

Guide for conducting lifestyle audits on employees in the Public Service July 2021

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Aim of presentation

- To give a short overview on the implementation of the Lifestyle Audit Guide



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Overview of presentation

1. Background
2. Guide
3. Way forward
4. Conclusion



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Background

In the first quarter of 2020/2021, the DG:DPSA approved a Framework and Strategy for implementing lifestyle audits in the public service (as phase one of a bigger process to include whole of government).

Comprehensive consultations were held:

- In June 2020, the DPSA met with representatives from the FIC, NT, SARS, AGSA, SIU, NPA and SAPS to discuss the framework and Strategy and to explore support for SAPS and the NPA to conduct investigations and to institute prosecutions. (MOUs)
- In September 2020 a draft Guide was shared with all Ethics Officers for inputs, as well as the principals of the ACTT and GSCID.
- In October 2020 the SSA committed to support the Guide (vetting perspective).
- In November 2020 the Guide was once more submitted to all GSCID members.
- In December 2020 the DPCI committed to act as central nodal point to referred criminal cases.



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Background

No inputs were received, except from the Eastern Cape Ethics Officers and a comment of support from the Western Cape. The inputs from the Eastern Cape was evaluated by Legal Services, and where appropriate, incorporated into the Guide.

Members of TAU went on a workshop to conduct lifestyle audits (as presented to the private sector) and the practical information was used and referenced in the Guide.

From 1 April 2021 lifestyle audits are compulsory for all national and provincial departments. After this, it will be rolled out to municipalities.



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1. Departments will conduct lifestyle audits guided by regulation 22 of the Public Service Act, 1993. This means they have to follow a risk based approach in order for it to be a legitimate fraud prevention and detection mechanism.
2. A Guide was adopted to assist departments. The Guide clarifies three areas:
 - Conducting of lifestyle audits (mandates, who should conduct it, principles, execution of functions and role-players involved).
 - Roles and responsibilities (Risk Management, Ethics Office, Investigations, Auditors, Departmental Committees, TAU).
 - The lifestyle audit methodology.



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Concept: The Guide introduces three tests to determine if an employee's lifestyle is commensurate with that person's known stream of income:

In its simplest form, it is an amalgamation of reports from a variety of databases which provides a snapshot of an employee's life, conducted by the Ethics Officer to detect wrongdoing/unexplained wealth (**lifestyle review**). The wrong-doing/unexplained wealth has to be investigated to clarify the unexplained wealth or to find evidence of wrongdoing (**lifestyle investigation**). When crime is detected it is referred to SAPS: DPCI. A disciplinary process ensues. In the event of complex cases, the investigation may include an audit (**lifestyle audit**).

The separation into three tests is needed to clearly allocate roles according to mandates.



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Lifestyle Review: Ethics Officer verifies information on eDisclosure system: Regulation 18 of the PSR, 2016: shares, loan accounts, income-generating assets, trusts, directorships, partnerships, remunerated work outside the employee's employment, consultancies, retainerships, sponsorships, gifts, hospitality, ownership and other interests in immovable property and vehicles (eDisclosure system). This covers designated employees (9 – 16). But, the Ethics Officer also assess and verify information on departmental reporting systems, the departmental information system (e.g. departmental gifts registers), and the Central Supplier Database. Triggers are: reports (whistle-blowing, tip-offs, complaints and verification of declared information, as well as random sampling based on ethics management strategy (risks). This covers all employees.

The DPSA is providing departments with access to various databases and pays for it (Deeds Office, eNatis, CIPC).



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Lifestyle Investigation: When a lifestyle review indicates a red flag (expenditures constantly exceed the income, unexplained wealth or a report) an investigation is started (following a process). An investigation assists to prove an allegation, to clarify unexplained wealth and to identify those responsible. When criminality is detected, a case is referred to the DPCI and reