during the data collection stages, but there may be other issues during data analysis and interpretation. In quantitative research, the ultimate question is whether we can draw valid conclusions from a study given the research design and controls employed. As well, external validity is a key criterion in "quantitative research". It determines whether one can draw more general conclusions on the basis of the model used and data collected, and whether results may be generalised to other samples, time

periods and settings. The following three typical problems may threaten the external validity of a quantitative study: population, time and environmental validity (Creswell 2006). Population validity refers to whether inferences can be drawn from a study of a given population. The questions analysed concern, for example, whether a relationship between two variables also exists in the population at large and not only in the sample selected. External validity is seriously threatened, if biases or other limitations exist in the accessible population. If the sample size is inadequate and/or the sample is not random, the estimates may be meaningless, because the sample may not faithfully reflect the entire population. In such cases generalisations should not be made to the target population. Time validity shows the extent to which the results of a particular study at a particular point in time can be generalized to other time periods. If structural changes in the relationships between variables occur, the time validity of such a study will be low. Environmental validity indicates whether results can be generalised across settings. International generalisability is an example of a potential problem. In qualitative research generalisability is concerned with whether the research results are "transferable" (Babbie & Mouton 2001:122; Ihantola & Kihn 2011:43), that is, can be extended to a wider context (Creswell 2006; Neuman 2006:188), have "theoretical generalisability" (Creswell 2006).

Jogulu and Pansiri (2011:687) posit that triangulation of research methods strengthens the findings and inferences made for understanding social phenomena in more depth, compared to using a single method. The results are more reliable and valid if using different instruments to measure the same phenomenon. Mangan, Lalwani and Gardner (2004:569) state that triangulation can overcome the potential bias and sterility of single method approaches. Through techniques of combining and comparing multiple data sources, analysis, and processes, researchers allow triangulation to take place. According to Ticehurst and Veal (2000), triangulation got its name from the land surveying method of fixing the position of an object by measuring it from two different positions. The process enhances the validity and reliability of the results. In other words, triangulation of data strengthens the research findings and conclusions (Harrison & Reilly 2011:8) and, subsequently, the inferences made because multiple techniques would have been utilised within a single research problem (Jack & Raturi 2006).

Babbie and Mouton (2001:244) contend that no matter how carefully the design of a data collection instrument is, there is always the possibility of errors. Therefore, pre-testing is crucial where more than one cultural or language group is included in the study. Pre-testing consists of trying out the survey instrument on a small sample of persons having similar characteristics to those of the target group of respondents. In this study, as indicated in Sections 3.3.3.1 and 3.3.3.2 pre-testing was done to determine whether further revision was needed for the questionnaire and if the respondents clearly understood and were able to answer questions. After the feedback was received from the pilot group, the data collection instruments were revised.

By employing MMR in the current study, the researcher possibly reduced over-reliance on statistical data to explain social occurrences and experiences which are mostly subjective in nature. It is acknowledged that while validity and reliability are predominantly derived from quantitative research, qualitative studies provide meaningful in-depth insights through subjective interpretations of experiences that provide plausible answers in relation to social phenomena (Jogulu & Pansiri 2011:687). MMR is generally intended to supplement one information source with another, or triangulate on an issue by using different data sources to approach a research problem from different points of view. Researchers use MMR to bridge the gap between qualitative and quantitative paradigms in order to answer research questions holistically. The rationales for using a combination of qualitative and quantitative methods have been profiled by Collins, Onwuegbuzie and Sutton (2006:68) as:

- participant enrichment (for example, increasing the number of participants);
- instrument validity and reliability (for instance, pretesting and piloting the study);
- treatment integrity (that is, assessing the reliability of interventions and programmes); and
- significance enhancement (enriching the researcher's interpretation of data).

3.5   Ethical considerations

Research ethics involves the application of ethical principles to scientific research (Powell & Connaway 2004:68). DeBakey and DeBakey, as quoted by Ngulube (2003:25), stress that a sound thesis is a product of ethically obtained and scientifically valid data. Researchers are

supposed to conduct their research with care, be truthful in reporting findings and be open to criticism. Furthermore, researchers have an obligation to maintain confidentiality of their respondents. According to Singleton and Straits (2010:47-48) there are three broad areas of ethical concern in scientific research: the ethics of data collection and analysis, the ethics of treatment of participants, and the ethics of responsibility to society. Powell and Connaway (2004:68) argue that when conducting research, especially when human subjects are involved, abiding by ethical standards is very important. Therefore, researchers are supposed to conduct their research with care, be truthful in reporting findings and be open to criticism (Singleton & Straits 2010:47). Busha and Harter as quoted by Lawal (2009:61) present the following general principles that are widely accepted in the scientific community as fundamentals of the enquiry process and are regarded as ethical benchmarks:

- Protect human subjects by taking all possible measures to respect privacy and confidentiality.
- Follow the principle of full disclosure of intent to subjects.
- Report findings as accurately as possible.
- Give credit to persons whose earlier research was useful in the conduct of the current research.

One of the most important ethical rules governing research on humans is that participants must give their informed consent before taking part in the study (Lawal 2009:61; Powell & Connaway 2004:187). It is considered a violation of rights to harm others, to force people to perform actions against their will, to lie to or misled them and to invade privacy. Researchers have an obligation to maintain the confidentiality of their respondents. One of the primary responsibilities of researchers towards the subjects being researched is that we must not harm them in any way. This is why permission is sought to involve them in research and why measures to ensure privacy need to be taken. According to Leedy (1997:116-117) in order to be ethically justifiable, consent has to meet these requirements:

(i) Person's ability – cognitive capacity to understand and evaluate information about the intended research.

(ii) Voluntariness – consent must be voluntary. Nobody must be forced, deceived, threatened or subjected to any form of coercion.

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UNISA has created its own research ethics policy (2007) that adds greater protection for subjects. The policy states that the rights and interests of human participants should be protected in research. This is particularly important where information gathered has the potential to invade the privacy and dignity of participants. The respondents have the right to be treated with dignity and, whenever possible, to gain some benefit from the research. According to Oates (2006:55) the rights of participants include:

- Right not to participate.
- Right to withdraw.
- Right to give informed consent.
- Right to be anonymous.
- Right to confidentiality.

Therefore, in this study, each participant was informed as to who was conducting the research and that participation was voluntary. The right to privacy of the participants was protected by guaranteeing anonymity and confidentiality. Most often the researcher can identify each individual's response. In this study, as recommended by Singleton, Straits and Straits (1988:444) the researchers ensured confidentiality by creating an open source survey and sending the link to the respondents. Leedy (1997:116-117) suggests that as a safeguard for both the researcher and the participant(s), it must be made very clear that the participant can withdraw at any time and that a consent form should be drawn up that is signed by everybody. However, in the cases where questionnaires were distributed via post, it was almost impossible for the researcher to obtain informed consent. Instead, the information about voluntariness was included in the introductory part of the questionnaire (see Appendix I for the letter to the respondents). It was also assumed that since the respondents were professionals (records managers, auditors, audit committee members and municipal managers) they were competent to take part in the research. To avoid plagiarism, all sources used in the study were acknowledged.

3.6   Evaluation of research methods

As Leedy and Ormord (2010:285) and Ngulube (2005:48) would attest, all research methods are imperfect and its imperfections inevitably cast at least a hint of doubt on its findings. Therefore,

it is necessary to evaluate the procedures involved in collecting and analysing data to outline the weakness of the study. This study used mixed methods, with quantitative methods being dominant and substantiated through qualitative data. Triangulation of data collection instruments proved useful, as it enabled the researcher to collect reliable data through questionnaires, interviews and content analysis. The researcher would have liked to also supplement data with observation of the auditing process. This proved futile as the researcher had to seek permission from both AGSA as the external auditor and the auditee that will be involved. As a result, this method was abundant considering bureaucracy in governmental bodies.

Furthermore, there were challenges in collecting data via questionnaire. After sampling the population, even if the sampling frame was readily available, it proved problematic for the researcher to obtain the contact details of the potential participants. The database of contact details was available from some institutions such as AGSA, SALGA and others, but was protected by privacy policies or in some instances required a lengthy process to attain permission. As a result, the questionnaires, or a link thereto, was sent directly to the heads of governmental bodies from the information obtained on the government website www.gov.za. It would seem that this method worked as responses were received from both records managers, auditors and in some instances municipal managers. An assumption is that the questionnaires were completed and returned because the directive came from the head of the organisation.

With regard to interviews, the interviewees were always not available. As a result, they were sent a list of questions to complete in their spare time. However, only one was available to be interviewed via telephone. Another challenge was converting scanned audit reports into Word document so that they could be read by the software for data analysis. The researcher had to copy and paste page by page of 11 reports of over 100 pages each. The process was time-consuming and the researcher might have missed or duplicated information during the process. Furthermore, some general reports for national government departments (2000/01-2003/04), provincial governments departments (2000/01-2003/04) and statutory bodies (2000/01-2004/05) were missing. Therefore, these issues need to be taken into consideration when interpreting the results.

3.7   Summary

This chapter discussed the research methodology and explained the rationale for utilising a questionnaire for data collection which was augmented with interviews, as well as AGSA's consolidated reports on audit outcomes. All these were informed by the research problem at hand. The study population was clearly presented; and the choice of sampling procedure explained. The chapter also looked at issues of reliability and validity, as well as how ethical issues concerning this study were considered. The next chapter (four) focuses on the presentation of results obtained via questionnaires, interviews with selected officials from AGSA and the informetrics analysis of AGSA's consolidated reports on audit outcomes.

CHAPTER FOUR
PRESENTATION OF DATA

4.1   Introduction

The previous chapter provided the path to finding answers to the research questions by justifying the research methodology. The path guided the scientific inquiry in order to organise and increase knowledge about the phenomena being studied. In this regard, the aim was to assist the reader to replicate the study or validate the results of the study (Ngulube 2003:239). This chapter analyses and presents the results of the data obtained via questionnaires, interviews and document study. Data analysis is a key aspect of any research and it helps in drawing conclusions and generalisations of findings to a problem statement (Creswell 2009:152).

4.2   Response rate and participants' profile

Many researchers are frequently concerned about the percentage return rate that should be achieved in a study. Indeed, a response rate is a guide to the representativeness of the sample. As Babbie and Mouton (2001:261) would attest, the higher the response rate, the less chance of significant response bias than with a low rate. This is also underscored by Smidt (2010/11:47) when emphasising that the more robust and rigorous the sample design, the greater the likelihood, that the results will be representative of the true population characteristics. Indeed, interpretation of the results can be adversely impacted if the overall conclusion does not reflect all population characteristics. A quick scan of literature reveals that a response rate of 50% is adequate for analysis and reporting, while 60% is good and 70% is very good (Babbie & Mouton 2001:261).

In this study, out of 171 questionnaires distributed during February/March 2012, only 94 were returned, representing a 55% response rate. In tandem with the argument put forth by Babbie and Mouton (2001:261) the response rate was considered adequate. The questionnaires which were returned via post and e-mail were captured on free open source software (FOSS) that automatically produces an Excel spreadsheet. Quantitative data from questionnaires were analysed using different analytical tools and computer software such as Excel Spreadsheet and

PHstat to produce the graphs. Qualitative data from questionnaires and interview results with AGSA staff were analysed manually and used to substantiate numerical data.

Furthermore, a total of 24 PFMA and MFMA general reports on audit outcomes on the national government departments, provincial government departments, public entities, as well as municipalities for the period 2000/01 to 2009/10 were analysed utilising TextSTAT and WordSmith programmes to identify the trends in audit opinions issued, the frequency or occurrence of the word "record" and related words in the reports, as well as the context in which the words were used in the audit reports. It is worth noting that in some instances the word "record" could have been a verb. In this case no differentiation was made between a verb and a noun for the word "record". The analysis of general reports on audit outcomes helped to triangulate data obtained via questionnaire and establish the role of records management in the auditing process. TextSTAT and WordSmith are concordance programmes in which text can be combined to form corpora. WordSmith further provides synonyms through its thesaurus functionality. The programme analyses these text corpora and displays word frequency lists and concordances to search terms. In this regard, the software counts the frequencies of word occurrences in a given text.

As reflected in Figure 4.1 of the 94 questionnaires received, 14.9% (14) were from national departments, 29.8% (28) were from provincial departments, 43.6% (41) were from municipalities and 11.7% (11) were from statutory bodies.

Figure 4.1: Responding organisations (N=94)
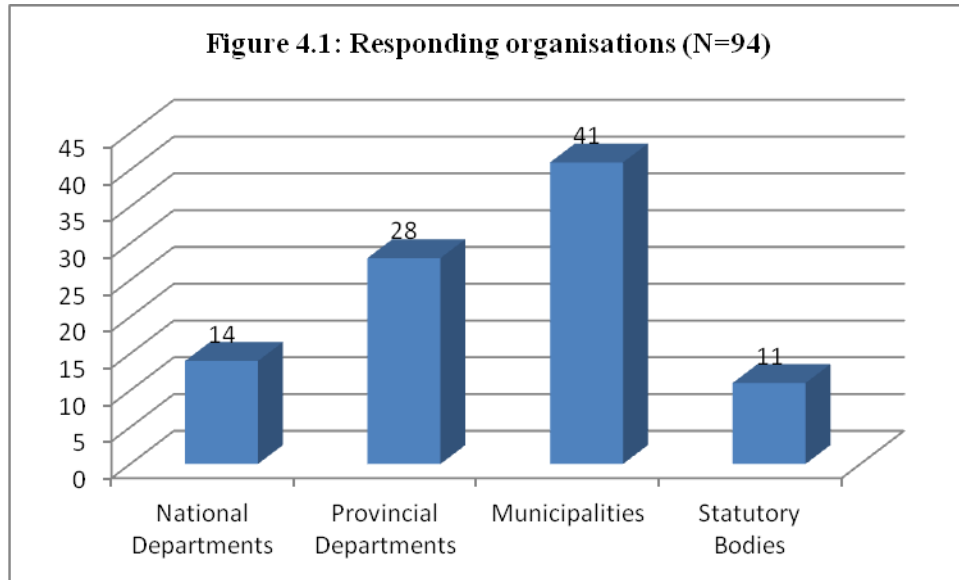
Figure 4.2 reflects that of the 94 responses, 43% (40) were completed by records managers, 5.4% (5) by auditors, 29% (27) by registry clerks, 1.1% (1) by audit committee members. The other 21.5% (20) were completed by different officials such as librarians, knowledge managers, municipal managers, risk managers and IT specialists. In some instances, questionnaires were completed by more than one person in one institution, that is, the records manager and internal auditor. In this regard, the records manager would complete only the section applicable to his/her section and internal auditor would complete the part on auditing. The explanation given was that the records manager didn't have background on auditing and the internal auditors also didn't have background about records management in that organisation. Therefore, it was best for two respondents to complete the questionnaire together.

Figure 4.2: Position/affiliation of the respondents (N=94)
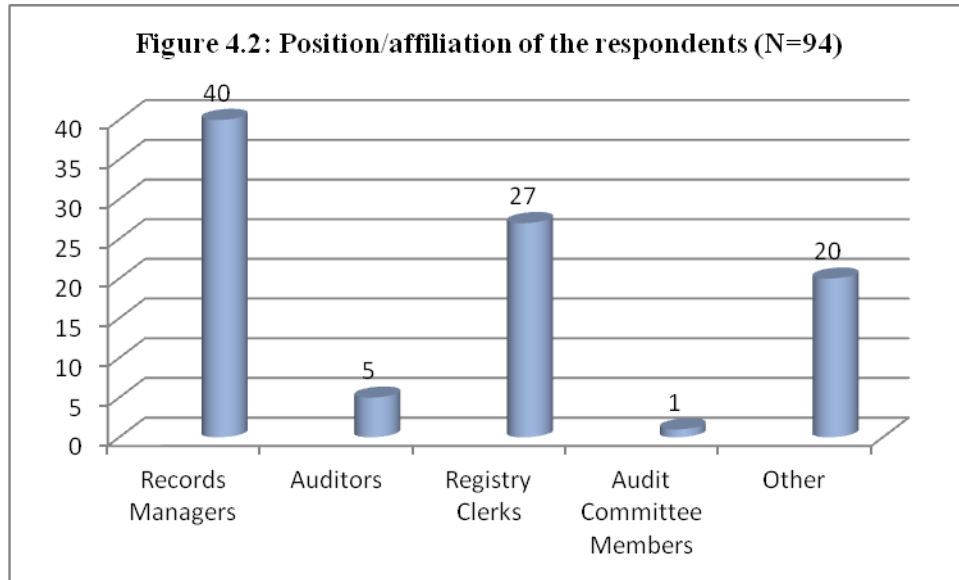
4.3 Data presentation

In this study, results are presented through written descriptions, numerical summations and figures. The results are presented according to research objectives raised in Section 1.6 of Chapter One. The broad objective of the study was to investigate the development of a framework to embed records management into the auditing process. The specific objectives were to:

(i) explore the relationship between records management and corporate governance.

(ii) investigate the role of records management into the auditing process.

(iii) investigate the contribution of records management towards risk mitigation.

(iv) establish if governmental bodies have set-up functioning internal audit committee that include records management professionals.

(v) analyse the general reports of AGSA (2000 – 2010) in relation to findings on record-keeping.

(vi) Develop a framework to embed records management practices into the auditing process in the public sector of South Africa.

It is worth mentioning that the data presented in this chapter do not reveal the identity of any individual or institution that participated in this study as anonymity was promised during data collection.

4.3.1 The role of records management in the auditing process

The purpose of this objective was to investigate the role of records management in the auditing process. In this study, it is argued that records management is the key enabler to the auditing process. Findings are presented according to the following sub-themes to establish the role of records management in the auditing process:

- The nature of the audit opinion received by governmental bodies during 2009/10 financial year.
- Records management programme.
- Key records management documents.
- Internal audit.
- Responsibility in preparation of financial statements.

4.3.1.1 The nature of audit opinion received by governmental bodies during 2009/10 financial year

Participants were asked to indicate the nature of the audit opinion obtained by their organisation in the 2009/10 financial year. As indicated in Figure 4.3, 20.2% (19) received an unqualified opinion, 57.4% (54) a qualified opinion, 9.6% (9) an adverse opinion and 12.8% (12) a disclaimer.

Figure 4.3: The nature of audit opinion for 2009/10 in governmental bodies (N=94)
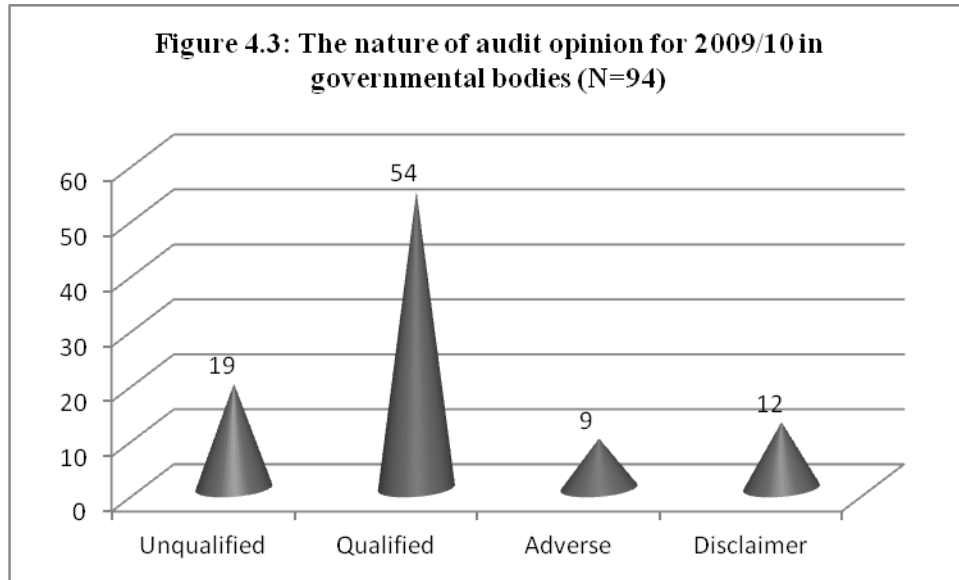
Respondents were asked to rate key issues that contributed to the audit opinion. As reflected in Table 4.1, records management was ranked number six out of 10 issues, with internal controls ranking position one as the major contributor to the audit opinion. It is worth noting that as the respondents ranked the areas contributing to audit opinion, the open source software that was utilised for data analysis automatically analysed the data as reflected in Table 4.1. Therefore, it was not possible to provide raw score on Table 4.1. The reader is also referred to table 4.4 for ranking as per the informetrics analysis of the audit reports to make a comparison.

Table 4.1: Ranking of key contributors to audit opinion by respondents		
Rank	Key contributors	Average score
1	Internal controls	7.63%
2	Quality and timeliness of financial statements	6.80%
3	Finance	6.15%
4	Availability of key officials	6.01%
5	Leadership	5.79%
6	Records management	5.68%
7	Supply chain management	5.43%
8	Information Technology	4.16%
9	Human resources	3.80%
10	Risk management	3.56%

Results of interviews from AGSA indicate that the major contributor to negative audit opinions in governmental bodies was attributed to: a lack of supporting evidence (records) for financial statement items and a lack of knowledge of finance staff to properly deal with accounting issues. A respondent from AGSA indicated that an audit can only be conducted if the auditee has proper records that are available for viewing and that supports the balances and transactions disclosed in the AFS. According to the respondent, the records that are mostly required for the audit by AGSA include: invoices supporting expenditure, memo's/approvals of relevant officials to procure the expenditure, journal vouchers substantiating entries passed in books, trial balances and general ledger of the entity, salary advices and payment evidence (See Appendix J for a comprehensive list of records required for audit evidence).

4.3.1.2 Records management programme

Governmental bodies in South Africa are required by archival legislation to establish a records management programme in conformity with standards and codes of best practice in records management. The availability of a records management unit in governmental bodies goes a long way in helping with the implementation of policies and a filing system. It is essential to manage the transactions, information and knowledge necessary to sustain an organisation. In this regard, records can be easily retrieved when requested by auditors or whoever seeks information. The purpose of the question in this section was to establish if governmental bodies have developed a records management programme. As reflected in Figure 4.4, 83% (78) had records management units as compared to 17% (16) that did not have one. Those that did not have records management units indicated that records management was the responsibility of each unit and in some cases records creators.

Figure 4.4: Availability of records management units (N=94)

16

Yes

No

78
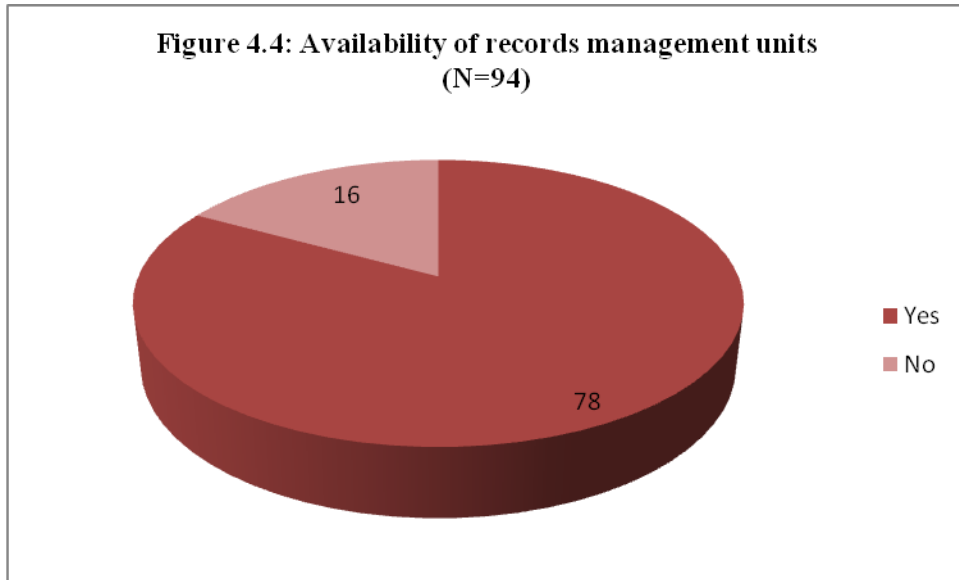
4.3.1.2.1 Placement of records management programme

Participants were asked to indicate or state the exact place within their organisational structure where their records management function fell. The areas indicated were as follows: Knowledge and Information Management, Administrative Support Services, Information Technology, Corporate Office, Supply Chain Management, Facilities Management, Security Services, Finance and others indicated that each unit was responsible for its own records. Most (95%) respondents indicated that the records management function was misplaced as it reported to people with little or no understanding of records management. Respondents felt that records management would add value to organisational strategies or the auditing process if the function was independent from other units. The argument was that in most governmental bodies the function was on a sub-directorate level implying that it was receiving less priority as records management issues are not represented at a strategic level. In governmental bodies with records management programmes 26.6% (25) were on sub-directorate level and reported to senior managers of other divisions, while 20.2% (19) were on a unit level and only 8.5% (8) on a directorate level headed by senior managers.

4.3.1.2.2 Records managers

Governmental bodies in South Africa are required to appoint or designate records managers. With regard to the level of records managers, as reflected in Figure 4.5, it is depressing to note that 39.4% (37) indicated that their organisations did not have a records manager, whereas 20.2% (19) indicated that the records manager was at junior level; 26.6% (25) at middle management level and only 8.5% (8) at senior management level. No governmental body had a records manager at top management level even though heads of governmental bodies are supposed to be accountable for records management. In fact, respondents mentioned that even though NARS directives oblige heads of governmental bodies to designate records managers, most governmental bodies did appoint records management professionals but did not officially designate them as such.

As a result, with regard to career progression in the field, the situation was even more unfavourable. The upward mobility of records managers on the corporate ladder in most governmental bodies was limited to middle management. In consideration of government hierarchy and bureaucracy, this level is low, as an official at that level does not have the authority to interact with top management. Therefore, it is possible that the records management function will very likely not be well represented when key decisions are made in strategic meetings of governmental bodies (Ngoepe & Van der Walt 2010:88). Hence, Venter (2008) questions whether archives and records management is a profession in South Africa. She argues that once a person becomes a records manager, he/she has reached the ceiling. The only way to move is horizontally, resulting in records managers of governmental bodies hopping from one organisation to another at the same level. In few instances, if a person was fortunate, he/she could become a senior manager responsible for records management. This challenge was compounded by the fact that in South Africa, everybody could become a records manager (as long as a person has a relevant qualification). The profession was not regulated like others such as nursing, auditors, doctors, lawyers and others. As a result, this impacted negatively on the services offered by records management units to users in governmental bodies.

Figure 4.5: The levels of records managers in governmental bodies (N=94)
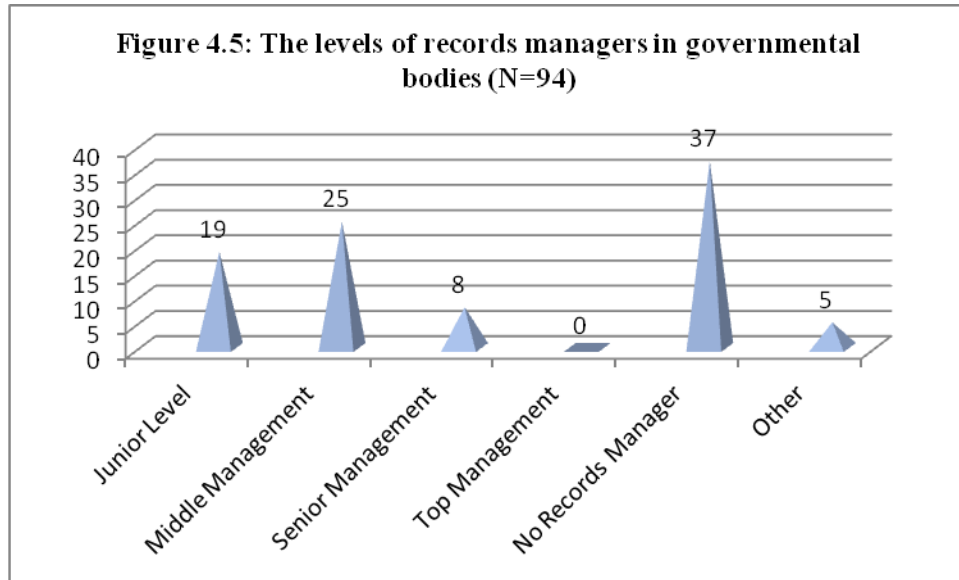
4.3.1.2.3 Records storage

In South Africa, governmental bodies are required by NARS directives to keep active records in a spacious office area (Ngoepe & Van der Walt 2010:94). File management and location vary considerably from organisation to organisation and can either be centralised in registries or decentralised in the offices of users (Van Zyl 1992:29). The space allocated for use as records storage must be able to accommodate the growth in documentation. Regarding the custody of active records, 97.87% (92) of the respondents indicated that these records were kept on-site as compared to 2.13% (2) who kept active records in an off-site commercial storage. In most governmental bodies, the process of storing records in commercial off-site storage was referred to as "metrofile" attributed to the off-site storage records management company in South Africa known as Metrofile. Those who kept records in off-site storage indicated that records were often requested during the audit and that the 24-hour wait for records to be retrieved from off-site commercial storage often delayed or prolonged the audit and thus costing the governmental bodies money. As for records that were kept on-site, there were various models of managing those records. In some instances, 40.4% (38) respondents indicated that the records management storage was centralised, as compared to 44.7% (42) which were decentralised. However, others indicated that each unit stored its own records. In this instance, the records management unit deployed records management "cadres" to assist with implementation of records management

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policies. During the audits records management staff members were deployed to assist finance units. Of interest was that in order to avoid duplication of files, in some governmental bodies dummy files were created when and where necessary and such files were identified in the covers as duplicates. A respondent from AGSA indicated that in few instances, governmental bodies submitted records timeously when requested by auditors. This, according to the respondent depended on the records management system from entity to entity.

With regard to semi-active records, they were either kept in the basement or off-site commercial storage as there were no government records centres in South Africa. According to respondents government records centres have been replaced by commercial off-site storage. Almost all respondents with the exception of two indicated that they had a challenge with non-active records of archival value which were older than 20 years as they were supposed to be transferred to archives repositories. Respondents argued that these records could not be transferred as both national and provincial archives repositories did not have space to take these records into archival custody. As a result, the responsibility was shifted to governmental bodies. Management of these records by governmental bodies cannot be considered preservation, as unlike NARS, governmental bodies did not have necessary infrastructure and skills to preserve those records. Some respondents even mentioned that their provinces did not have archival building infrastructure (see Table 4.2 for provinces with or without archival infrastructure).

Table 4.2: South African provinces with archival infrastructure and legislation (Ngoepe & Keakopa 2011:153)		
Provinces	**Archival legislation**	**Availability of infrastructure**
Western Cape	Provincial Archives and Records Service of the Western Cape Act (Act No. 3 of 2005)	Inherited archival building from previous dispensation
Free State	Free State Provincial Archives Act (Act No. 4 of 1999)	Inherited archival building from previous dispensation
KwaZulu-Natal	KwaZulu-Natal Provincial Archives Act (Act No. 5 of 2000)	Inherited archival building from previous dispensation
Eastern Cape	Eastern Cape Provincial Archives and Records Service Act (Act No. 7 of 2003)	No proper archival building
Gauteng (busy with feasibility study to erect the building)	No legislation	Currently (2013) busy with feasibility study to erect archival building
Northern Cape	No legislation	No archival building
North West	No legislation	No proper archival building
Limpopo	Northern Province Archives Act (Act No. 5 of 2001)	Completed the building of archives repository
Mpumalanga	Mpumalanga Archives Act (Act No. 14 of 1999)	Completed the building of archives repository

With regard to the three provincial archives services that have not yet promulgated their archival legislation, the provisions contained in the NARS Act still apply to them in terms of section 17(4).

4.3.1.2.4 Key records management documents

In South Africa, governmental bodies are required to develop strategies, policies and procedures that regulate records management activities. Once the organisational records management goals and objectives as part of broader information management strategy are clear, actions for achieving them are necessary. For this reason the organisation needs to formulate a records management policy. Officials are then compelled by the policy to practise proper records management. For the policy and procedures to be effective, it has to be endorsed by the head of the governmental body or internal policy committee. These should also be communicated and implemented throughout the organisation.

Furthermore, a properly designed filing system covering the full spectrum of an organisation's functions is necessary to arrange records systematically in an orderly fashion so as to aid

comprehensive retrieval. Disaster recovery planning is necessary to ensure continuous business operations in the face of major disasters such as floods and fires which could result in the destruction or loss of information. Then the identification and protection of vital records needs to be linked to the overall organisation's disaster protection plan. A retention programme is also necessary to ensure disposal of ephemeral records and to permit the transfer of records of enduring value from active maintenance to archive repositories. Best practices indicate that the retention schedule is compiled in consultation with legal advisors, auditors, managers and archivists (Van Zyl 1992:26).

Participants were asked to indicate or state the availability of key records management documents such as strategy, policy, procedure, file plan, retention schedule, disposal authority, vital records schedule and disaster recovery plan. Table 4.3 indicates availability and implementation of key records management documents in governmental bodies. Most of the respondents cited lack of support from NARS as a contributing factor to unavailability of disposal authority and retention schedule. One respondent indicated that his/her organisation requested a disposal authority from NARS in 2010, but has not received a response to date (2012). This according to the respondent was despite several follow-ups with NARS. The respondent indicated that NARS cited lack of capacity as a contributing factor.

Table 4.3: Availability and implementation of key records management documents (N=94)			
Document	**Available but not implemented**	**Implemented**	**Unavailable**
Strategy	7 (7.45%)	13 (13.83%)	74 (78.72%)
Policy	15 (15.96%)	57 (60.64%)	22 (23.40%)
Procedures	17 (18.09%)	58 (61.70%)	19 (20.21%)
File plan	21 (22.34%)	60 (63.83%)	13 (13.83%)
Disposal authority	16 (17.02%)	26 (27.66%)	52 (55.32%)
Retention schedule	15 (15.96%)	16 (17.02%)	63 (67.02%)
Vital records schedule	3 (3.19%)	10 (10.64%)	81 (86.17%)
Disaster recovery plan	2 (2.13%)	9 (9.57%)	83 (88.30%)

It is distressing to reveal that only a pitiable figure of 38.3% (36) of governmental bodies have mapped records management processes as compared to 61.7% (58) which have not. Some respondents even argued that systems implemented in governmental bodies dictated on how records should be managed rather than records management dictating how systems should

operate. This explains why records management always took the back seat in governmental bodies.

4.3.1.3 Internal audit

Internal auditing plays an important role in any country's public sector and, in particular, in organisations' corporate governance, internal control structure, risk management and financial reporting (Janse van Rensburg & Coetzee 2010/11:29). South Africa is no exception and the role of internal auditing in South Africa is emphasised in PFMA, MFMA and King Report III. For example, these pieces of legislation and the corporate governance model suggest that an internal audit function should be established within an entity.

The purpose of this section of the questionnaire was to establish if governmental bodies in South Africa have established internal audit units. It is believed that effective internal audit units may prepare governmental bodies to be ready for external auditors. As reflected in Figure 4.6, 74.5% (70) had internal audit units as compared to 25.5% (24) which did not have. Those that did not have an internal audit unit were mainly provincial government departments and indicated that the Premier's offices had a transversal role in internal auditing for provinces. In this regard, the internal audit unit in the Premier's Office was responsible for the entire province. However, others did indicate that the internal audit function was outsourced in their organisations.

Figure 4.6: Availability of internal audit function (N= 94)
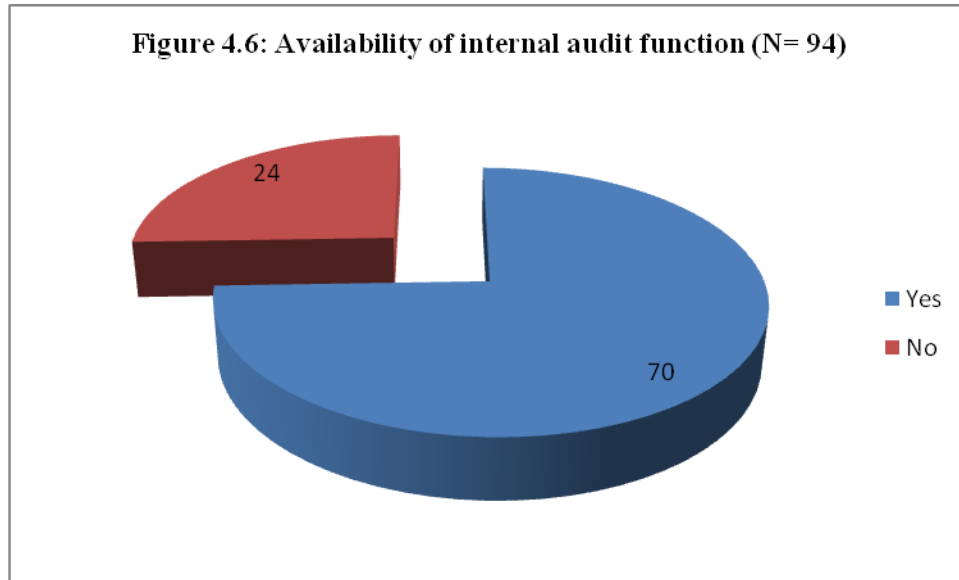
In a study by Sigidi (2012) as reflected in Table 4.4, it was found that 220 municipalities out of 278 have established internal audit units.

Table 4.4: Internal audit unit establishment in municipalities (N=278)		
Province	**Total number of municipalities**	**Number of municipalities with internal audit units**
Eastern Cape	45	30 (67%)
Free State	24	24 (100%)
Gauteng	12	9 (75%)
KwaZulu-Natal	61	61 (100%)
Limpopo	30	30 (100%)
Mpumalanga	21	20 (95%)
Northern Cape	32	9 (28%)
North West	23	14 (61%)
Western Cape	30	23 (77%)
Total	**278**	220 (79%)

The reporting line of internal audit functions in governmental bodies as reflected in Figure 4.7 indicates that 8.5% (8) reported to the compliance officer, 16% (15) reported to the chief risk officer, 27.7 (26) reported to the municipal manager, 6.4% (6) reported to the head of department (DG). Others 41.5% (39) indicated that the internal audit unit reports to the chief operating officer, audit committee, head of corporate service and chief financial officer.

4.7: Reporting line of internal audit function (N=94)
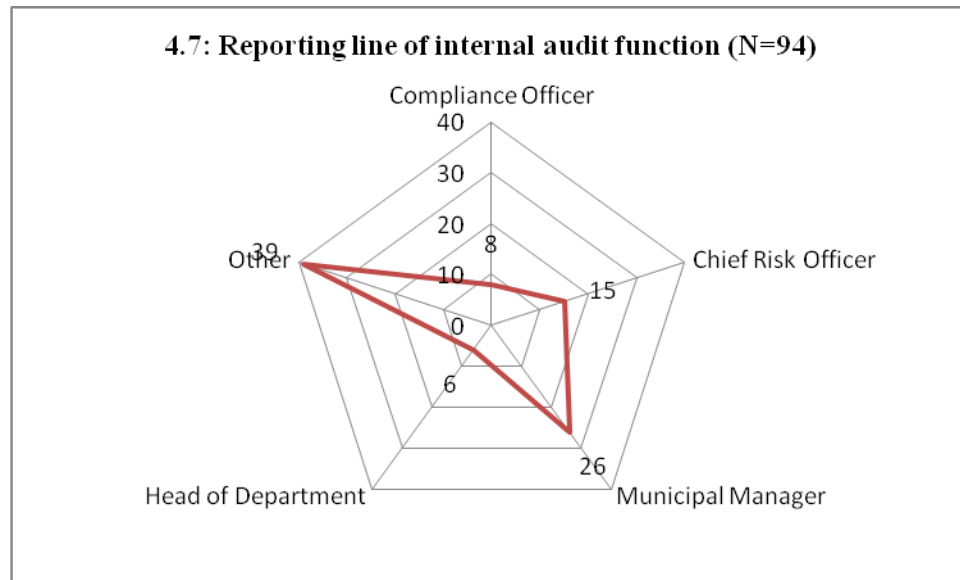
With regard to the frequency of conducting internal audit reviews as reflected in Figure 4.8, it was revealed that most governmental bodies (56) conducted internal audits annually as compared to 6.4% (6) that conducted the audits quarterly and 1.1% (1) monthly. However, 14.9% (14) indicated that internal auditing was not conducted in their organisations while the other 14.9% (14) scheduled internal audits as per the internal audit plan and consulting engagement when requested. However, those who conducted internal audits did indicate that the recommendations of internal auditors were not always implemented. According to the respondents, most of the issues identified by internal auditors were often raised by external auditors. In other words, these issues could have been addressed before the external auditors audited the entity. However, the respondents indicated that it was not always the case. In fact, some indicated that the internal audit division was not taken as seriously as external auditors (AGSA). This is due to the fact, that unlike the external audit report, the internal audit report is not by default a public record. As such, an assumption from some respondents was that senior management knew that internal audit reports were highly unlikely to be made public.

When asked to indicate how effective internal auditors and audit units were in governmental bodies, the respondents from AGSA indicated that each internal audit function was assessed separately. In this regard, some were fulfilling their mandate while others needed to improve. The respondents further indicated that although varied from entity to entity issues identified by

internal auditors in governmental bodies were not often addressed before the external auditors from AGSA come.

Figure 4.8: Frequency of conducting internal audit reviews in governmental bodies (N=94)
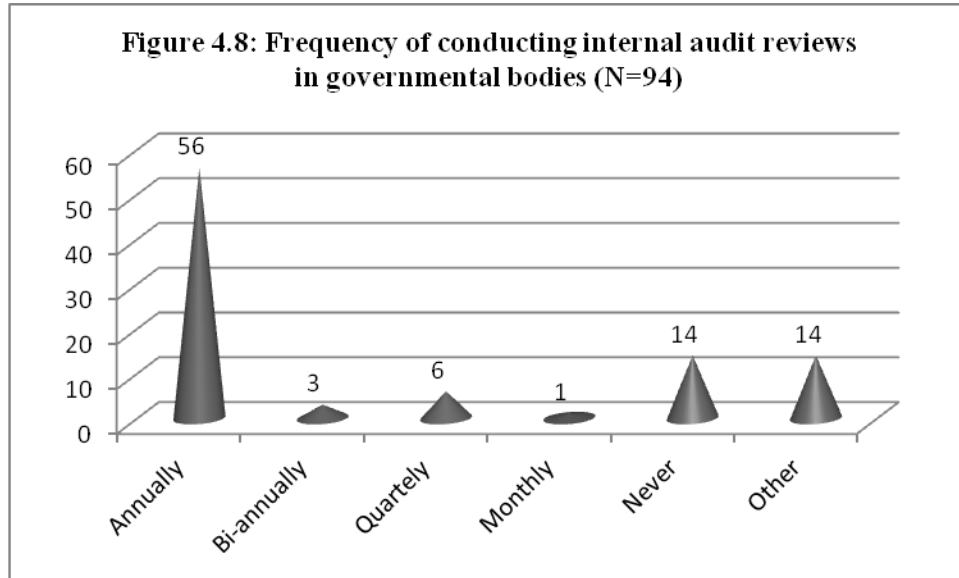
Respondents further indicated that records management and auditing did not always work in unison. The majority of respondents 72.3% (68) indicated that the scope of internal auditing in their organisations does not include records management. Those who indicated that records management is included in the scope of internal auditing listed the following as top five records management findings in internal auditing reviews:

- Non-compliance with legislation.
- Lack of information security.
- Information loss.
- Incomplete records.
- No disaster recovery plans.

Others indicated that internal audit reviews the records management process and provide recommendations on how management could improve the process by ensuring good governance, adequate and effective internal control system and risk management. With regard to external auditing, the common findings related to record-keeping in governmental bodies included the

following:

- Records were not filed in a way that will allow for easy reference; hence it takes longer than necessary to retrieve.
- Records filed were not always a complete set of documents that substantiates the transactions (for example, the pack of records requested for one invoice payment contains all the invoices and quotes but the approval page is missing).

When asked who managed financial records in governmental bodies, 71.3% (67) as reflected in Figure 4.9 indicated that the records management units did not have control of financial records. The respondents indicated that financial records were managed by the finance section. These records were transferred to central records only when they were semi-active. In this regard, that was the only time when records management have control of financial records. However, the respondent from AGSA indicated that both records management staff and the finance section assisted the auditors with records during the audit cycle in governmental bodies.

Figure 4.9: Does records management unit have control of financial records (N = 94)
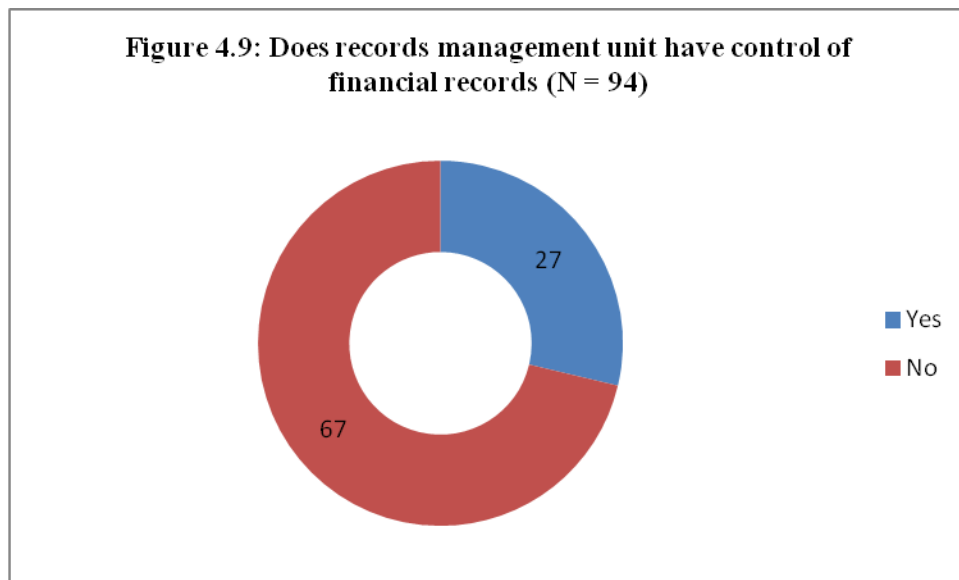
Eighty-one percent (77) indicated that internal and external auditors did complain that they were unable to obtain source documents within a reasonable time, resulting in disclaimer opinions. As reflected in Figure 4.10, only 37.2% (35) indicated that their organisations had a formal plan to

respond to audit requests. Interviews with AGSA staff members also confirmed that, in a few instances, the auditees had a formal plan to respond to audit requests for records. However, most auditees that were qualified did not have adequate action plans for issues raised in previous reports.

Figure 4.10: Availability of formal plans to respond to audit requests (N = 94)
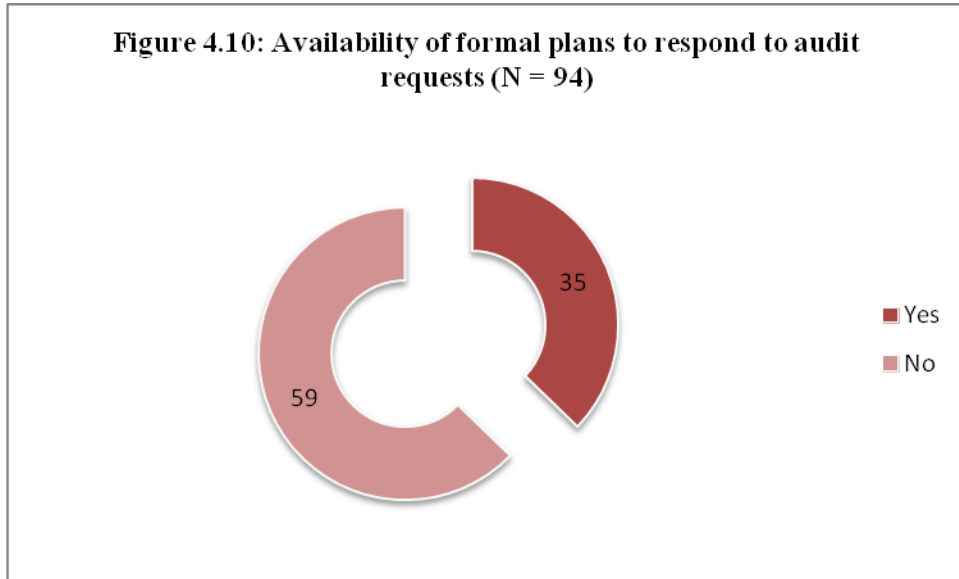
When asked about the role of leadership during the audit cycle some respondents indicated that leadership was supposed to play a monitoring and oversight role which was not happening. This, according to respondents would ensure that information is made available to auditors. The availability of leadership was also emphasised by respondents as of outmost the important. This role was confirmed by respondents from AGSA as they felt that leadership is supposed to be available to discuss any matter that auditors bring to their attention. In this way, leadership would be able to address queries while time still allows.

4.3.1.4 Responsibility for preparation of financial statements

PFMA and MFMA require accounting officers of governmental bodies to prepare financial statement for each financial year and submit these to AG for auditing within two months after the end of financial year. As reflected in Figure 4.11, the responsibility of preparing financial statements in 49 (52.1%) governmental bodies lay with the chief financial officers and 44

(46.8%) with consultants. However, only 1.1% (1) indicated that the responsibility lay with the Head of Department.

Figure 4.11: Responsibility for preparing financial statements (N = 94)
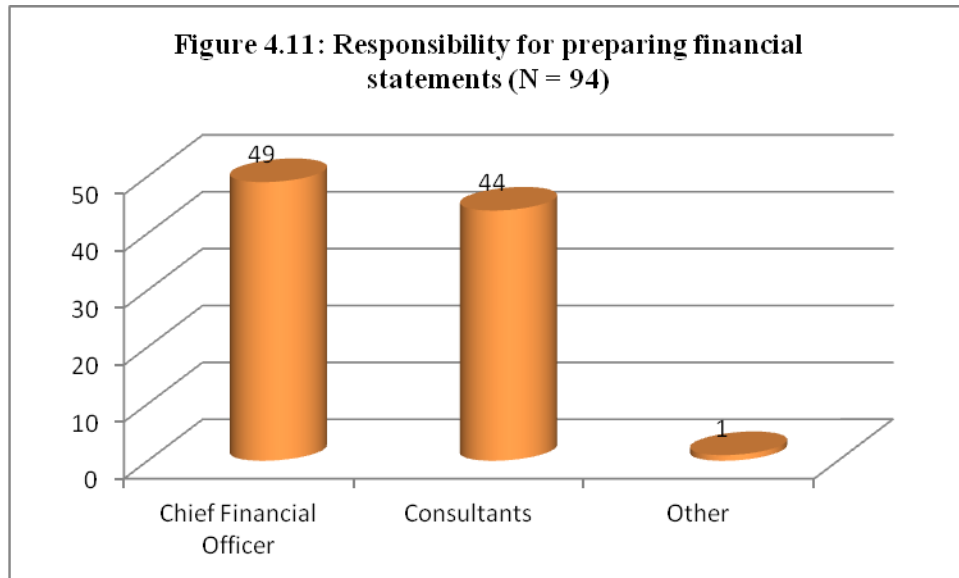
Eighty-five per cent (80) indicated that financial statements were always prepared in time. The other 15% (14) indicated that the financial statements were not always prepared in time due to unavailability of records. AGSA respondents also indicated that the submission of financial statements varied from entity to entity with some not submitting, others submitting late, others submitting incomplete statements and others submitting on time. Some respondents expressed concerns that outsourcing the compilation of financial statements to consultants did not always benefit their organisations as there were no skills transfer. As well, more money was spent on consultants in this regard. However, some respondents commended the consultants on the work done by them in compiling financial statements and even attributed the improvement of audit outcomes to the use of consultants. Either way, the use of consultants or in-house staff has pros and cons as outlined in Table 4.5.

Table 4.5: Using consultants versus in-house staff (Katuu 2007:11)	
Consultants	**In-house staff**
Pros	**Cons**
Have experience	May not have experience
Have all their time allocated to the project	May not have all their time allocated to the project
Can be held totally accountable	Difficult to hold accountable
Cons	**Pros**
May not initially understand the organisational culture, vision and mission	Immediately understand the organisation culture, vision and mission
May be very expensive	Very cost-effective
May not engage in knowledge and skill transfer	Development of organisational skills and knowledge

The periods of completing an audit as indicated by the respondents ranged from one month to 10 months. According to the respondents the duration of the period was mainly influenced by the availability of records, financial statements being submitted late and unavailability of key individuals during the audit cycle. However, there were those who indicated that auditing was not done due to non-submission of financial statements to AG. Taking into consideration the auditing process (planning/interim and final phase), the respondents from AGSA indicated that the cycle to complete PFMA/MFMA audits can take about five months. Mostly, according to the respondent, the duration of the audit is determined by the amount of data that have to be audited. However, late submission of financial statements and records also has a major impact.

4.3.2 The contribution of records management towards risk mitigation

The King Report III recommends that organisations should develop a risk management strategy. As reflected in Figure 4.12, 57.4% (54) indicated that their organisations have developed an Enterprise Risk Management Strategy as compared to 42.6% (40) which did not have.

Figure 4.12: Availability of Enterprise Risk Management Strategy (N = 94)
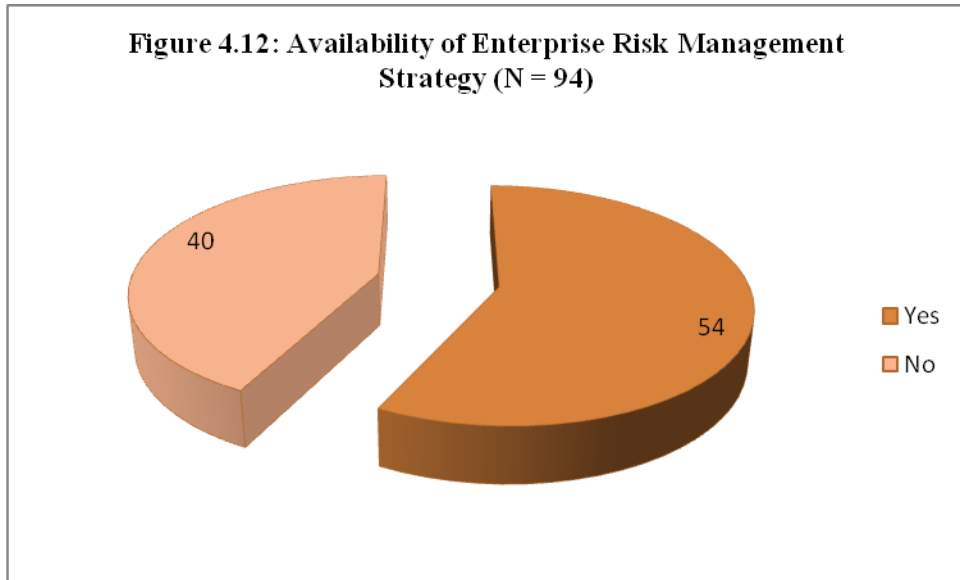
Furthermore, 53.2% (50) indicated that there was a risk register in their organisations. The top 10 risk issues identified by the respondents are reflected in Table 4.6. It is worth noting that records management, through loss of information features, in the top 10. Most of the risks identified by respondents are also linked: for example, security can be linked to loss of information and leaking of information. However, there were respondents who indicated that the top risk issues in their organisation were confidential and, therefore, could not divulge information to the researcher.

Table 4.6: Top 10 risks identified in governmental bodies (N = 10)

Number	Risk Area
1	Security
2	Loss of information
3	Contract management
4	Compliance
5	Branding and reputation
6	Procurement
7	Information technology
8	Knowledge management
9	External communications
10	Leaking of information

Only 37.2% (35) indicated that records management was identified as a risk in their organisations. The respondents were further asked to list five records management areas that pose risk to or have a significant cost impact on their organisation. The top five issues that kept on recurring were: information security, data integrity, information loss, non-compliance and leaking of information. When asked how records management mitigates risk in governmental bodies, respondents listed the following: with proper records management in place the governmental bodies will comply with archival legislation, minimise loss of information, be able to present records as evidence in court and base decisions on records rather than thumb-sucking.

4.3.3 Analysis of the general reports of AGSA (2000/01 – 2009/10) in relation to findings on record-keeping

The purpose of this objective was to analyse AGSA's general reports on audit outcomes in relation to findings on record-keeping. As explained in Section 4.2, TextSTAT and WordSmith were used to analyse the reports. Findings are presented according to the following sub-themes:

- Frequency and concordance of words.
- Trends of audit opinions.

4.3.3.1 Frequency and concordance of words

The methodological approach involved searching for and extracting analysis references to the word "record" and other words related to record such as "evidence" "document" "information" "data" in the body of the general reports of AGSA. WordSmith software was utilised to provide such information. The analysis of the other words related to record within the reports was meant to provide another perspective of the usage of these words in the audit reports. As it would be demonstrated in the context of usage of words later in the subsequent paragraph, these related words were used interchangeably with the word "record" in the audit reports. With regard to the frequency of words, not surprisingly, it was noted that the word "audit" was the most common, having appeared in a total number of 8024 followed by unqualified (5819), matters (5694), financial (3984) and municipality (2893) as reflected in Table 4.7. The word "information" was number 12 with 1661 counts whereas "record" was number 17 with 694 counts.

Table 4.7: Frequency of words in the audit reports (N=20)

No.	Word	Frequency
1	Audit	8024
2	Unqualified	5819
3	Matters	5694
4	Financial	3984
5	Municipality	2893
6	Disclaimer	2862
7	Departments	2837
8	Report	2733
9	Opinion	2262
10	Qualified	2706
11	Municipalities	1902
12	Information	1661
13	Controls	1360
14	National	1284
15	Provincial	1007
16	Adverse	836
17	Record	694
18	Leadership	447
19	Governance	400
20	Risk	343

4.3.3.2 Contextual use of the word "record" and other synonyms

There are two ways to discuss contextual usage of the terms, namely: to the left and to the right. A closer examination of the context to the left within which the word *record* was used in the reports revealed that the word was largely used in relation to *lack of proper record-keeping, inadequate record-keeping and poor record-keeping* contributing to negative audit results. In other context, the word and other key words were used as follows:

- Municipalities received a disclaimer of audit opinion due to poor record-keeping.
- Adequate record-keeping not being implemented and communicated.
- Some municipalities had challenges with proper record-keeping.
- Entities are experiencing a severe lack of appropriately skilled staff and inadequate record-keeping.
- Adequate record-keeping.

- Accurate records.
- Inaccurate record.
- Insufficient record-keeping.
- Proper record-keeping.
- Improved record-keeping.
- Lack of sufficient and appropriate evidence.
- Could not provide sufficient evidence.
- The main drivers of audit qualifications were as follows: sufficient appropriate audit evidence not provided.
- Disclaimer opinions were the results of insufficient audit evidence.
- Inability to obtain sufficient audit evidence.
- No corroborating evidence.
- Data integrity.
- Data loss.
- No supporting evidence.
- Proper document management.
- Inadequate document.
- Adequate documentation.
- Appropriate documentation.
- Incomplete information.
- Accurate information.
- Reliability of information.
- Quality of information.
- Financial statements could not be substantiated by documentation.
- Incomplete document.
- No documentation.
- Unavailability of documentation.
- Absence of document management.
- Document retention/management.

The contextual usage of the words to the left supports the argument that records management contributes to the audit opinion. The contextual usage of the words to the right was as follows: *records management, document management, document control, document retention, record-keeping, records retention, record retrieval.*

4.3.3.3 Trends of audit opinions

This section provides trends of audit opinions for municipalities (2000/01-2009/10), national government departments (2004/05-2009/10), provincial government departments (2004/05-2009/10) and statutory bodies (2005/06-2009/10). It is worth mentioning that consolidated audit reports for national and provincial departments for the period 2000/01-2003/04 and statutory bodies for the period 2000/01-2004/05 could not be traced, hence these were excluded in the analysis. In total, 24 consolidated general audit outcomes were consulted and converted from PDF to Word document. As mentioned in Section 3.6, in some instances copying and pasting had to be done page by page for documents of over 100 pages. As a result, there is a possibility that some pages could have been missed or duplicated.

4.3.3.3.1 Municipalities

Since the municipal election in December 2000, the local government environment has changed from both a demarcation perspective and a legislative perspective. As a result, the number of municipalities has been reduced from 843 to 283. Figure 4.13 and Table 4.8 provide details of the audit outcomes for all municipalities from the 2000/01 financial year to 2009/10 financial year. There have been little improvement in terms of the audit outcomes from 2000/01 to 2009/10. In most instances there has been regress, for example, three municipalities received a disclaimer opinion in 2000/01 as compared to 77 in 2009/10; 49 received qualified reports in 2000/01 as compared to 60 in 2009/10. However, with regard to adverse opinions there have been some improvements with 130 municipalities receiving an adverse opinion in 2005/06 as compared to three in 2009/10. There was also a slight improvement with no municipality receiving a clean audit opinion as compared to seven receiving clean audits in 2009/10. Municipalities are at the coal-face of service delivery and this trend of financial qualifications

requires the leadership to develop action plans to address internal control weaknesses that lead to the findings.

Figure 4.13: Trends of audit opinions for municipalities (2000/01 – 2009/10)
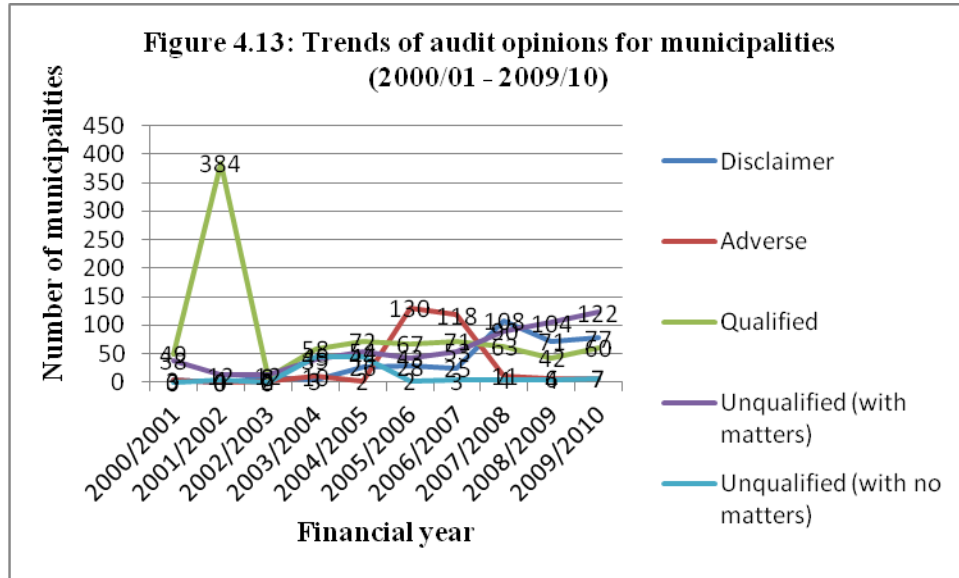
Table 4.8: Audit outcomes for municipalities (2000/01 to 2009/10)										
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Disclaimer	3	-	8	3	26	28	25	108	71	77
Adverse	3	-	2	10	2	130	118	11	6	7
Qualified	49	384	8	58	72	67	71	63	42	60
Unqualified (with other matters)	38	12	12	39	54	43	53	90	104	122
Unqualified (with no other matters)	-	4	-	45	44	2	3	4	4	7
Total	93	400	30	155	198	270	270	276	227	273

4.3.3.3.2 National departments

With regard to national departments, only general reports from 2004/05 to 2009/10 could be traced. As was the case with municipalities, there have been little improvements in terms of the audit outcomes from 2004/05 to 2009/10. However, national departments were consistent with no adverse opinion from 2004/05 to 2009/10. As reflected in Figure 4.14 and Table 4.9, in

2004/05 25 national departments obtained unqualified reports but regressed to 19 in 2009/10. There were slight improvements with clean reports from two in 2004/2005 to four in 2009/10.

In the 2009/10 financial year, the national departments improved to a position where no disclaimer and adverse opinions were recorded. Only 12 departments were qualified in 2009/10 compared to 13 and 31 respectively in 2008/09, while 19 departments recorded financially unqualified with findings on predetermined objectives and/ or compliance with laws and regulations outcomes. Of the 35 departments reported on in 2009/10, seven improved, seven regressed, nine remained unchanged (but were qualified), nine remained unchanged financially unqualified with or without findings and three showed improvements while obtaining a qualified opinion.

Figure 4.14: Trends of audit opinions in national government departments (2004/05 – 2009/10)
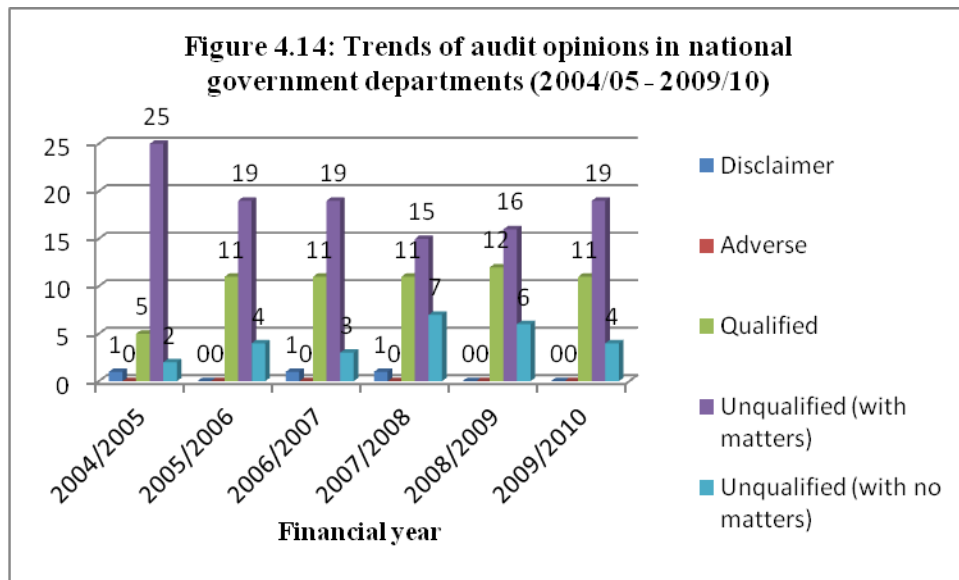
Table 4.9: Audit outcomes for national government departments (2004/05 to 2009/10)						
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Disclaimer	1	-	1	1	-	-
Adverse	-	-	-	-	-	-
Qualified	5	11	11	11	12	11
Unqualified (with other matters)	25	19	19	15	16	19
Unqualified (with no other matters)	2	4	3	7	6	4
Total	**33**	**34**	**34**	**34**	**34**	**34**

4.3.3.3.3 Provincial departments

The general reports for provincial departments also run from 2004/05 to 2009/10. As indicated in Figure 4.15 and Table 4.10, there has been a noticeable improvement from the 2005/06 financial year to the 2006/07 financial year in qualified opinions (35) received qualified opinions in 2004/05 with an improvement to 24 in 2009/10) and clean reports (only one (1) received a clean report in 2004/05 as compared to improvement of 14 in 2009/10). With regard to disclaimer opinion, provincial departments regressed from 9 to 10.

Figure 4.15: Trends of audit opinions for provincial government departments (2004/05 – 2009/10)
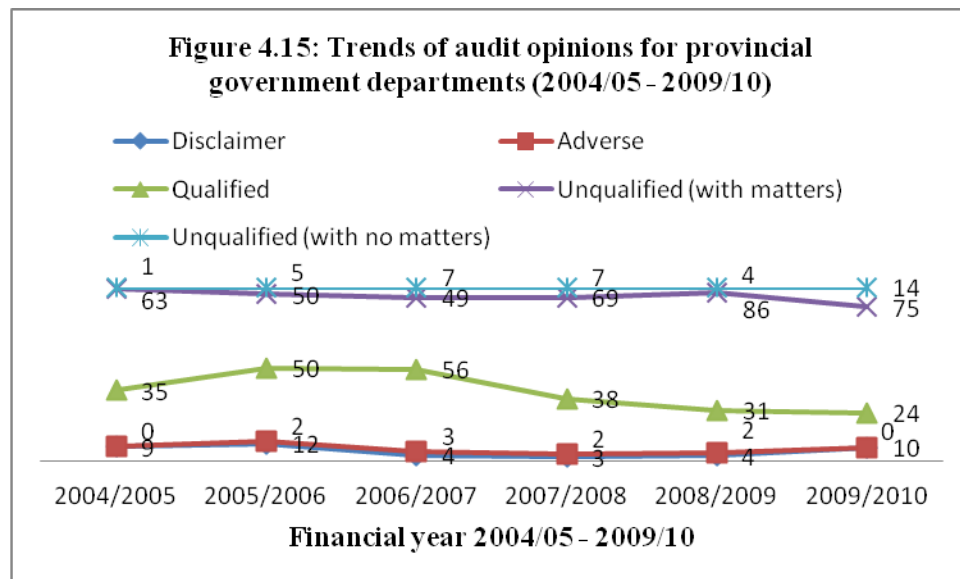
Table 4.10: Audit outcomes for provincial government departments (2004/05 to 2009/10)						
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Disclaimer	9	12	4	3	4	10
Adverse	-	2	3	2	2	-
Qualified	35	50	56	38	31	24
Unqualified (with other matters)	63	50	49	69	86	75
Unqualified (with no other matters)	1	5	7	7	4	14
Total	108	119	119	119	127	123

4.3.3.3.4 Statutory bodies

The general reports for statutory bodies were analysed from 2005/06 to 2009/10. As reflected in Figure 4.16 and Table 4.11 there was an improvement in all audit opinions from 2005/06 to 2009/10. For example, five statutory bodies received disclaimer opinions in 2005/06 as compared to four in 2009/10. With clean reports the situation was even better as the improvement was from 36 in 2005/06 to 110 in 2009/10.

Figure 4.16: Trends of audit opinions for statutory bodies (2005/06 – 2009/10)
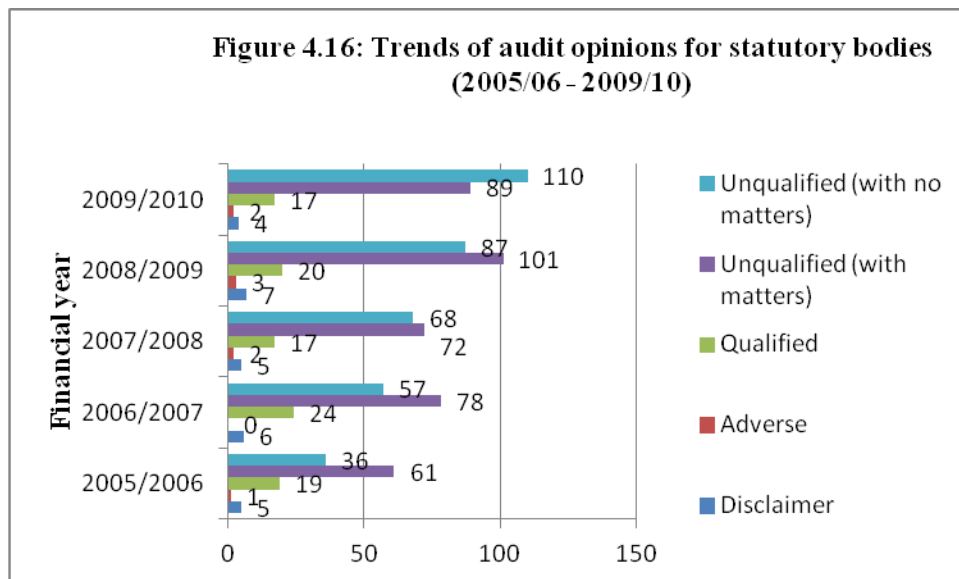
Table 4.11: Audit outcomes for statutory bodies (2005/06 to 2009/10)					
	2005/06	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Disclaimer	5	6	5	7	4
Adverse	1	-	2	3	2
Qualified	19	24	17	20	17
Unqualified (with other matters)	61	78	72	101	89
Unqualified (with no other matters)	36	57	68	87	110
Total	**122**	**165**	**164**	**218**	**222**

4.3.4 Audit committee establishment

The purpose of this objective was to examine audit committee establishment and composition in the public sector, and to investigate the involvement of records management in this. Chapter 3 of King Report III recommends that organisations should ensure that they establish effective and independent audit committees. As discussed in Section 2.5.4, it is also a legislative requirement by PFMA and MFMA that governmental bodies must establish audit committees. The audit committee fulfils a vital role in corporate governance, among other things, they ensure the integrity of integrated reporting and internal financial controls. Findings are presented according to the following sub-themes:

- Availability of audit committee.
- Composition of audit committee.

4.3.4.1 Availability of audit committee

The respondents were asked whether their organisations have established the audit committees. As reflected in Figure 4.13, 77.7% (73) indicated that their organisations had established audit committees as compared to 22.3% (21) that did not.

Figure 4.17: Availability of audit committees (N = 94)
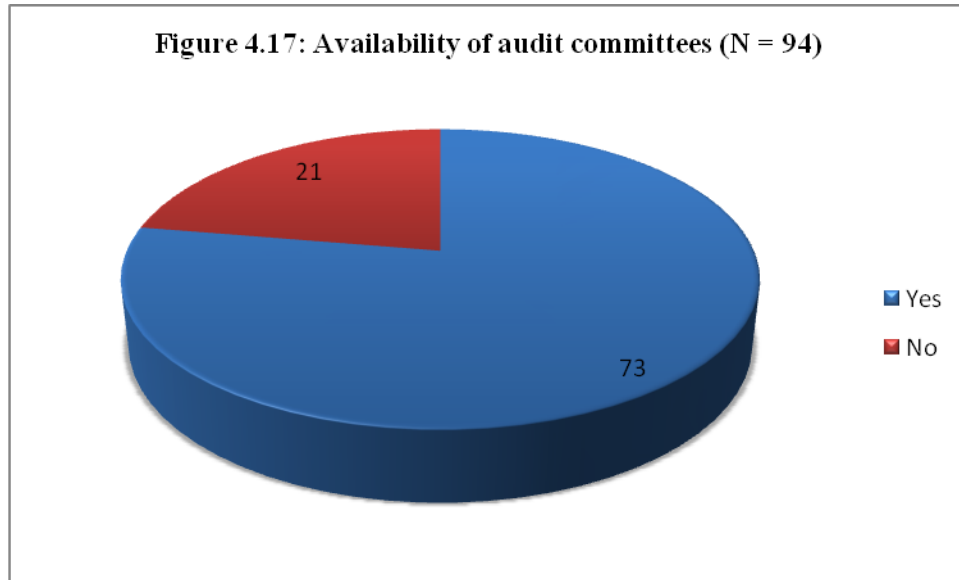
As reflected in Table 4.12, a study by Sigidi (2012) indicates 254 (91%) out of 278 municipalities had established audit committees by March 2012.

Table 4.12: Audit committee establishment in municipalities (N=278)		
Province	**Total number of municipalities**	**Number of municipalities with audit committees**
Eastern Cape	45	43 (96%)
Free State	24	19 (79%)
Gauteng	12	12 (100%)
KwaZulu-Natal	61	59 (97%)
Limpopo	30	29 (97%)
Mpumalanga	21	20 (95%)
Northern Cape	32	24 (75%)
North West	23	20 (87%)
Western Cape	30	28 (93%)
Total	278	254 (91%)

4.3.4.2 Composition and skills of audit committee members

According to Ferreira (2008:98) the actual size of the audit committee depends on the size and complexity of the organisation. The King Report III recommends that the audit committee should consist of at least three members. In this study, it was discovered that the number of the audit

committee members in governmental bodies ranged from 3 - 18. However, some respondents indicated that not all people who attended the audit committee meetings were members. Of all 94 respondents, only 10 indicated that records management was represented in the audit committee through the head of IT. However, none indicated that a member of the records management team was part of the audit committee. Others argued that audit committee members in their organisations just glorify the committee as there is no value added. They further indicated that audit committee members had minimal knowledge of records management. This augurs well with Ferreira (2008:90)'s argument that in South Africa, many audit committee members lack the necessary skills, knowledge and experience to perform their duties optimally. Even authors such as Cascarino and Van Esch (2005:179), Isa (2009:133) and Njunga (2008:8) share sentiments that many audit committee members do not possess the necessary skills, knowledge and experience to act as audit committee members both in the public and private sectors. In this regard, most governmental bodies appoint members of internal audit committee just to comply with PFMA and MFMA, but not for the purpose of improving corporate governance. However, it is contrary to the recommendation of the King Report III that the collective skills of the members of the audit committee should include information management. According to respondents from AGSA, the effectiveness of audit committees varied from entity to entity.

4.3.5   Relationship between records management and corporate governance

It is essential to explore the relationship between records management and corporate governance in order for organisations to benefit from the synergy of their integration. The concept "corporate governance" as discussed in Sections 1.9.2 and 2.4 encompasses all other components such as auditing, audit committee, IT governance and risk management. Actually, it is proper to suggest that corporate governance equals accountability which is achieved through auditing, risk management and records management.

When asked about the role of records management in corporate governance, most respondents indicated that records management is the key element to corporate governance. It was noted that records serve as the final proof of the business that was transacted as evidence of official

business has an on-going use as a means of management, accountability, operational continuity, legal evidence and disaster recovery.

However, respondents indicated that their organisations regard corporate governance as a compliance issue. One respondent even indicated that compelling public and private organisations to comply with the King Report III is not enough. If public and private organisations commit themselves to good corporate governance and leadership set the right tone, this would augur very well for the country's future.

4.4 Summary

In this chapter, data collected via questionnaires, interviews and document study were analysed and presented according to research objectives. The role of records management in the auditing process was established. Furthermore, the contribution of records management in mitigating risk was identified. The key issues raised in this chapter are summarised as follows:

- Governmental bodies are characterized by negative audit opinions.
- Records management was identified as one of the top contributors to audit opinion.
- Governmental bodies have established records management programmes, internal audit units and audit committees.
- Records management professionals were not represented in audit committees.
- Internal audit was not conducted at regular intervals in most governmental bodies.
- In most governmental bodies, the scope of internal audit did not cover records management.
- Records management and internal audit units did not always work in unison.
- Records managers were appointed at a low level.
- Key records management document such as strategies, disaster recovery plans and retention schedules were not developed in governmental bodies.
- Records management units did not have control of financial records in most governmental bodies.
- Governmental bodies did not have formal plans to respond to audit queries.

- Responsibilities of preparing financial statements lies with CFOs and consultants more specifically in municipalities.

- Records management function did not feature in the risk register of most governmental bodies.

It is clear from the discussion that records management has a long way to go in order to make contribution to the governance of public sector. The next chapter interprets and discusses the research findings.

CHAPTER FIVE
INTERPRETATION AND DISCUSSION OF RESEARCH FINDINGS

5.1 Introduction

The previous chapter analysed and presented the results of data obtained via questionnaire, interviews and document study. This chapter provides the interpretation and discussion of the results. The interpretation of results is a key component of any research and it helps in drawing inferences and generalisations of findings to a problem statement. An interpretation of results means that the researcher draws inferences from the results for the research questions, hypotheses, and the larger meaning of the results (Creswell 2009:152). Kothari as quoted by Kemoni (2007:281) contends that it is only through interpretations that the researcher can expose relations and processes that underlie the findings. Neuman (2006:159) emphasises that interpretation means to assign significance or coherent meaning to the results. Research methodology authors such as Babbie and Mouton (2001) and Neuman (2006) concur that even if data were properly collected and analysed, incorrect interpretation would lead to inaccurate conclusions. Therefore, it is apposite that interpretation is done in an objective manner.

The results are interpreted and discussed based on the research objectives, namely:
1. The relationship between records management and corporate governance.
2. The role of records management in the auditing process.
3. Contribution of records management towards risk mitigation.
4. Availability of functioning internal audit committee that include records management professionals in governmental bodies.
5. Analysis of the general reports of AGSA in relation to findings on record-keeping.

5.2 The role of records management into the auditing process

The need to keep records is partly determined by the necessity to meet internal and external audit requirements. These records are significant because they summarise operations and set out policies. Such records have to do with the receipt, transfer, payment, adjustments or

encumbrance of funds which may need to be retained to meet audit requirements. The findings on this objective are presented and discussed according to the following sub-themes: the nature of the audit opinion for 2009/10 financial year, records management programme, implementation of key records management documents, records storage, availability of internal audit function, responsibility of preparing financial statements.

5.2.1 The nature of audit opinion received by governmental bodies during 2009/10 financial year

The results clearly indicate that governmental bodies in South Africa were characterised by negative audit results. This is evidenced by the results that only 19 organisations out of 94 received unqualified audits during the 2009/10 financial year. Even though not the only enabler, it has been established in this study that records management was one of the contributing factors to the audit results. This was further confirmed through the ranking of records management as number six out of 10 possible contributors to audit opinion, surprisingly, above functions such as supply chain management, IT and even risk management. However, the number one contributor according to respondents seemed to be internal controls with quality and timeliness of financial statements as number two. Financial statements can be of good quality and submitted timeously to AGSA if proper records management is in place as accounting officers rely on records to prepare financial statements. Indeed, the respondents from AGSA cited lack of supporting evidence for financial statement items as one of the major contributors and the other lack of knowledge of finance staff to properly deal with accounting issues.

With regard to records management as the contributor to unclean audit opinion, the major issue cited by respondents seemed to be a lack of supporting documentation to verify transactions. This implies that when records were requested by auditors to confirm validity of transactions, they (records) were not provided. The reason for this is either that records were not created in the first place or that they were disorganised and could not be retrieved. If records were managed properly, retrieval would be easy. The fact that no audit can be done without the availability of records indicates that records management is the key enabler to the auditing process (Bhana 2008; Bhana & Ngoepe 2009:20). This sentiment is echoed by Dwiputrianti (2011:30) when he concludes that "auditing can be effective if it is supported by sufficient, appropriate, accurate and

reliable evidence in the form of records." In addition, the effectiveness of an audit can be measured by the ability to access information as evidence. Kenosi (2011:28) also emphasises that through reliable records, organisations can be accountable and prove what has been transacted.

The results show that records management plays an important role in ensuring that information needed for auditing is retrievable. This was demonstrated through an analysis of AGSA's consolidated general reports as will be discussed later in Section 5.4. An audit can only be conducted if the auditee has proper records that are available for viewing and that support the balances and transactions disclosed in the financial statements. A common finding in relation to record-keeping according to respondents from AGSA was that records were not filed in a way that will allow for easy reference; hence, it took governmental bodies longer than necessary to retrieve the required supporting documents. In addition records filed were not always a complete set of documents that substantiated the transactions as respondents from AGSA indicated. For example, the pack of records requested for one invoice payment might contain all the invoices and quotes but one may find that the approval page was missing. In such case, it would not be clear to the auditor if such a transaction was authorised resulting in irregular expenditure (expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation).

5.2.2 Records management programmes in governmental bodies

It is assumed that the establishment of a records management programme will provide undivided attention to the records management function. Ideally, such a programme is located within the chief information officer's office headed by a senior manager to exercise influence and for the purpose of a dedicated budget.

Even though the majority of governmental bodies had established records management programmes, it is evident from the results that they were not well-equipped to address audit queries relating to records. This is stressed by the fact that despite governmental bodies having records management programmes in place, the number of negative audit results still surpassed the number of governmental bodies which had established records management programmes. For

example, the results indicate that 83% of governmental bodies had established records management yet 80% still received combined results of adverse, disclaimer ad qualified reports. This explains why Abbot (2007:7) scoffs that in his vast experience as a records management consultant in South Africa; he has never seen a records management programme that is both "compliant" and effectively supports decision-making in the public sector. In the words of Abbot (2007:7), public organisations in South Africa either have a "compliant" records management programme or one that effectively supports decision-making, not both. Katuu (2007) also questions whether the records management profession in the South African public sector is at a crossroad or has reached a cul-de-sac, as professionals in this field fail to implement records management programmes.

If records management programmes in governmental bodies were properly implemented, the audit result would be different, perhaps with 83% governmental bodies achieving a clean bill of health on its finances in tandem with governmental bodies which developed a records management programme. Perhaps the explanation for this is that records management is not the only enabler to auditing. It would seem from interviews with respondents from AGSA that various factors such as supply chain management, leadership visibility during audit cycle, as well as records management models, senior management support, resources and levels of records managers in governmental bodies contributed to this situation in governmental bodies.

5.2.2.1 Records management models in governmental bodies

Records management models play a significant role in the provision of records management service within organisations. However, it would seem from the results that many governmental bodies design a records management programme without taking into consideration the models appropriate for the organisation. As a result, governmental bodies in South Africa tend to adopt a "*pay-off line*" which Ngoepe (2011a:2) calls "*only the future will tell*". In other words, no planning is involved in records management and officials do their mundane work hoping that things will change for the better in the future. Furthermore, records management professionals design programmes without taking into consideration the value-add and contribution towards strategic objectives of the organisation. If these factors were taken into consideration when

designing the records management programme, there would not be findings in the audit reports that relate to poor records management as the programme would be designed to address the challenges that the organisations are experiencing.

However, with governmental bodies in the South African public sector the situation was different as most just applied general records management principles without customising or addressing the challenges they were facing. In other words, governmental bodies adopted a rack label "*one size fits all*" approach. As each organisation is unique in its make-up, culture, goals and management style, records management cannot be pulled from one size fits all. Furthermore, copying other organisations' records management programme without working on one's blend of complementary assets lead to a failure of the programme. Indeed, two organisations may invest in the same system, but it may be effective in one and not the other. While common models can be used where appropriate, it is also important that each system should be designed to match the needs of the relevant business processes and activities (Van Zyl 1992:25-26). Although records management needs and requirements may vary according to the size and type of organisation, the application of basic records management principles for an efficient model is constant. Such a model includes various activities and actions to control records at all stages of their life cycle. According to Van Zyl (1992:25-26) the model will address some or all of the following issues: a records management policy, facilities, resources and records in all media.

NAA (2003:26) identifies four records management models that are practised by the Australian public sector as: centralised, decentralised, devolved and combination.

- **Centralised:** this model involves the establishment of one physical location for the records management operation in the organisation, the development of a single policy and the formation of one group of people responsible for carrying out records management activities.

- **Decentralised:** this model involves the establishment of multiple records management units at different office locations or in different parts of one office location. Each unit provides records management services for its particular area, and may be controlled by an operational records manager reporting to the corporate records manager. In some

organisations this model is further decentralised, to the point that users undertake operational records management.

- **Devolved:** this model can be distinguished from the decentralised model in that records management staff report directly to the business unit manager in which their operation is located, rather than to an operational or corporate records manager. Under this model, the corporate records manager is involved in policy and standards setting, but there are no reporting lines between the corporate records manager and records management staff.

- **Combination:** this model combines aspects of the other models. An organisation with regional offices may, for example, establish a centralised records management unit in its head office under the leadership of the corporate records manager, but may also give responsibility for operational records management to managers at regional offices, in accordance with standards and policies set by the corporate records manager

On the other hand, Katuu (2012) identifies four options for records management model implementation as follows:

- Option 1 (centralised design and centralised control) – in this option the records management unit develops strategy and is responsible for records throughout the organisation.

- Option 2 (centralised design and decentralised control) – here the records management unit provides strategy and support for implementation. The records management unit may offer training and conduct audits. However, other units will be responsible for the implementation of records management requirements for their units.

- Option 3 (decentralised design and decentralised control) – in this option each unit within the organisation is responsible for its own records. There is no records management unit to provide policy direction.

- Option 4 (laissez faire) – The concept "laissez faire" is a French word meaning "let them do as they will". In this option records management is non-existent. There are no policies and guidelines for records creators. In other words records are managed at the creator's discretion.

In tandem with the previous studies, this study revealed that governmental bodies in South Africa deployed different approaches to the management of records. A single, organisation-wide records management programme may be feasible in a small organisation, but in larger organisations separate systems will probably be needed in different functional areas (Mnjama 2004:9; Wallace 1987:56). Complete centralisation is no longer viable due to the complexity of modern institutions. As identified in this study, various records management models exist in the South African public sector, namely: limited centralisation (with unitary filing system) and decentralisation (federal filing system). In limited centralisation, the following scenarios have been identified:

- Registry or the records management unit managed cross-cutting enterprise-wide records.
- Business units (BU) managed BU-specific records, for example, the Human Resources BU manages personnel records, Finance BU manages financial records and the IT BU manages electronic records. In these cases, records management does not have control of records but just provide policy directions.
- In a unitary system more capacity is needed in the registry. However, records management staff members are not empowered to manage records.

In decentralised systems (federal filing system) the following scenarios existed:

- Each BU manages its own records. The registry only serves as a mail room, and storage space for semi-active and non-active records. This situation is also underscored by Ngoepe (2008:111; 2011b:75) that after 1994 most registries in governmental bodies in South Africa existed only to provide messenger, courier and postal services. As a result, records management ranks are decimated, even as new and complex electronic information systems are overwhelming governmental bodies.
- The records management units in governmental bodies, where they existed, had limited say in terms of the management of active records (including financial records that are needed for auditing purposes to verify transactions). It is only when records are missing or could not be found that records management units are to be blamed. Records management professionals do not have the authority to formulate and implement overall records policies that are enforceable on staff at all levels. This leads to a decline in

attention to the structure and management of current records and respect for record-keeping in general.

- With the federal system more capacity is needed at business unit level. However, it can be argued that business units are not equipped to manage records.

Decentralised registries are usually established if it would cause unnecessary delays to accessing files if they are not kept near individuals working with them. This is the case with most governmental bodies. However, decentralised registries can cause the development of dissimilar systems and records management practices, as well as duplication of files. It also requires the use of more office space and shelving and it prevents the accurate estimation of personnel recruiting and training needs. On the other hand, a centralised registry ensures:

- Uniformity of methods.
- Better training.
- Personnel and accommodation are used optimally.
- Standardisation of equipment.
- Improved file security and control.

The disadvantages of centralised registry are that:

- registry may be located far away from certain BU.
- there is a delay in obtaining information.

In the case where governmental bodies decide to decentralise the registry, Ngoepe (2011:106-107) suggests that: (i) the classification system and records management policy should remain uniform; (ii) the receipt, opening and dispatch of mail should remain the function of the main registry, which will ensure that the correct file reference numbers are allocated to all mail; and (iii) staff members should be trained in the main registry to enable them to gain the necessary skills to manage records properly and facilitate the interchange of staff when necessary.

It can be seen from the results that the records management model implemented in a governmental body did have an impact on the audit results. For example, in a decentralised

system, it is not easy for records management professionals to assist if records are required by auditors as records will be in the custody of the line functionaries. In such situations, records are not arranged properly, and if they are, records of the same subjects are not grouped together and cannot be retrieved comprehensively. This is due to the fact that line functionaries might not know the principles of organising records. In the case where the system is centralised and the records management unit is taking control, there will be only one point of entry and retrieval for records.

5.2.2.2 Levels of records managers

The NARS Act requires the head of a governmental body to designate an official of the body to be its records manager. The records manager is responsible for ensuring that the governmental body complies with the requirements of this Act. The levels of records managers in the South African public sector leave much to be desired. According to Kirkwood (2000:5) it has generally been a shortcoming in the South African public sector that no one at an appropriately senior level has been assigned to the overall responsibility to manage records. Indeed, the results of the study indicate that records managers in most governmental bodies were appointed at a low level. This is also emphasised by Abbot (2001:66) when arguing that, despite the provision of archival legislation at the level of records managers in governmental bodies, records managers are appointed at a relatively low level. In some instances, especially in municipalities and provincial departments, chief registry clerks were appointed or designated as records managers. As a result, records management systems collapsed as registry clerks do not have authority to formulate and implement overall records policies enforceable on staff at all levels.

Often records management is seen as a low-level function and, despite the commitment of registry and records clerks, they simply do not have the authority to formulate and implement overall records policies that are enforceable for staff at all levels. Low level of records management professionals is also one of the problems facing the public sector records management in other countries such as Namibia and Zimbabwe. Nengomasha (2006:206) notes that government registries were manned by clerks in Namibia, the level which is too low for the competencies and skills required for managing records. As a result, other employees have little

regard for the registry clerks resulting in them setting up their own ring-binding system of storing paper documents in their offices, or storing information on their computers, or assigning their filing to private secretaries, who have no training in this respect. Similarly, Mazikana (1997:147) identifies that in most countries in sub-Saharan Africa registries in governmental bodies operate without recognition and some of the basic necessities.

In other instances in the South African public sector, people with additional responsibilities over and above records management were designated as records managers. Normally, records management is just one of their responsibilities and often not a high priority. For example, one records manager indicated that he/she has been appointed at the level of assistant director responsible for records management, facilities management and cleaning services in a huge government department that has several regions. This particular records manager further indicated that in a five working days, records management was only allocated two hours as he/she has to deal with petty issues raised by the cleaners who were his/her subordinates. This low level of the records managers and the fact that they were unable to focus on records management issues because of other responsibilities impacted negatively on their ability to manage the records of their offices effectively. As a result, records could not be retrieved when needed by auditors, and this had a major negative impact on the audit report.

In consideration of government hierarchy and bureaucracy in South Africa, the levels of registry clerks to be considered records managers are too low, as officials at such levels do not have the authority and platform to interact with top management. Therefore, it is possible that the records management function will not be well represented when key decisions are made in strategic meetings of governmental bodies, hence poor records management practices or lack of supporting documents is always a finding in most audit reports released by AGSA. This explains why records management professionals were not part of audit committees in governmental bodies as it has been found in this study.

Given the low level of records managers, one respondent even suggested that the term "records manager" should be revisited as in most instances it reflect a title of the position (just like if one says "librarian" or "archivist") and not a level, that is, if a person is a records manager that does

not mean he/she is on management level. In other words, a person can be a records manager at the level of a registry clerk but not at middle management level. It has also been established that in some governmental bodies there were no records managers. In this situation each unit was responsible for their records. In such situations auditors struggle when they require records as they would be dealing with many officials within a governmental body. Such officials who manage records within their units did not have the necessary skills or training to manage records. For example, some do not know when to dispose of records.

5.2.2.3 Storage of records

The life cycle concept of a record identifies three phases of the life of a record, namely: active, semi-active and non-active phases. During these phases the records need to be managed and kept safely. In an ideal environment as reflected in Figure 5.1, active files are stored on the premises of a governmental body in a central place called the registry, semi-active files are kept in the records storage centre under the control of the national archives repository while non-active files are transferred to an archives repository for permanent preservation.

Figure 5.1: Storage of records
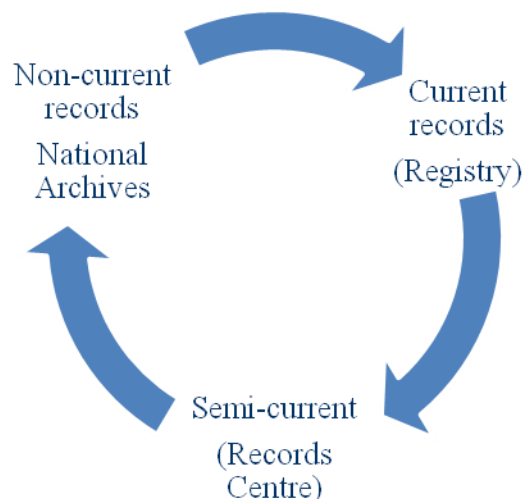
The results of the study clearly show that the commercial off-site storage companies have identified the gaps and took the opportunity to store semi-active records of both public and

private bodies. The study found that most governmental bodies in South Africa kept active records on-site. Semi-active records that were kept on-site were stored in the basements. Ngulube (2011:4) underscores this point when arguing that records are stored in basements where there may be water leakages. Furthermore, some unusable records that have been destroyed by water were kept in expensive filing cabinets and yet officials complain that they did not have resources. It can be argued that records that are kept on-site are in close proximity to the officials and can be quickly retrieved when needed for auditing or whatever purpose. Respondents indicated that they experienced challenges such as timely retrieval of active files that were kept in commercial off-site storage. In this case, it sometime took a governmental body 12-72 hours to retrieve a file from the off-site storage. In some cases in provinces that did not have commercial off-site storage, it may take a governmental body a week to get the file. It is also very costly. This also contributed to exorbitant audit fees due to the delay in providing records to auditors. It also appeared in the study that some governmental bodies transferred records to an off-site storage just to get rid of those records and create space for the active ones. In this scenario, records were transferred to off-site storage without being arranged and described. As a result, retrieval becomes a challenge. The ability to quickly trace records and extract them from files is important for general administration and auditing. This resonates well with discovery by Ngulube (2011:4) that in most governmental bodies in sub-Saharan Africa too many records are kept for too long due to lack of disposal authority. As a result, some government institutions have records stored at off-site storage that they are unaware of their existence.

With regard to non-current records, according to respondents few of these records needed to remain accessible over time and those with archival value must be transferred to the archives repository. However, a large percentage of these records had no enduring business or historical value, and needed to be destroyed. Some records had exceeded their useful business life and governmental bodies were still paying to store them, either on-site or off-site, as archives repositories in South Africa did not have storage space to accommodate records. For example, as indicated in Table 4.2 provinces such as the Eastern Cape, Northern Cape, North West and Gauteng did not have archival buildings.

However, most governmental bodies were unable to access records of administrative and enduring value. These records need to be properly identified and managed to enable compliance with archival legislation, as well as facilitating easy retrieval of information. It is not uncommon to see records that do not support current operations clog the storage area (Ngulube 2011:4). Duplicate copies are kept in expensive accommodation and filing cabinets are full of records of unknown value. It would seem governmental bodies in South Africa continue to unnecessarily commit resources to manage records that should otherwise have been destroyed. According to Library and Archives Canada (2012) operating in this way is high risk, for example:

- If a record cannot be found, it cannot be used or preserved.

- If a record is hard to find, it costs more to retrieve.

- If a record is kept beyond its useful life, storing it is an unnecessary expense.

Furthermore, employees need the records to operate, to respond to access to information requests and for legal cases. Lost and mismanaged records reduce the ability to deliver programmes effectively. Other records storage areas in governmental bodies include work-stations and filing cabinets in different units within governmental bodies. One respondent indicated that some officials within his/her organisation took records home. However, such records were not indicated in the register that they have been taken home. There is a danger with this practice as some records can be lost in transit.

5.2.2.4 Implementation of key records management documents

The records management units within governmental bodies are responsible for developing and managing the implementing records management strategies and action plans that may assist in managing the intellectual capital of government, and in establishing and nurturing a knowledge-sharing culture. In this regard, effective records management will enable government to preserve its intellectual capital and manage the life-cycle of its records and documents which, in turn, facilitates transparency, accountability and good governance in the sharing of information and knowledge with stakeholders. Ngoepe and Van der Walt (2009:130) identify that the challenges facing records management in the South African public sector include: absence of records management toolkits, records management units are sub-directorates in most governmental

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bodies, skewed internal relationships between records management and other divisions such as internal audit, lack of risk mitigating framework and governmental bodies vulnerable to information loss.

Government departments are required to develop a records management strategy that will inform a records management policy that regulates records management activities, as well as procedures, retention schedule, vital records schedule, file plan and disaster recovery plan. The policy has to compel officials to practise proper records management. For the policy to be effective, it has to be endorsed by the head of the government department as well as the top management team and supported by key records management documents such as file plan and procedures. It should also be communicated and implemented throughout the organisation. The results of the study clearly demonstrate that governmental bodies did not have records management strategies in place. This implies that most governmental bodies were just "shooting from the dark" with regard to records management. The relevant question to be asked is how will records management units know when they have achieved their objectives or how will records management support programmes in government such as auditing, finance, human resources and others without proper planning in place?

Key records management documents that have been developed in the majority of governmental bodies include policy, procedures and file plan. However, these documents were not implemented in most governmental bodies. Documents such as disaster recovery plan, vital records schedule and retention schedule are non-existence in many governmental bodies. This implies that the government is sitting on an 'information ticking-time bomb' that would have dire consequences, such as loss of vital national memory and legal actions against government should the bomb not be diffused. In the absence of rules and guidelines for what should be kept and for how long, staff will be reluctant to authorise the destruction of records, which is what was happening in the South African public sector. As a result, records management practitioners in governmental bodies were overwhelmed by high volumes of paper-based records that have to be managed. By not implementing records management policies and carrying out disposal authorities, governmental bodies would be vulnerable to not being able to meet legislative or other obligations required of them. For example, governmental bodies might find it increasingly

difficult to respond to requests in terms of Promotion of Access to Information Act (Act No 2 of 2000), as they would be struggling to sift through an ever-increasing mountain of records. As a result, the retrieval of a particular record will be akin to searching for the elusive needle-in-the-haystack. Furthermore, in an environment of ever-decreasing budgets, the over-retention of records may force governmental bodies to spend more money in order to preserve the records that could have been disposed long time ago.

Ultimately, many records management programmes had collapsed under their weight to the point where they did not function at all, hence these programmes did not add any value to governance processes such as auditing. For example, despite governmental bodies establishing records management units, most of them continue to obtain unclean audit reports. A study by Ramokate and Moatlhodi (2010:74-75) found a similar situation in Botswana. The study found out that an appraisal backlog in the Botswana public sector was caused by issues such as poor or lack of classification systems, lack of retention and disposal schedules. As a result, this compromised the history of the nation as there was incomplete account of many public organisations in Botswana. Furthermore, with regard to public administration there were many incidents of misfiling leading to low appreciation of records service work by action officers (Ramokate & Moatlhodi 2010:74).

It would seem from the results that the management of records in most governmental bodies was unsatisfactory as a result of the following:

- Absence or poor implementation of records management strategies, policies and procedures.
- Approved file plans not implemented in filing structures.
- Inability to distinguish historical records from those with ephemeral value, and as a result, to keep everything syndrome is applied.
- Low awareness of the importance of proper records management practices.
- An overwhelming volume of older stored records.
- Staff changes that leave the context of many records unknown.
- Absence of a disposal authority from the National Archives and Records Service of South Africa that allows for destruction of records.

- Vital records not identified and secured (lack of disaster preparedness plan).
- Failure to implement Electronic Document and Records Management System (EDRMS).
- Staff not adhering to central filing strategy (keep files at their desks) resulting in inability to locates files later.
- No file-out register implemented in registry/store room.
- Documents not verified to be complete before returning to registry/filing room/archives.

As a result, records could not be retrieved when needed by auditors.

5.2.3 Internal audit

The internal audit function plays a critical role in corporate governance by providing a wide spectrum of assurance. It is the in-house resource for accurate and objective assessment information aid assurance. As discussed in Section 2.4.1.1 it is a legislative requirement for governmental bodies in South Africa to establish an internal audit function. PFMA stipulates that the accounting officer should ensure that governmental bodies establish and maintain a system of internal auditing. Section 165 (1) of MFMA requires each municipality to have an internal audit unit. The internal audit function may be outsourced if the organisation requires assistance to develop its internal capacity and the management has determined that this is feasible or cost-effective. Furthermore, Chapter Seven of the King Report III calls for establishment of internal audit departments in both private and public organisations. De Jager (2006/07:3) points out that the internal audit function in South Africa has grown significantly as a result of the release of the King Report III, PFMA and MFMA. According to ANAO (2006) consideration of internal audit resources would include a periodic review of the model of internal audit the entity uses, that is, in-house, outsourced or co-sourced, and the range of resources required, to assess whether they are appropriate for the entity.

The results of the study revealed that most governmental bodies (70%), especially national government departments, municipalities and statutory bodies have established internal audit

units. This is also confirmed in a survey by Sigidi (2012) that 79% of municipalities in South Africa have established internal audit functions. This indicates the increasing recognition of the internal audit function in the South African public sector. However, with regard to provincial government departments most did not have an internal audit unit as in some provinces the function was the transversal role played by the Premier's Office throughout the entire province, for example in Limpopo and Mpumalanga. It would seem that the establishment of internal audit functions in most governmental bodies was just for ceremonial and compliance purposes. It has also been established that other governmental bodies did outsource the internal audit function. The results of this study are consistent with findings documented by previous studies. For example, Dwiputrianti (2011:10) found that some organisations in Indonesia do outsource the internal audit function.

Isa (2009:256), on the other hand, found that organisations with an internal audit division and proper records management programme always produce clean audit results. This is attributed to the fact that auditors in this regard know that authentic and up-to-date records are key to their process. Therefore, the pre-requisite is that they (auditors) have to ensure that proper records management is practised organisation-wide to facilitate the audit process. On the contrary, despite the availability of internal audit functions, most governmental bodies in South Africa continued to obtain negative audit results. It would seem that internal audit functions were not fulfilling their mandate in governmental bodies. This is due to the fact that internal auditors are supposed to identify all the issues before the external auditors start their audit. Internal auditors' primary role is to help ensure that organisational goals and objectives are met. Internal auditors are tasked with assessing and monitoring risks, determining whether policies are followed and recommending ways to improve organisational efficiency. In a nutshell, they (internal auditors) serve as management's and the audit committee's safety net. However, even in situations where internal auditors identify issues and recommend remedial action, in most instances these issues are not addressed until the external auditors from AGSA arrive to do their audit. In other words, the same issues are raised by external auditors.

The fact that internal audit reports are not made public exacerbates the problem. As well, most governmental bodies did not conduct internal audits frequently. In cases where internal audits

were conducted, records management did not form part of the review. The fact that there was no punitive action against accounting officers of governmental bodies which received negative audit results also did not help the situation. As AG (2011c) would attest once organisations get records management right, the rest of the cycle in the auditing process automatically becomes orderly. Records management is therefore top of agenda for everything to do with financial reporting and service delivery. Records management professionals should therefore be at the forefront of influencing events in their organisations. As indicated through the results, records management can be a close ally to internal auditing just as it is to IT. A close working relationship between records management and internal auditing can improve the effectiveness of corporate governance. However, this relationship has not been established in most governmental bodies. As respondents indicated, records management is a vital ingredient to the success of auditing. Reports by the internal audit unit can provide the organisation with a key source of information on the entity's performance. Maximising the value of internal audit requires that open lines of communication be established and maintained between internal audit and all the stakeholders.

5.2.4 Control of financial records

According to ANAO (2006) records need to be described so that people know what they are about, understand their context and purpose, and can find them easily when they need to. It is clear from the results that records management units in governmental bodies did not have control over financial records. These records fell beyond the scope of records management and were managed by finance sections. Records management units became involved when records were semi-active. Involvement of records management units at a later stage when records are semi-active is not good for both administrative and historical value as records might not be arranged properly by the creating divisions. Therefore, retrieval at a later stage could be a challenge. Furthermore, records of enduring value could not be identified at an early stage. This is in opposite to the call by Duranti (2012) that records managers should position themselves at the beginning of the record life-cycle, taking the role of "designated" trusted custodian and assesses the authenticity of the records and monitors it throughout their existence. This will help records management practitioners to identify the records in systems containing different kinds of information, and, if records do not exist, but should exist, collaborates with the creator in

addressing the issue. As a result, when the audit cycle comes, records will be available and arranged in an orderly manner for easy retrieval.

The management of financial records by finance sections cannot be considered adequate as officials from those sections might not have records management skills or time at their disposal as they have financial work to do. It would seem from the respondents that records management staff come to the fore only when records are missing. Apparently, in most instances financial sections did not send records to registry for filing due to fear that the records will be lost. However, when auditors request these records, the records were not provided. IRMT (1999a:11) underscores these findings that most records such as financial, human resources and electronic records fall beyond the scope of the records management function.

5.2.5 Audit action plans

A detailed internal audit work plan should be prepared specifying the proposed internal audit coverage over the planning cycle. According to ANAO (2006) the length of this planning cycle is commonly 12 months, but will depend on the nature of the entity and its current operating environment. Entities are increasingly seeing the benefit of adopting a rolling work plan rather than a fixed-term plan. The advantages of auditing can only be realised when findings and recommendations have been followed up. The internal audit unit is supposed to conduct a follow-up audit to check the implementation of the remedial actions for previously reported audit findings. This is to provide management with reasonable assurance that the control weaknesses, as highlighted in the internal audit reports receive the necessary attention so as to improve the overall control environment. Following up of auditing can be in the form of corrective action in government-audited entities. The internal auditor of a governmental body has an important role in taking corrective action based on audit recommendations.

In this study, it has been established that most governmental bodies that were qualified did not have adequate action plans for issues raised in the previous audit reports. The tendency was to prepare the full set of accounts at the end of the year, resulting in what Ngoepe and Van der Walt

(2009:132) call "pillar to post syndrome" due to lack of mechanism to retrieve records. One respondent even indicated that during the audit cycle, officials run around like "headless chickens" in an attempt to retrieve records requested by auditors without success. This was due to the fact that records were not managed properly in governmental bodies. In some instance, files were either incomplete or missing. According to Barrett as quoted by Dwiputrianti (2011:30) 'full access to all records and documents containing information' is essential for government auditing. Quantum of audit evidence can provide a reasonable basis for auditors to make an effective judgement, draw inferences and provide recommendations, whereas inadequate evidence can lead to ineffective auditing and a disclaimer opinion. It is saddening to note that records management professionals did not even get the copy of the report as most indicated that they read about the audit results of their governmental bodies in the media.

5.2.6 The role of leadership in auditing and records management

It is clear from the results that leadership in governmental bodies is not doing its work as far as accountability is concerned. Leadership visibility during the audit cycle is one of the key factors that contribute to audit outcomes and it was even been ranked number five by respondents, just above records management as reflected in Table 4.1. Adequate leadership involvement and oversight that will set the tone at the top and create an environment conducive to good financial management and service delivery is vital during the audit cycle. Therefore, key officials such as heads of departments, chief financial officers, chief executive officers and municipal managers should be available during the audits to deal with audit-related matters and clear these in timely manner. This goes a long way to avoid qualifications because they (leadership) can gain earlier notices of audit findings to take corrective action before the final conclusions leading to the audit opinion. If visible during the audit cycle, leadership will be able to provide genuine response to the management reports. Responses from management would include: whether management agrees or disagrees with the finding and recommendation. If there is some disagreement, identify the reasons and identify the specific position or work area responsible for implementing the recommendation, a brief outline of the action to be taken, and the time-frame for implementation.

However, it seems leadership always shift this responsibility to junior staff members. Perusal of AGSA reports reveals that governmental bodies that achieved positive results have a common thread that binds them: the commitment and single-minded intention of their leadership to lead and set the right tone from the top; basic internal controls were in place; the municipalities performed daily, monthly and quarterly reconciliations of financial records and there was a working partnership between leadership, internal audit and audit committees ensured effective oversight. Availability and visibility of leadership during the audit cycle would ensure that records are retrieved by relevant officials when requested by auditors. As well, leadership will be able to see the value of records management to the auditing process. As a result, leadership will then support records management programmes in their organisation.

5.2.7 Preparation of financial statements

All government departments, municipalities and public entities that receive funds for a public purpose are required by law to report on their actual performance against predetermined objectives (AG 2011c). Government departments, municipalities and public entities have to submit these reports annually for auditing, together with their annual financial statements. Both PFMA and MFMA require government departments and municipalities for each financial year to prepare annual financial statements that fairly present the state of affairs of the government department or municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year. These financial statements must be submitted to AGSA for auditing within a stipulated time, that is, within two months after the end of the financial year to which those statements relate. A proper records management programme is a critical element for an organisation to prepare its financial statements. It allows for verification of the completeness and accuracy of data reported in financial statements and assist in the execution of the audit process. Therefore, the records management programme should ensure that financial records are maintained throughout the entire life cycle in a consistent and systematic manner and that the audit function and external accountability of the organisation is supported (Erima & Wamukoya 2012:26).

The results of the study indicate that governmental bodies, especially municipalities relied on consultants to prepare year-end financial statements despite employing people for this purpose. Owing to this, governmental bodies incurred more costs. Lack of technical financial skills seems to be the root cause of using consultants. In some instances, governmental bodies submitted financial statements late or not at all. This is as a result of a lack of supporting documentation when financial statements are prepared. The duration of an audit in governmental bodies is influenced by a number of factors such as the amount of data that has to be audited, availability of records, financial statements being submitted late and unavailability of key officials during the audit. In some instances, audits were not done due to non-submission of financial statements. This confirms a statement by Akotia (1996:6) and Bhana (2008) that without records an audit cannot proceed. This point has been trotted in Section 1.2 but is worth repeating for the sole purpose of hammering home a fundamental point that records management contributes to the auditing process. It was also revealed that in most cases financial sections were responsible for preparing financial statements.

In order to obtain clean audit opinions, AG (2011c) argues that financial statements will need to be based on verifiable evidence and must satisfy set criteria that include the so-called SMART principles. According to Phukubje (2011) these principles require information to be specific, measurable, achievable, relevant and timeously.

- Specific: the nature and required level of performance can be clearly measured.
- Measurable: the required performance can be measured.
- Achievable: the target is realistic given existing capacity.
- Relevant: the required performance is linked to the achievement of a goal.
- Time bound: the required period or deadline for delivery is specified.

5.3   The contribution of records management towards risk mitigation

This objective intended to investigate the contribution of records management towards risk mitigation. Organisations of all types, sizes and complexity face a variety of risks that affect the reliability of financial statements and internal controls. The link between records management and risk management cannot be ignored. In his study Isa (2009:256) found that there is a

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symbiotic relationship between risk management and managing records. Lemieux (2010:201) suggests a category of records risks suggesting that these are risks to the adequacy of an organisation's records that may pose a threat to the effective completion of business transactions. Moreover, Erima and Wamukoya (2012:25) view records management as a risk management tool. Therefore, as Isa (2005:75; 2009:257) would attest, a risk-based approach to records management identifies and gives priority to risky records and in the process ensures that records are protected against destruction and damage, retrieved when needed and disposed of at the end of their life cycle. According to Isa (2005:75) organisations have neglected proper record-keeping which results in exposure to risks from various angles.

In this study, it has been established that risk management in most governmental bodies was the responsibility of internal audit functions. However, in a few instances the risk management function resided within areas such as compliance and legal services. This was also the case in a study by Erima and Wamukoya (2012:38) which established that a clear relationship between records management and risk management existed at Moi University in Kenya. This is due to the fact that records management is important in strategic decision-making, reduces costs, reduces risks from litigations and improves staff performance.

The results of this study revealed that there was an absence of a records management risk mitigating framework or strategy in governmental bodies. As a result, organisations are vulnerable to information loss. The top risks identified by the respondents in this study were: information security and loss of information. This is in line with the risks associated with poor records management as discussed in Section 2.6.2 identified by Ngoepe (2011:34) which include:

- Loss of revenue and assets (financial risk).
- Loss of legal rights and failure to comply with legislation (legal risk).
- Exposure to penalties in litigations and investigations (legal risk).
- Violations of the law (compliance risks).
- Staff time wasted searching for lost or mislaid documents (knowledge management risk).
- Accidental access of records by unauthorised people (security risk).

All these risks can negatively affect the reputation of an organisation and may lead to litigation, loss of stakeholder goodwill, loss of information and anxiety among staff (Egbuji 1999:1000). The integration of risk and records management has a bright future as its synergy enables the identification of risk. Records management was not viewed as a risk issue in most governmental bodies. This reciprocity according to Isa (2009:241) means reliable and authentic records of risk management, audit and other business purposes is an iterative process. According to ANAO (2006) if records are not available when required to support business, the consequences will mean: disadvantaging clients, public and media criticism, public embarrassment and loss of reputation for the government; extra costs because documentation cannot be found and legal action that cannot be properly prosecuted or defended. The probability of records not being available when required is increased if: staff or business systems fail to make records in the first place; records are inadequate to meet accountability and efficiency.

5.4 Analysis of the general reports of AGSA (2000/01-2009/10) in relation to findings on record-keeping

The purpose of this objective was to analyse the consolidated general reports on audit outcomes of AGSA in order to establish findings in relation to record-keeping. AGSA's general reports paint a picture that needs immediate and decisive government leadership intervention. Proper records management takes the process a step further and can be utilised to provide regular assurance to all stakeholders, including citizens, that indeed the funds are utilised for the predetermined objectives. The findings on this objective are presented and discussed according to the following sub-themes: frequency and concordance of words, trends of audit opinions for municipalities, government departments (national and provincial) and statutory bodies.

5.4.1 Frequency and concordance of words

An informetrics analysis of the general reports of AGSA revealed that records management does contribute to the audit results. For example, the word "record" appeared 694 times in the audit reports of AGSA taking it to number 17 on the list of words usage as reflected in Table 4.7. If the word "record" has to be combined with synonymous words such as "information", "data"

"document" and "evidence" in the report, the entries would amount to 2924 counts, taking it to number five on the frequency of words list in the audit reports. The suggested combination is done given the fact that the context and conceptual meaning and usage of the words in the audit reports are the same. In almost all the cases the contextual usage, especially to the left, indicates that negative audit opinions were received due to "lack of records, poor records management, no records, inadequate or insufficient records." This shows a strong link of records management to the auditing process.

5.4.2 Trends of audit opinions in governmental bodies

An analysis of historical trends of AGSA's general audit reports indicates that there have been marginal improvements in clean audit opinions in recent years for both MFMA and PFMA audits. While there has been some positive movement in clean audit opinions of statutory bodies, the momentum is too slow, especially in MFMA audits. For example, PFMA clean audit opinions increased from 10% to 20% over five financial years (2005/06 to 2009/10) and MFMA clean audit opinions increased from 0% to 2% over four financial years (2005/06 to 2008/09). While national and provincial governments face similar challenges with regard to audit qualifications, the number at local government level is far higher. It is generally recognised that public sector service delivery essentially rests on the shoulders of local government as it is the coalface of service delivery. Municipalities are continuing to receive disclaimer opinions – no wonder there are so many service delivery protests in South Africa. According to AG (2011c) an important contributing factor in the realisation of clean audit reports is the quality of interaction between leadership and stakeholders, as well as proper records management.

Indeed, the trend of improvements in terms of audit opinions has been moving at a snail's pace in most governmental bodies and there is still much room for auditees to move away from qualifications. For example, the municipalities moved from two clean audits in 2005/06 to seven in 2009/10. This is too few to turn the corner by 2014. The disclaimer opinions in municipalities regressed from 28 in 2005/06 to 77 in 2009/10 (AGSA 2011c).

The national government departments have also regressed in clean audit reports from seven in 2007/08 to six in 2008/09 and four in 2009/10 (AGSA 2011c). However, national departments managed to sustain a zero percentage on disclaimers in 2009/10 as compared to one disclaimer each in 2004/05; 2006/07 and 2007/08. On the other hand, provincial departments improved in clean audits from one in 2004/05 to 14 in 2009/10. However, there was regression with regard to disclaimer opinions from provincial departments with 10 in 2009/10 as compared to nine in 2004/05. On a positive note, statutory bodies improved significantly in clean audits from 36 in 2005/06 to 110 in 2009/10 (AGSA 2011c).

Where improved audit outcomes have been achieved, this was largely due to the implementation and monitoring of action plans by the leadership, increased leadership involvement and the deployment of appropriate skills in preparing the annual financial statements (AG 2011c). The opposite is also true in that the individual audit outcomes which had deteriorated were generally due to a lack of leadership stability, involvement, monitoring and oversight. This requires governmental bodies that are still qualified to implement concrete action plans to address issues raised in the audit reports.

It is clear that while the trends are slightly positive in some governmental bodies, the momentum is far too slow and an injection of serious efforts is required if governmental bodies are to achieve a significant improvement towards the 2014 clean audit target. The following observation was made from the results:
- There were regression and stagnation in audit outcomes for municipalities, provincial and national government.
- There were improvements of audit outcomes of statutory bodies

This may be influenced by the fact that there are no consequences for poor performance and transgression. Strong decisive action is particularly required for those governmental bodies and entities which received disclaimers and adverse opinions. According to AG (2011c):

Governmental bodies can overcome their challenges and obtain clean audit opinions by focusing on three underlying issues: strengthen governance arrangements, including risk management, internal audits and audit committees and to promote their independent accountability to the executive authority on all matters of risk to financial management and service delivery.

5.5   Establishment of audit committees in governmental bodies

This objective investigated whether governmental bodies have established internal audit committees that involve records management professionals. Section 166 of MFMA and sections 76 – 77 of PFMA provide for the creation of an audit committee whose role is to function as an independent advisory body relating to: risk management, internal audit and IT governance. This is also supported by Chapter 3 of the King Report III. A survey by IIA (2009:1) indicates that audit committee members primarily focus on top priority as:

- understanding and monitoring the impact of the financial crisis;
- overseeing the effective management of risks;
- ensuring clear and accurate financial reporting; and
- fostering and maintaining a strong internal control environment.

The findings on this objective are presented and discussed according to the following sub-themes: availability of audit committees; composition and skills of audit committee members.

5.5.1 Availability of audit committees in governmental bodies

According to ANAO (2006) audit committees have an important role in the governance framework of entities by providing an independent source of assurance and advice to senior management. This point is underscored by Van des Nest (2008:175) when arguing that the audit committee is a key accountability instrument that plays a critical role in corporate governance. The functions and responsibilities of a better operating audit committee will generally be to provide independent assurance and advice in the following areas: risk management; internal control; financial statements; compliance requirements; internal audit; external audit and IT. Most governmental bodies (77%) have established audit committees as prescribed by legislation and recommended by the King Report III. This agrees with findings by Sigidi (2012) that 91% of municipalities have established audit committees. Despite the availability of the audit committees, it would seem that they were not performing their work properly. Van des Nest (2008:176) contends that although many audit committees exist in the South African public sector, the degree to which they are effective varies. Indeed, the current study found that a

number of audit committees in the public sector are dysfunctional. The audit committee can strengthen the organisation's ability to identify and assess risks.

5.5.2 Composition and skills of audit committee members

Ferreira (2008:90) examines audit committee composition as a contributing factor to audit results. As well, skills, diverse and complementary background are some of the critical success factors for audit committee members. An important responsibility of the audit committee is to be satisfied that there are sufficiently skilled internal audit resources available to undertake the approved internal audit work programme, including providing support for, and input to, the committee to ensure that internal auditing covers all the areas that can pose risk to the organisation. Furthermore, having a chair and other committee members who have an appropriate mix of skills and experience relevant to the entity's responsibilities is the key to an audit committee's effectiveness. However, in this study it was found that most audit committee members were political appointees. Not surprisingly, records management in most governmental bodies was not represented in the audit committees. In the case where it is represented, it is through IT officials who do not have background information about records management. This can be due to the fact that most records managers in governmental bodies were at middle management and junior levels. Therefore, an assumption is that they were not invited to audit committee meetings as in most instances, only senior managers and higher were required to attend. As a result, records management risks were not addressed in these meetings, hence governmental bodies continued to obtain disclaimer opinions. This study also revealed the failure of individual committee members to make a contribution to committees due to a lack of knowledge especially in information management. Instead of records management being a standing item on the agenda of audit committee meetings, the function did not feature anywhere.

Within an entity's governance structure the audit committee should establish and maintain effective relationships with key stakeholders who influence and inform the responsibilities and operations of the committee. To achieve this, audit committees develop and maintain relationships through the meetings, and through working with key stakeholders outside of committee meetings. The stakeholders may include: leadership, records management, IT,

information management, internal audit, external auditors, risk management, human resources, finances and supply chain management. This relationship is central to enabling the committee to meet its responsibilities. In a study by Van des Nest (2008:177) when classifying the responsibilities of audit committees under risk, finance and auditing, the surprise omission was records management. Van des Nest (2008:180) identifies the following determinants of the audit committee effectiveness: composition, authority, resources and diligence, sufficient number of members, expertise and skills will have a beneficial effect n the audit performance of organisation.

5.6   The relationship between records management and corporate governance

In Section 2.4 it was argued that there is a direct link between records management and corporate governance. The components of corporate governance were identified as auditing process, audit committee, internal control and records management, as guided by PFMA, MFMA and King Report III. These components were discussed in the preceding sections of this chapter. Through the discussion it became clear that records management plays a role in corporate governance.

This study has identified that the link between records management and auditing is straightforward and certain. Good governance is the key element to sound public administration and accountability, and therefore adequate recording and easy access to information are fundamental to all governmental bodies. Records serve as the final proof of the business that was transacted as evidence of official business has an on-going use as a means of management, accountability, operational continuity, legal evidence and disaster recovery.

It would seem from the study that many organisations in South Africa still regard corporate governance as a compliance issue. Both public and private sector organisations need to recognise that corporate governance has a pivotal role to play in attracting foreign direct investment, and in ensuring that organisations are sustainable. Compelling public and private organisations to comply with the King Report III is not enough. If public and private organisations commit themselves to good corporate governance and leadership set the right tone, this would bode very well for the country's future.

If records are not managed, auditors simply cannot fulfil their responsibilities. Auditors are, therefore, among the greatest beneficiaries of effective records management and there is tremendous scope for collaboration between the two professions. As Akotia (1996:7) warns that unless records are managed as part of the monitoring process, the objective of the system is not achieved and the control mechanism fails to inform. Public records, if managed well, have the potential to provide a meaningful resource by which both the executive and civil service machinery can present themselves as honest, well-meaning and accountable.

This study identified poor record-keeping as one of the contributing factors to negative audit results. This was also confirmed by the interviews with officials from AGSA. However, it was also established that records management was not only the contributing factor. The results did confirm that there is a direct relationship between record-keeping and audit results. While the direct and indirect links between record-keeping and auditing were found, records management was still not being taken seriously in governmental bodies as in most cases it was not utilised to support auditing, records managers are not part of audit committees and viewed as part of corporate governance. As Sigidi (2012) would attest, concentration on the financial side neglecting other areas of governance such as records management will not result in the desired result of improving audit outcomes and sustaining the outcomes. Therefore, resolving the majority of audit outcomes is not a complex issue, but requires dedicated cadres, commitment of leadership and realising that most of the challenges are basic, like the implementation of proper records management.

5.7   Summary

This chapter has interpreted and discussed the empirical research findings. This was done in the light of empirical data presented in Chapter Four. It has been established that a close working relationship between records management, audit committee and internal auditing can improve the effectiveness of corporate governance. It seems that while other fields such as auditing scramble to reach top billing through corporate governance in the status stakes, records management quietly toots its horn. Records management has been identified as a key enabler to the auditing process. A strong relationship between records management and auditing was established.

It can be argued that the achievement of clean audit reports by governmental bodies is certainly not beyond reach, and can be achieved if all role players join forces in a concerted and unwavering effort towards this goal. Efforts would have to be accelerated to make project clean audit a reality by 2014. Clean audit reports for local government will require dedicated attention by the leadership. To this end, according to AGSA (2007:11), the leadership of governmental bodies must continue to focus on the following basic areas of financial and performance management:

1. Effective governance arrangements must be in place to ensure that adequate internal controls are maintained, including effective internal audit and audit committee functions. These functions must be strengthened through the appointment of appropriately qualified and competent persons to effectively discharge their responsibilities.

2. A financial management environment must be equipped with the appropriate resources, appropriately qualified personnel as well as adequate financial management systems in order to produce accurate and complete financial statements and performance information. Such an environment must also be equipped with properly documented systems, policies and procedures that drive sustainable good practices, for example:

   — Adherence to basic financial controls throughout the financial year, that is (a) proper and regular filing of documents supporting all transactions, financial statements and management information, (b) daily processing of transactions, monthly reconciliation of accounts and continuous review thereof, and (c) the monthly preparation of schedules that support/analyse items in the financial records.

   — Producing reliable monthly financial statements and management information that must be evaluated and monitored at appropriate leadership levels to enable quality decision-making and service delivery.

   — Submission of an audit file in support of the amounts and disclosures in the annual financial statements to the external auditors on commencement of the annual audit process.

The next chapter provides conclusions, summary and recommendations of how governmental bodies can obtain clean audit results. It also proposes a framework for embedding records management into the auditing process in the South African public sector. It is hoped that such a framework will help governmental bodies implement corporate governance.

CHAPTER SIX
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

6.1   Introduction

The previous two chapters provided data analysis, interpretation and discussion of the results. This chapter revisits the research objectives and questions by presenting the summary of findings, conclusion and recommendations of the study based on data analysis and interpretation in the previous two chapters, as well as literature review in Chapter Two. According to Kalusopa (2011:263) the purpose of a conclusion is to re-state the findings of the study and to draw the implications of the findings for the research questions at hand. In other words the conclusion looks backward for distilling in short precisely what has been accomplished in each phase of the research activity. As Leedy and Ormrod (2010:296) would attest, in the conclusion all loose threads are gathered together as, in the end research must come full circle to its starting point. The findings of the study presented in the previous chapter are summarised in this chapter. The chapter further proposes a framework to embed the records management function into the auditing process. It is hoped that such a framework will help governmental bodies to achieve and sustain clean audit results. Furthermore, the chapter makes suggestions on future research arising out of the study, identifies possible practical implications of the results, practice and policy, and makes recommendations for further research as a follow-up to the present study.

6.2   Summary of research findings

This section presents the summary of findings according to research objectives. The study established that records management is a key enabler to the auditing process. Records management and auditing have a reciprocal historical relationship that can be traced through the history of accounting from time immemorial to today's corporate governance. This relationship also touches on the contribution of auditing and proper record-keeping to corporate governance. From the historical perspective, it can be gathered that, accounting provides financial information to users of such information, and auditing is a means to ensure that such information

is reliable and fits well with established rules and regulations. Records management is therefore the mainstay of accounting and auditing.

The analysis of AGSA's consolidated general reports revealed that in most instances the contribution of negative audit results was lack of supporting evidence in the form of records to support financial statements. This was confirmed by the contextual usage of the word 'record' and its synonyms in the consolidated general reports of the audit outcomes. The word was mentioned 694 times and the contextual usage to the left demonstrates correlation with a lack of proper record-keeping to unclean audit results or good record-keeping contributing to clean audit results. However, the study established that such a relationship was not fully explored in the South African public sector as records management units and internal audit units in most governmental bodies continue to work in silos. This silo mentality has led to the public sector being characterised by negative audit results and more issues on record-keeping identified in audit reports. Internal auditors need records to execute their mandates, yet they do not establish partnership with records management practitioners.

Even though it has been discovered that most governmental bodies have established internal audit units, the public sector in South Africa continues to obtain unclean audit results. This is in part due to the fact that internal audits were not frequently conducted in governmental bodies. In the cases where internal audits were conducted, follow-ups or remedial actions to the reports were not done. An assumption is that follow-ups were not done as internal audit reports were not made public and therefore management did not worry about such reports as members of the public would not have access to them (reports). In most governmental bodies records management did not form part of the internal audit scope, hence many record-keeping issues were identified by external auditors at a later stage. As well, many governmental bodies did not have plans to respond to audit queries. The study found that internal auditing of annual financial statements of many governmental bodies was not being performed regularly. Reasons for not performing internal audits of annual financial statement is attributed to the fact that the annual financial statements were issued only at year-end and interim AFS were not issued. Furthermore, governmental bodies were characterised by the late closing of accounts, poor internal controls, incomplete and inaccurate records that lead to unclean audit results.

On a positive note, it has been discovered that most governmental bodies in South Africa had established records management programmes. However, despite this, governmental bodies continue to receive unclean audit opinions from AGSA. This is in part due to the fact that records management programmes were established for just to comply purpose with archival legislation. A further challenge is that most records management programmes in governmental bodies were headed by officials at a low level such as registry clerks who do not have authority to enforce policies. As a result, registry clerks were not taken seriously by other units. In some instances, governmental bodies did not appoint or designate records managers and left this responsibility in the care of records creators. This explains why records management units in governmental bodies did not have control of financial records even though these units were requested to assist auditors from AGSA during the PFMA or MFMA audit cycle. As a result, financial records were controlled by finance departments while records management units remain in the backseat and only get involved when records become inactive. Therefore, an assumption is that financial records were not managed or controlled adequately as finance units staff members did not have skills in managing records from creation to disposal.

Lack of understanding of records management by the upper management echelons in the public sector did not help the situation. It has been established that senior managers in governmental bodies did not value records management activities and as a result, the responsibilities for management of records were left to junior staff members. The study has further noted that key records management documents such as strategy, policy, procedures, classification systems, disposal authority, retention schedule and disaster recovery plan were not implemented in most governmental bodies. In the cases where these documents have been developed, they were not implemented. Developing policies and not implementing them is as good as not having them.

With regard to the custody of records, most governmental bodies kept active records in either the registry or individual offices and semi-active records either in the basement or off-site commercial storage. Active records which were kept off-site impact negatively on the audit cycle as the auditors have to wait long for records to be retrieved. Very few governmental bodies have transferred records of enduring value into archival custody due to a lack of storage space in archives repositories in South Africa. Records management processes have not been mapped and

documented in most governmental bodies. As a result, systems that were implemented dictated how records should be managed instead of records management providing specifications of how system should be configured to manage records.

It was discovered that, many if not all, records managers in South Africa were only involved with the management of records when the records were in semi-current or non-current phase. In other words, records management practitioners were not involved at all stages of the life-cycle of the records. It is only when unclassified records were transferred in boxes from various business units within organisations to central storage that records managers are involved. Then, the records are either no longer needed in the relevant business unit or the custodian or creator of the records has resigned. On the other hand, archivists were not involved in records management whatsoever. This results in an unmanageable proportion of backlog of unclassified records. As Ngoepe (2008:4) observes, if records are not managed properly in the office of origin; the product transferred to the archives repository will also be poor and this will compromise the history of the nation as records would not be easily retrievable as the principle of *respect des fond* applies at the archives repository. Whether centralising or decentralising, the ideal situation is that the records management function and archives must have full control of all records from the cradle to the grave.

The lack of visibility of leadership in governmental bodies during the audit cycle is another finding identified in this study. Leadership in most governmental bodies was conspicuous by its absence during the audits. As a result, the responsibility to assist external auditors during the audit cycle was shifted to junior officials who end up assisting external auditors. These junior staff members do not have authority to make decisions or comment on audit reports. Leadership availability can ensure that records are retrieved when requested by auditors. If records are not retrieved timeously or could not be found, leadership would be able to institute the development of proper records management in their organisations. In other words, leadership would be able to see how valuable is records management towards the auditing process and an assumption is that they would support the records management initiatives.

In most instances, financial statements were prepared by CFOs. However, in most municipalities due to lack of financial skills, it has been established that consultants were responsible for compiling financial statements. These consultants did not always provide skills transfer; hence the same consultants are contracted the following years. Timeous submission of financial statements to AGSA varied form entity to entity with couple not submitting, some submitting late, others submitting incomplete statements and many submitting on time.

The study has established that even though there is a reciprocal relationship between risk management and records management, such a relationship has not been explored to the fullest in most governmental bodies in South Africa. As a result, there was an absence of a records management risk mitigation framework in most governmental bodies. Furthermore, records management was excluded from the risk register of many governmental bodies. In the case where records management has been identified as a risk issue, only security and loss of information are considered the worst risks associated with records.

The study revealed that most governmental bodies have established audit committees. However, it has been revealed that records management professionals were excluded from such committees. Records management was only represented by IT officials in audit committees in some governmental bodies. IT officials do not have technical background about records management. It would seem that most records management issues were not addressed in audit committee meetings which explain why there were so many audit queries regarding records management identified by AGSA in most governmental bodies. As a whole, the study established that records management plays a significant role in corporate governance.

6.3   Conclusions about research objectives

The general purpose of the current study was to investigate the development of a framework to embed records management in the auditing process in the South African public sector. The underlying assumption of the study was that such a framework will help governmental bodies in achieving and sustaining clean audit results. A proposed framework is presented and discussed in Section 6.5 of this chapter. It is clear from the study that if governmental bodies can get records

management right, the rest of the cycle in the auditing process automatically becomes orderly. Records management is therefore top of the agenda for everything to do with financial reporting and service delivery. Records management professionals should therefore be at the forefront of influencing events in their organisations. The conclusions of the research are guided by the following objectives:

- The role of records management in the auditing process.
- The contribution of records management towards risk mitigation.
- Availability of functioning internal audit committee that include records management professionals.
- Analysis of the general reports of AGSA in relation to findings on record-keeping.
- Relationship between records management and corporate governance.

6.3.1 Conclusions on the role of records management into the auditing process

It is clear from the study that records management is viewed within the context of a key enabler without which auditing and subsequently risk management becomes unsuccessful. Relevant records are required to support activities performed in the course of business such as auditing for accountability. Therefore, an audit can only be conducted if governmental bodies have proper records in place to support financial statements that have been compiled. Records management functions in most governmental bodies were teetering on the brink of collapse and were on a life support machine as they were unable to contribute positively to the auditing process. As a result, lack of proper records management is one of the contributing factors to unclean audit reports. If records are lost or disorganised, accounting systems will lack integrity and auditing will become impossible. Auditing can serve as an interlocutor to leverage the status of records management in the public sector. Records management programmes were in existence in governmental bodies but did not add value. Perhaps these records management programmes were not properly placed. Furthermore, the low levels of records managers in governmental bodies did not help the situation, as officials at the middle management or lower level do not have authority to make decisions. If records management programmes can be placed properly, records managers appointed at senior level, records management units take control of financial records, key records

management documents such as policies, strategy, classification systems and retention schedules be implemented and internal audits be conducted regularly, records management issues identified in external audit reports can be reduced. While many governmental bodies have developed records management policies, the actual implementation appears to be the issue. Perhaps this is due to the fact that records management professionals were appointed at a low level and lack advocacy skills to implement policies.

6.3.2 Conclusions on the contribution of records management towards risk mitigation

The study has established that there is a reciprocal relationship between risk management and records management. A strong records management regime can be one of organisation's primary risk mitigation strategies. Through the literature review the study has established that organisations manage risk by identifying it, analysing it and then evaluating whether the risk should be modified by risk treatment in order to satisfy their risk criteria. Throughout this process, communication and consultation with stakeholders, as well as monitoring and review are of paramount importance. Furthermore, controls that are modifying the risk in order to ensure that no further risk treatment is essential.

Undoubtedly, risk management and records management are complementary disciplines and neither is an optional process in organisations. Both require the adoption of structured and systematic management. There can be no adequate risk mitigation efforts without proper records management. An effective records management programme covering the full life cycle of a record will ensure that records are not merely kept, but are kept well, as a resource and an asset to increase the organisation's efficiency. Relevant records are required to support activities performed in the course of business, decision-making and accountability. It would seem that organisations can benefit from integrating records management with a risk management function. The integration of risk and records management has a bright future as its synergy enables the identification of not only risk but also business opportunities, maintains competitive advantage and facilitates the achievement of the strategic objectives of the organisation.

The strength and effectiveness of a record-keeping system mainly depend on the effectiveness of risk management that prioritizes and identifies risks across an organisation. Allocating the identified risks into an organisational directory or a file plan structure enables the identification of contextual information, which in turn ensures that the authenticity and integrity of electronic records is under controlled (Isa 2009:91).

6.3.3 Conclusions on the availability of functioning internal audit committee that include records management professionals

Undoubtedly, the study has demonstrated that most governmental bodies in South Africa have established audit committees; however, records management professionals were excluded from such committees. As a result, the committees lacked records management knowledge, hence records management issues are not included in the meetings of the committees. It can be concluded that the exclusion of records management professionals in the committees does not help governmental bodies, more specifically with regard to identifying risks and issues related to record-keeping. This explains why there were always record-keeping issues in the audit reports. Perhaps the King Report III does not help in this regard as it views IT as an embracing concept for all information management fields rather than a branch of information management. IT is just a component of information management but it is treated in the King Report III as the broader subject that embraces all information management elements. If records management practitioners are included in the audit committee meetings, many of the findings relating to record-keeping can be minimised in the audit reports. Therefore, it is imperative that audit committees should be satisfied that the organisation's system of internal control is strong and effective. This system should include proper records management so that record-keeping issues are not identified in the external audit results.

6.3.4 Conclusions on analysis of the general reports of AGSA in relation to findings on record-keeping

The analysis of AGSA's consolidated audit reports show that records management contributes to the audit findings. Indeed, the appearance of the word "record" in the audit reports indicates the lack of supporting records as one of the contributing factor to the auditing opinion. The fact that

the word "record" was ranked in the top 20 indicates the role of record-keeping in the auditing process. The contextual usage of the words to the left support the argument that records management contributes to audit opinion.

The study revealed that the root cause of qualified audit opinions in most cases resulted from lack of a clear trail of supporting documentation. The audit opinions for the period under review can best be summarised in the degree of comparison as better (statutory bodies), bad (national government departments), worse (provincial government departments) and worst (municipalities). An analysis of historical trends indicated that there have been marginal improvements in clean audit opinions in recent years for PFMA audits. While there has been some positive movement in clean audit opinions, the momentum is too slow, especially in the MFMA audits. For example, PFMA clean audit opinions increased from 10% to 20% over five financial years (2005/06 to 2009/10) and MFMA clean audit opinions increased from 0% to 2% over four financial years (2005/06 to 2008/09). Municipalities are continuing to receive disclaimer opinions – no wonder there were so many service delivery uprisings in South Africa. It is clear from the study that the momentum is far too slow and an injection of serious efforts is required if government is to achieve a significant improvement in the next financial year. If these issues are not addressed, the problem of negative audit results will persist.

6.3.5 Conclusions on relationship between records management and corporate governance

In South Africa, interest in good corporate governance resulted in corporate controls such as PFMA, MFMA and King Report III. Corporate governance components consist of internal auditing, audit committee, risk management, internal controls and IT. A close working relationship between these structures can improve the effectiveness of corporate governance. Though records play an essential role in the accountability and transparency processes, it is often not regarded as essential for good governance by senior management in either the public or private sector. Records management is only discussed as a footnote; as a result it is a forgotten field with no consequences in government administration in South Africa. Undoubtedly, financial accountability is approached through three functions: auditing, accounting and records management. However, most governmental bodies regularly exclude records management from

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the criteria for a sound financial management infrastructure. If records management is removed from the footnote of the public sector and be placed in the hub, it will undoubtedly make a meaningful contribution to corporate governance.

From the study, it can be inferred that all governance processes produce and utilise records to fulfil their functions. Both auditing and records management are tools that enable an organisation to achieve organisational goals such as meeting shareholders value, stakeholders' expectation, good quality of service, efficiency, transparency and accountability. Records management like other governance elements such as auditing, information technology, financial management and risk management is crucial to the success of public organisations. Records management needs to be strategically management within governmental bodies just like other governance elements which receive support from management echelon. Therefore, records management should not be taken lightly and should form part of normal business processes and decision-making

6.4 Recommendations

In order to embed records management into the auditing process the following recommendations are made:

6.4.1 The role of records management into the auditing process

From the study, it is clear that it is possible for governmental bodies to obtain a clean audit opinion if the basics in control systems are in place and if leadership take a proactive role. For governmental bodies to reduce audit queries relating to record-keeping the following recommendations are made:

Records management practitioners should consider working together with other disciplines (stakeholders). As shown in the study, records management practitioners have a bigger steak. The important ally for records management in this regard is internal audit and IT governance (for security and access parameters). Internal auditing can be a putative alliance partner for records management in the mainstream of government administration. This alliance can be a surprise

package of mega proportions which will put records management on a path of no return. This is the vital ingredient to the success of records management. Records management is concerned with the flow of information throughout an organisation. On the other hand, internal control and internal audit have a responsibility for checking and examining that the systems through which transactions pass are operating efficiently and are implemented at all times. An external audit entails an independent examination of the financial statements of an entity for the purpose of expressing an opinion thereon. Broadly speaking, the records requirements of external auditors are the same as those for internal auditors. Ideally, from the records management, internal control and audit perspectives, the movement of records within the financial management structure should be prompt, seamless and secure. Therefore, both records managers and those involved in the internal control and auditing processes should participate in reviewing the design of systems, monitoring their operation and recommending improvements. In addition, all should have the opportunity to provide input into the examination of financial and operating information in terms of how it is identified, measured, classified and reported.

A close working relationship between auditing and records management can improve the effectiveness of corporate governance. In this regard, internal auditors can form an opinion on internal controls including records management. By providing audit opinions, internal auditors can assist their organisations' governance measure. One other way of leveraging records management can be through naming and shaming non-compliant units within the organisation. Those which are complying can be given incentives or points towards their performance assessments.

Co-operation among relevant professions, such as records managers and archivists, accountants, auditors, information technologists, and legislators, will enable common problems to be approached from different aspects. However, Willis (2005:88) chastises that seldom do other professions think to involve records professionals in planning and decisions of their activities. IRMT (1999b:94) identifies a need to pool expertise from different professions if the problems of accountability, transparency and good governance are to be solved. For a records management programme to be sustainable, consistently applied and enforced throughout an organisation, it is critical that senior officials and high-ranking civil servants endorse and continue supporting the

programme. More importantly, without commitment from the leadership, it is extremely unlikely that the relevant legislation will be followed to allow records to be managed appropriately throughout their entire life cycle.

This study recommends that the National Archives and Records Service of South Africa should also play the role of assisting governmental bodies in implementing proper records management as the regulator of this function in the public sector. NARS has a statutory responsibility for the preservation of records (including financial records) of enduring value. In addition, it should play a role in ensuring that all government financial records are managed from the point of creation. It has an obligation to respect the interests of other stakeholders, especially AGSA, in controlling the security, use and treatment of financial records. Otherwise, all the efforts by AGSA to identify records management as one of the key good practice indicator will remain futile. A high percentage of clean audit opinions will free up AGSA resources to concentrate on other types of public sector audits, for instance performance audits. AGSA could establish a partnership with the National Archives of South Africa, which has a regulatory role to manage records in the public sector of South Africa. In this regard, as Bhana (2008) would attest, AGSA can play a role in reporting cases of poor records management in government institutions to the National Archives of South Africa, which can in turn assist the affected institutions in setting up the proper records management programme. Furthermore, AGSA could also test specifically for compliance of key aspects of the applicable legislation pertaining to records management.

Records managers in the public sector should focus on demonstrating to auditing bodies and policy makers to embed record-keeping requirements in any activity that they audit or control. In other words, record-keeping must become a government priority. Records managers and those involved in the internal control and auditing process need to participate in designing systems, monitoring their operation, and recommending improvements. In the absence of strong records management controls, documents can be easily disorganised, concealed, lost, stolen, destroyed or otherwise tampered with.

Furthermore, records management professionals need to change their mindset, if even a paradigm shift towards realising, that managing records is about balancing costs and benefits to

the organisation. Records managers must be able to persuade senior management and particularly the board of directors/top management to adopt proper record-keeping practices in the organisations. The main areas where government entities could improve relates to the following:

- The development of records management models. Since each organisation is unique in its makeup, governmental bodies should design records management models that are suitable for their environment. The models will help governmental bodies to properly implement a records management programme and contribute positively to the auditing process.

- Appointment of records managers at senior level. If records managers are appointed at senior level, records management activities will be represented in management meetings. This will go a long way in reducing record-keeping issues identified by external auditors.

- The development and implementation of a records management strategy. The strategy will guide records management unit to set the objectives and link the unit's objectives with the overall organisational strategy. This way records management will be able to support corporate governance.

- The improvement of records management policies and guidance. File plan is a key to the retrieval of information. Therefore, it should be mapped according to the budget codes so that information generated will correspond with the expenditure. Furthermore, policies, procedures, standards and best practices ought to be developed and implemented for managing records as strategic accountability assets. Until this function is recognised by public officials and senior civil servants as a management issue, it will not be possible to enforce compliance with record-keeping requirements and establish the necessary culture for creating, maintaining and using records.

- Control of all records, including financial records by records management units. Records management practitioners have a duty to manage records from creation to disposal. Handing over of control of financial records to record management practitioners will help in getting these records into the filing systems of governmental bodies rather than being managed by people who do not have background about records management. In this way, records would be retrieved when needed for audit purposes.

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- The identification of vital records and the establishment of contingency arrangements for those records or business continuity plans.

- Information need to be validated on monthly basis. In this way, things happening the wrong way will be detected and rectified before external auditors arrive at the organisation to conduct the audit. It is recommended that governmental bodies resume the preparation of the monthly self-assessment tool files so as to manage all variances and identified issues, thus ensuring that these are rectified on a timely basis.

- Records management needs to be allocated adequate resources to get the job done.

- Internal audit action plans should be adhered to. In other words, internal audits should be executed as per the plan.

- Leadership should set a tone dedicated to the attention of records management and internal audit. The key to successful implementation lies with top management, as well as long- and short-term planning. The biggest challenge would be to sustain the clean audits and make sure that all entities obtain clean audits opinion to realise the objective of Operation Clean Audit by 2014. Therefore, the 2014 target should be ingrained in the hearts of all leaders. When government finances are healthy, the livelihood of society remains healthy as well.

6.4.2 The contribution of records management towards risk mitigation

To be most effective, records management should become part of an organisation's risk management process. Organisations need to put in place robust systems of risk management and records management to aid performance. Effective risk management is the cornerstone of good governance, resulting in better service delivery, more efficient use of resources, and helps minimising waste and fraud. Records management ensures the availability of records for risk assessment and systematically captured the records of risk management processes. Therefore, records that are produced must be kept for future assessment to determine whether recommended risk mitigation has been followed by relevant business process owners. Strengthening the role of records management as an internal control system should become a distinct component in institutional and technical capacity building. Records management practices should be tightly integrated with risk management. Proper record-keeping and reconciliation of financial

statements within governmental bodies are critical to assist in achieving the good corporate governance. Records management issues should also be included in the risk registers of governmental bodies. Furthermore, all the stages of risk management should be recorded. As a result, decisions regarding the creation and capturing of records should take into consideration: the legal and business needs for records, the cost of creating and maintaining records and the benefits of re-using information.

6.4.3 Establishment of audit committees in governmental bodies

This study has established that the majority of governmental bodies have developed audit committees. Despite this, governmental bodies continue to obtain unclean audit reports from AGSA. It would seem audit committee members just glorify the committee without adding any value as one respondent suggested. For records management to contribute positively to the audit results, this study recommends that records management should be a standing item in audit committee meetings. In this way, records management issues can be identified and addressed before the external auditors arrive at the organisation to do their audit. Furthermore, records management professionals should form part of internal audit committee. Audit committee members should also be inducted on records management and made aware of legislation regulating records management in governmental bodies. The audit committee can also play a role in overseeing internal audit to ensure that all corporate governance components are monitored. Furthermore, audit committee can provide an interface between management and external auditors. The overall role of audit committee could be to ask relevant questions about the overall corporate governance process. The committee should be aware that IT does not embrace information management but it is an enabler and a component within information management.

6.4.4 Trends of audit opinions in governmental bodies

The study revealed marginal improvements in clean audit opinions in recent years for both MFMA and PFMA. For those that obtain clean audit opinion the biggest challenge would be to maintain the status quo while others still struggle to obtain clean audits opinion to realise the objective of operation clean audit by 2014. For governmental bodies to improve and sustain

clean audit results leadership visibility during audit cycle is imperative. As auditing ensures accountability, leadership should not delegate its responsibility to junior officials during the audit cycle. Governmental bodies also need to ensure that:

- basic internal controls including records management are in place;
- there is an action plan to remedy deficiencies highlighted by AGSA in the previous cycle;
- daily, monthly and quarterly reconciliations of financial records are performed; and
- working partnership between leadership, internal audit and audit committees.

6.4.5 The relationship between records management and corporate governance

From the study, it can be deduced that records are inextricably entwined with increased transparency, accountability and good governance. The records held by an organisation are what makes it possible for people to know what has been done, and how it has been done. Therefore, records management plays an important role in corporate governance. However, it is clear from the study that records management has been overtaken by functions such as risk management and auditing in playing a role in corporate governance. Records management is crucial to success in public organisations, and should be approached correctly so that it does not become just another outsourceable service. It is apparent that records management should not be taken lightly and should form part of normal business processes and decision-making. Therefore, it is vital that records management is included in the corporate governance practices. The key to successful implementation of records management that will support corporate governance lies with top management, as well as long- and short-term planning. Records management professionals should be involved in strategic planning of governmental bodies. It is essential to sensitise staff members and top management about the benefits and risks of records management. The starting point is usually promoting an awareness of records as a corporate resource and an understanding that, whether on paper or in electronic form, records are not merely for personal use. Culture change often includes motivating staff to recognise the importance of good records management, as well as building confidence in the new system. Furthermore, the King Committee should consider the revision of Chapter Five of the King Report III to explicitly include the management of records. Instead of recognising ICT as an umbrella heading, information management should

instead be the main heading of Chapter Five embracing elements such as record management, ICT, information security and others.

6.5   Proposed framework

One of the key objectives of the current study was to propose a framework to embed records management into the auditing process. It has been established in this study that even though governmental bodies have established records management programmes, internal audit functions and audit committees, they continue to obtain unclean audit results from AGSA. Furthermore, the study established that lack of proper records management was identified as a major finding in the audit reports. It is hoped that the proposed framework will help reduce findings on record-keeping in the audit reports, as records management would be embedded in the auditing process. Creating and embedding a framework within an organisation can be a lengthy and difficult process which might encounter a level of resistance. The proposed framework in Figure 6.1 is not intended to be prescriptive but to assist governmental bodies to integrate records management into the auditing process.

Figure 6.1: Framework to embed records management into the auditing process
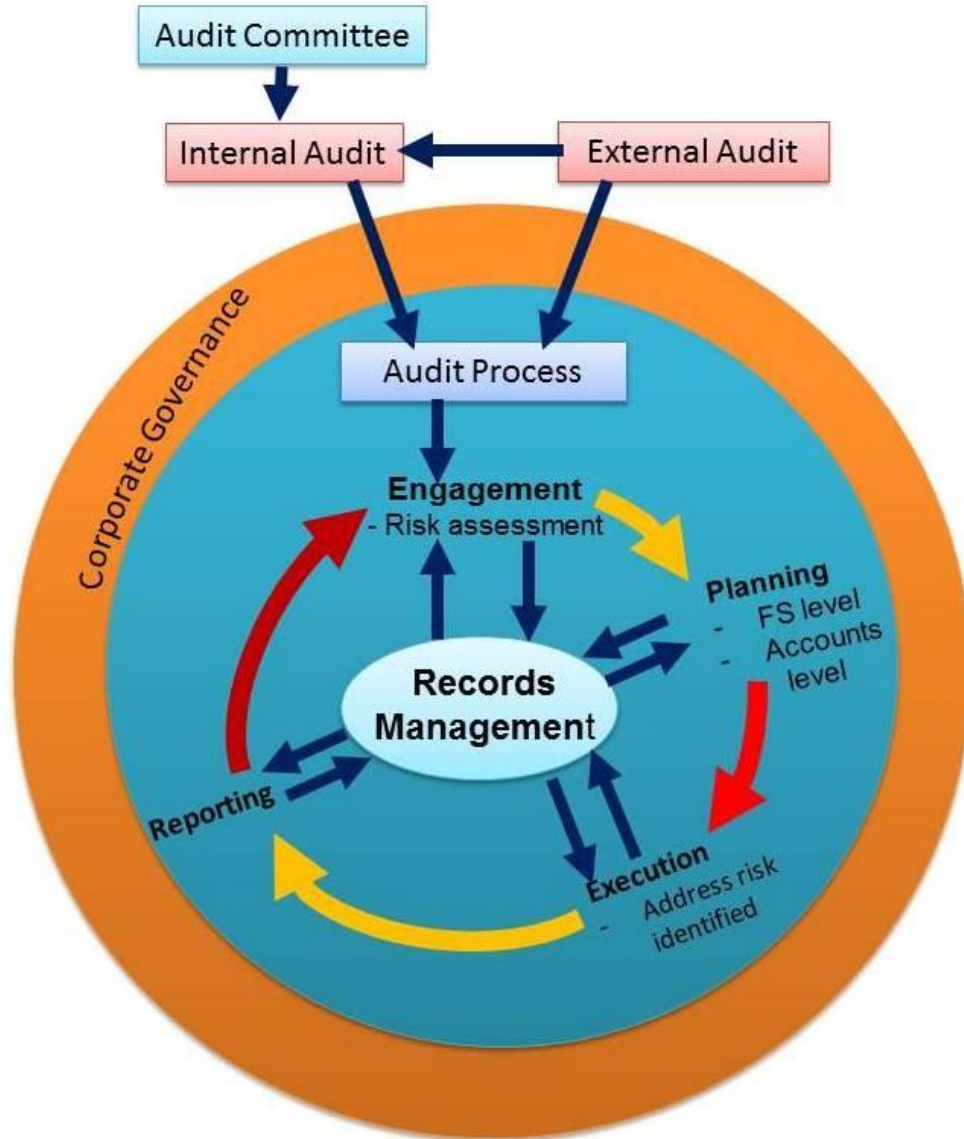
The proposed framework builds on the auditing process as defined by AGSA in Table 1.3. All the steps of auditing process depicted in Figure 6.1 are applied by both internal and external auditors in the South African public sector. It is worth mentioning that the audit process is risk-based. For internal audit, an oversight mechanism is the audit committee. Once internal audit has completed its work, external auditors can always use the internal audit report as a point of departure if the information is reliable. The reliability will depend on the system for managing records within an organisation. However, if information is not reliable, external auditors will kick-start the process through pre-engagement activities and not rely on the report of the internal

audit unit. In every step of the auditing process, records are consulted and should therefore be managed properly for easy retrieval. At each stage of the auditing process, opportunities exist to introduce and enhance an organisation's records management. Therefore, in the framework, it is suggested that records management is practiced in every step of the auditing process. Embedding records management ensures that it becomes part of the organisation's core values and effective management. The framework will assist in managing records effectively throughout the application of auditing process at all stages and within specific contexts of the organisation. The introduction of records management and ensuring its ongoing value adding to the auditing process require strong and sustained commitment by management of the organisation through the audit committee. While records management practitioners align records management objectives with the objectives of the organisation, the audit committee should:

- endorse the records management strategy and policy; and
- ensure legal and regulatory compliance.

Auditors, especially internal to organisations have to understand that records management is a serious issue for the organisation and that they have an important role to play in records management.

The framework recommends the recording of each stage of the auditing process as the records of such processes are an important aspects of good corporate governance. The auditing process as applied by AGSA (2011b) is defined as follows for both internal and external audits:

(a) Pre-engagement activities

During the first stage of the auditing process, the following are done by the audit team:

- Consider changes in circumstances of previously audited entities/ Consider circumstances of new engagements (identify risks).
- Determine skills and competency requirements of the audit team.
- Establish terms of engagement and communicate to the management of the audited entity.

Records of this stage are important for both the auditee and the auditors as they will be used as a reference. It is of outmost important during this stage that both parties agree on the turn-around time for retrieval of records to verify transactions. As reflected in the framework, it should be clear where records are kept and how they are arranged for easy retrieval. The availability of records management practitioners in the pre-engagement activities meetings is necessary as it will help clarify their role during the audit cycle. Therefore, records management is important as from day one when the audit process is initiated.

(b) Audit planning

During this phase, the audit team does the following:

- Obtain knowledge of the business.
- Obtain understanding of the accounting systems and processes operated by management to control the entity (internal control systems).
- Risk assessment: Assess financial risks facing the entity (for example, risks relating to fraud and error; liquidity/solvency problems; non-compliance with legislation).
- Evaluate the work of internal audit and determine whether reliance can be placed on it.
- Evaluate the financial management of the entity in terms of the predetermined levels.
- Consider whether the internal controls that management has implemented are appropriately developed and documented:
  - If yes, the internal controls can be tested.
  - If not, the internal control weaknesses are identified and communicated to management.
- Formulate the audit approach.
- Communicate the audit plan to the management of the entity.

It is also vital to document activities of this process. The audit planning should also include how records that substantiate financial statements will be retrieved. Testing the records management system during this stage will help give a clear picture of whether the system will be able to support the audit process. This can be tested by requesting certain records that are reflected in the file plan. An assumption is that the file plan exists for each organisation or there is a way in

which organisations arrange their records. Records that are needed for auditing should be identified and arranged.

(c) Execution of the audit

During execution stage, the following is done:
- Testing of controls – study and evaluate the internal controls of an audited entity.
- Detailed test of transactions and balances in the financial statements.
- Continuous communication – meetings with the management of the auditee.
- Letter to management to highlight key audit findings with recommendations.

During this phase, the records management practitioners provide auditors with records that have been requested so that auditors can verify transactions. Failure to provide records would lead to a disclaimer opinion.

(d) Reporting

The output of an audit is simply the expression of an opinion on the financial statements of an entity. It should also be noted that audit opinions are only expressed on financial statements and not on compliance with laws and regulations. However, any deviation from laws and regulations relating to financial matters will be considered and could result in a modified audit report. Upon reporting, issues related to records management that were identified should be included in the results of the audit. The management of the entity should then commit to rectify the issues. If this is done it would lead to good corporate governance and reduce records management issues identified in the audit reports. Furthermore, it will leverage the status of records management in governmental bodies.

For the framework to be applied successfully, records management has to become part of the way that an organisation is managed. This way as reflected in the proposed framework, good corporate governance will be achieved in governmental bodies and the 2014 clean audit target would be a reality. It is clear from the proposed framework that records management plays an

important role in every step of the auditing process. The role played by records management is for supporting the audit process by providing required records and documenting the audit process.

6.6   Implication for theory, policy and practice

To be useful, research findings must in some way be connected to the larger picture, that is, to what people already know or believe about the topic in question (Leedy & Ormord 2010:285). The findings of this study may go a long way in influencing policy and practice. If the recommendations of the present study are taken into consideration they could help governmental bodies in South Africa to obtain and sustain clean audit results. The current study has posed and answered several conceptual and contextual questions as to the extent to which records management contributes towards the auditing process and mitigation of risk. The study therefore adds to the existing theoretical and conceptual issues that form the on-going discourse on the role of records management in corporate governance. The study has presented a framework that may provide a basis for embedding records management into the auditing process. It is hoped that such a framework will help governmental bodies in South Africa to obtain clean audit reports.

6.7   Further research

As it has been indicated in the current study, there is lack of empirical studies on integrating records management with the risk management and auditing process. Most of the studies on records management focused on transparency and accountability without focusing on auditing and risk management. The current empirical study therefore breaks new ground and brings out several issues that would require further in-depth research. This is so because, as outlined in Chapter One and Three, like any research, there are obvious limitations and delimitations to this study that warrant more investigations. Some of these research areas which can also be extended to the private sector include, but are not limited to the following:

- The current study dwelled much on the role of records management into the auditing process. Another study can be conducted on the role of auditing in enhancing records management provision, as this was not covered comprehensively.

- It would seem from the current study that the placement of records management on the organisational structure does contribute to the implementation and provision of records management services. Therefore, a further study on the placement of the records management function in the public sector and impacts on provision of services is recommended.

- This study focused much on the role of the supreme audit institution and neglecting the role that can be played by national archives in the public sector audit as the regulator of records management. As a result, a number of issues were identified that could be addressed by national archives, for example, appointment of records managers in governmental bodies, establishment of records management programme in governmental bodies, compliance with archival legislation by governmental bodies and others. Therefore, a further study on the role of national archives in the public sector auditing is recommended.

- It would seem from the study that various stakeholders in the public sector were not aware of the value-add by records management in government administration. For example, the study found that records management professionals were not represented in audit committees. An assumption is that top management in governmental bodies did not see the value of having records management representatives in audit committees. Therefore, a further study on the perception of records management by stakeholders in the public sector is recommended. This will help sensitise government employees about the importance of records management.

- This study found that governmental bodies have established records management programmes, internal audit units and audit committees but yet they continue to receive negative audit reports. A further study to investigate the correlation, as well as factors leading to disclaimer despite the existence of records management, internal audit units and audit committees is recommended.

6.10 Final conclusion

This study was organised into six chapters. Chapter One set the scene by putting the study into perspective. Chapter Two reviewed literature regarding the role of records management into the

auditing process, risk management and components of corporate governance. Chapter Three presented research methodology. The methods were explained in detail with regard to the study so that the reader knows exactly what data has been collected, from where and how it was collected to allow a reasonable replication of the study. Chapter Four presented the results of the study from the informetrics analysis of AGSA's general reports (2000/01-2009/10) in relation to audit outcomes on records management in the governmental bodies, as well as data collected via questionnaires and interviews were analysed. Chapter Five provided a discussion of the findings which offers a broad interpretation of the results. Chapter Six served as a synthesis, a summary of each chapter, including a summary of the results, as well as conclusions with reference to the problem postulation and aims of the study, proving that they have been honoured. Finally, in order to foster a framework to embed records management into the auditing process, several recommendations were made. Furthermore, a proposed framework was presented. The study also advanced its implication to theory and practice, as well as areas for further research.

It is clear from the study that a road to successfully implementing the records management programme that will enable the auditing process is not an overnight journey. Therefore, the sooner governmental bodies start the better as a 'journey of 1000 miles begins with one step'. It is evident that governmental bodies in South Africa still have a long road ahead towards achieving clean administration. The study established that records management plays a significant role in the auditing process and subsequently risk management. Indeed auditing, risk management and records management are complementary disciplines and are not optional processes in organisations. If records management is treated as risk management issue, it can leverage its status; break its narrow roots and marginalisation in the periphery of the public sector. Indeed, risk management and auditing offer records management practitioners the opportunity not to be missed for parachuting records management to the new heights. The synergy can steer records management into new and unchartered territory, as well as catapulting it into limelight in the public sector. Until such time that records management function is recognised by public officials and senior civil servants as a management issue, it will not be possible to enforce compliance with record-keeping requirements and establish the necessary culture for creating, maintaining and using records.

Achieving clean audit is not achieved by wielding a magic wand. Without a doubt, if records are managed properly, the 2014 clean audit target by the South African government would be a reality. As a result, a high percentage of clean audit opinions will free up AGSA resources to concentrate on other types of public sector audits, particularly performance audits so that auditing can add value to the country. Performance audits are designed not only to report on performance, but also to add value to public sector administration with constructive criticism and recommendations for improvements. It is not beyond the South African public sector to address the issues raised in this study, but as long as records management functions operates like unguided missile, it would be a challenge to attain and sustain the 2014 clean audit results. However, as AG (2011b) would agree, for governmental bodies to achieve the 2014 clean audit target, all internal controls including records management should be in place and it will require leadership (mayors, ministers and heads of departments) to take the lead in working towards the clean audit. Failure to transform this pattern will lead to governmental bodies continuing to obtain disclaimer opinions and the 2014 clean audit target would be a mirage like a 'blind man in darkness searching for a black cat'.

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APPENDIX A: List of six good practice indicators for governmental bodies to achieve clean audit results

- A clear trail of supporting documentation (records management);
- Quality of financial statements and management information;
- Timeliness of financial statements and management information;
- Availability of key officials during audits;
- Development of, and compliance with, risk management and good internal control practices; and
- Leadership, supervision and monitoring.

APPENDIX B: List of Chapter Nine institutions

In terms of chapter 9 of the Constitution, the governing principles of state institutions supporting constitutional democracy include the following:

a. The Public Protector.
b. The South African Human Rights Commission.
c. The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities.
d. The Commission for Gender Equality.
e. The Auditor-General.
f. The Electoral Commission.

- These institutions are independent, and subject only to the constitution and the law, and they must be impartial and must exercise their powers and perform their functions without fear, favour or prejudice.
- Other organs of state, through legislative and other measures, must assist and protect these institutions to ensure the independence, impartiality, dignity and effectiveness of these institutions.
- No person or organ of state may interfere with the functioning of these institutions.

APPENDIX C: List of municipalities that received inaugural clean audit awards for 2009/10

1. Enhlanzi District Municipality
2. Steve Tshwete Local Municipality
3. Victor Khanye Local Municipality
4. City of Cape Town
5. Metsweding
6. Frances Baard
7. Fetakgomo Local Municipality

APPENDIX D: List of the nine chapters of the King Report III (IODSA 2009:4)

Chapter 1: Ethical leadership and corporate citizenship

Chapter 2: Boards and directors

Chapter 3: Audit committees

Chapter 4: The governance of risk

Chapter 5: The governance of information technology

Chapter 6: Compliance with laws, codes, rules and standards

Chapter 7: Internal audit

Chapter 8: Governing stakeholder relationship

Chapter 9: Integrated reporting and disclosure

APPENDIX E: Audit process of the Office of the Auditor-General of Botswana (Rakgailwane 2004:30-31)

The Office of the Auditor-General of Botswana adheres to the following procedures when conducting its audits.

• An engagement letter is issued to the auditee, where applicable.

• A planning memorandum is prepared.

• The planning memorandum is approved by the Assistant Auditor General (AAG).

• An audit program is prepared.

• The audit program is approved by the AAG.

• A pre-audit meeting is conducted.

• The audit is conducted.

• A letter of management is obtained, where applicable.

• A draft management letter is prepared and discussed with the AAG.

• The draft management letter is discussed with the head of department at an exit meeting.

• The management letter is finalized and auditee comments are incorporated.

• The management letter is approved by the AAG.

• The management letter is issued to the auditee.

• Follow-up is carried out.

APPENDIX F: Ten key questions for assessing organisations on records management (Crookston 2011)

Question 1: Does the organisation have a records management policy?
The policy should be:
- written down
- signed by the CEO or other senior officer
- issued to all staff
- describe the responsibilities all staff have for managing records
- include e-mail and other electronic records
- allow for penalties for staff who do not comply

Question 2: Do the senior managers in your organisation support good records management?
You can show support by:
- assigning responsibility for RM to a senior officer
- providing adequate budgets, resources and training
- ensuring penalties are applied when staff break RM rules

Question 3: Is responsibility for records management tasks assigned to a specific area?
Responsibility could be assigned to:
- A records management officer (in small offices)
- A records management unit or registry

Question 4: Do the organisation's records management staff have enough training to do their jobs? RM staff should:
- Know how to identify a record and what makes a record different from other types of information
- Be able to analyse the recordkeeping requirements of the organisation
- Be familiar with standard RM practices like file registration and movements, safe records handling, records disposal

Question 5: Does the organisation have procedures for managing its records? Procedures should:
- Be written down
- State clearly who is responsible for each part of the procedures
- Not conflict with the policy

Question 6: Does the organisation know what its record-keeping requirements are? Record-keeping requirements:
- are a need to keep evidence of an organisation's actions and decisions
- are usually identified in laws, policies, procedures and reviews
- should be documented
- should be regularly reviewed

Question 7: Can the organisation find particular records when it needs them? Finding records is easier if you use:

- a file creation and movement register
- secure storage that only records management staff can access
- a naming and numbering system that all staff can understand

Question 8: Does the organisation abide by the government's rules for deciding when its records can be destroyed? Disposal rules:
- require the national archivist's agreement
- should help to preserve historical records
- should be based on the organisation's recordkeeping requirements

Question 9: Are the organisation's records stored securely so that they cannot be stolen, damaged or altered? Secure storage should:
- only be accessed by appropriate staff
- be kept clean and free of vermin
- include back-up systems for electronic records
- include all files – staff should return files to storage
- include a disaster plan for salvaging important records

Question 10: Does the organisation set performance indicators for its records management unit, report on those indicators, and make improvements when they are not met? Performance Indicators:
- Are goals the organisation sets for itself
- can help to identify problems
- are an important part of accountability and good governance

APPENDIX G: Questionnaire used in the study to collect data

Mark (X) the option relevant to you
Use spaces provided to write your answers to the questions
If the questionnaire is filled by more than one person, please indicate both positions in Question 2.

A: BACKGROUND INFORMATION

1. Which of the following reflect your organisation?

National government department	
Provincial government department	
Municipality	
Statutory body/public entity	
Other, specify	

2. What is your position/affiliation within the organisation?

Auditor	
Records Manager	
Audit Committee Member	
Risk Manager	
Other, specify	

3. Indicate the nature of audit opinion received by your organisation in the past financial year from the external auditors:

Unqualified	
Qualified	
Adverse	
Disclaimer	
Other, specify	

3.1 In a scale of 1-5 where 1 = less contribution; 2 = mild contribution; 3 = neutral; 4 = significant contribution and 5 = extreme contribution, rate each area in terms of contribution towards the audit opinion received by your organisation in the past financial year?

Area	1	2	3	4	5
Records management					
Supply Chain Management					
Information Technology					
Risk Management					
Finance					
Human Resources					
Internal Controls					

Availability of key officials during audited					
Quality and Timeliness of Financial Statements					
Leadership					
Policies & Procedures					

3.2   What was the role of records management towards the opinion?

4.   Where do you keep the following records?

4.1   Active/Current records

On-site	
Off-site records centre	
Off-site commercial storage	
Other, specify	

4.2   Semi-active/current records

On-site	
Off-site records centre	
Off-site commercial storage	
Other, specify	

4.3   Non-current or inactive records

On-site	
Off-site records centre	
Off-site commercial storage	
Other, specify	

4.4   Which records are mostly used by the auditors during the audit cycle?

Active records	
Semi-active records	
Non-current records	
Other, specify	

5.   What control systems are in place to manage records in your organisation?

6. Does your organisation have internal audit function?

Yes	
No	

7. To what position does internal audit report functionally in your organisation?

Chief Risk Officer	
Chief Compliance Officer	
Other, specify	

8. How often does the internal audit conduct audits in your organisation?

Annually	
Quarterly	
Monthly	
Other, specify	

9. Does the scope of internal audit include records management function in your organisation?

Yes	
No	

9.1 If yes, list at least three records management issues identified by internal audit in your organisation:

10. What is the nature of relationship between records management function and internal audit in your organisation?

11. Does records management unit have control of financial records in your organisation?

Yes	
No	

11.1 If no, who control financial records in your organisation?

12. Do internal or external auditors complain they are unable to obtain source documents within a reasonable period of time?

Yes	

No	

12.1   If yes, what has been done to remedy the situation?

12. 2   How often are issues identified by internal auditors rectified before external auditors come?

13.   Does your organisation have a formal plan to respond to audit requests for records?

Yes	
No	

14.   Who is responsible for preparing financial statements in your organisation?

Consultants	
Internal Staff, specify	
Other, specify	

15.   Are the financial statements always prepared and submitted on time to the external auditors?

Yes	
No	

15.1   If no, what is the cause of the delay?

16.   How long does it take the external auditors to complete PFMA/MFMA audits or external audits in your organisation?

Month	
2 Months	
3 Months	
Other, specify	

16.1   What are the major contributors to the duration/length of the audit, e.g. unavailability of officials, unable to retrieve records, etc.

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17.   What role does leadership play in your organisation during audit cycle?

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18.   Does your organisation have an audit committee?

Yes	
No	

18.1   If yes, how many members constitute the audit committee?

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18.2   Is any member of the records management team part of the audit committee?

Yes	
No	

18.3   If no, are members of the audit committee knowledgeable about records management?

Yes	
No	

19.   Who is responsible for risk management in your organisation?

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20.   Does your organisation have Enterprise Risk Management (ERM) strategy?

Yes	
No	

21.   Is there a risk register in your organisation?

Yes	
No	

22.   List five top risk issues identified in your organisation:

23.   Is records management identified as a risk?

Yes	
No	

23.1   If yes, what key records management area pose risk to your organisation or have a significant cost impact?

24.   What is the role of records management in corporate governance?

25.   Any additional information and/or recommendations?

Thank you for your time in completing this questionnaire.

APPENDIX H: Interview guide

1.   Which of the following reflect organisations that you audit?

National government department	
Provincial government department	
Municipality	
Statutory body/public entity	
Other, specify	

2.   Based on your experience, would you say government entities in SA have a formal plan to respond to audit requests for records?

Yes	
No	
Other,	

3.   What are the major contributions to qualified audit opinions in governmental bodies?

3.1   If yes, what role does records management play in the auditing process?

4.   When conducting audits, what type of records do you require from the auditee? (list at least five)

5.   Are records always submitted timeously by the auditees?

Yes	
No	

6.   What are the common findings in relation to record-keeping in the entities that you audit?

7.   In most cases, who assist with records when auditing government entities?

8.   How effective are internal auditors in government entities that you audit?

9.   Are issues identified by internal auditors in government entities rectified before you come?

Yes	
No	

10.   Are the financial statements always prepared and submitted on time by government entities?

Yes	
No	

11.   On average, how long does it take you to complete the PFMA/MFMA audits in public entities?

12.   What are the major contributors to the duration/length of the audit, e.g. unavailability of officials, unable to retrieve records, etc?

13.   What role does leadership in government entities play during the audit cycle?

14.   How effective are the audit committees in government entities?

15.   What records management challenges do you experience when auditing government entities?

16.   Any additional information

Thank you for your time.

APPENDIX I: Covering letter for the questionnaire

I am seeking your assistance in my research project. I am a PhD student at the University of South Africa in the Department of Information Science. The main aim of my project is to develop a framework to embed the records management function into the audit process. I realise that there are many other demands on your time, but believe me, the results will be beneficial to the country (South Africa) as it gears towards 2014 clean audit target. I have no doubt whatsoever that the results from this study would certainly provide governmental bodies in South Africa with empirical and objective information on how they could manage records in order to achieve clean audits. You are therefore, kindly invited to voluntarily participate in the study by completing this questionnaire.

The respondents and key informants engaged in this study are records management staff and internal audit staff in all four spheres of government of SA. I would appreciate if you could spare a few minutes of your valuable time to answer as carefully and completely as possible all the questions in this questionnaire. Please, be rest assured that all your responses will be kept confidential and only used for the purpose of this research. Data will be presented only in aggregate and responses will not be attributed to particular respondents or organisations. Therefore, do not write your name or the name of your organisation on the questionnaire. I would be grateful if you can complete and return the completed questionnaire to me by 16 March 2012. Should you have any queries about the study, please do not hesitate to contact the student Mr Mpho Ngoepe @ mphongoepe@tsamail.co.za or the promoter Prof. Patrick Ngulube @ ngulup@unisa.ac.za if you seek further clarity.

Thank you in advance for your co-operation.

APPENDIX J: Types of records required by auditors (Phukubje 2011)

- **Assets**

  ❑ Fixed assets – asset register
  ❑ Other assets – confirmation documents

- **AOPI**

  ❑ Strategic plan
  ❑ Business plan
  ❑ Supporting documents for the achievements
  ❑ Reports on the actual expenditure on projects

- **Expenditure**

  ❑ Payment batches (including invoices, orders, requisitions)
  ❑ Tender documents (including SBD forms, tax clearance certificates)

- **Human Resources**

  ❑ Personnel files
  ❑ Leave files with all appropriate documents, e.g. medical certificates
  ❑ Personnel appraisals (performance agreements, quarterly or mid-year reviews, final reviews, calculation for bonuses, etc.)
  ❑ Overtime (approvals, calculations, proof that it was actually worked)
  ❑ Appointments (organisational structure, job descriptions, job evaluations, advertisements, minutes of meetings for the selection committee)
  ❑ Proof that verifications were done, if necessary

- **Suspensions**

  ❑ Suspension letters
  ❑ Charge sheets
  ❑ Status of the case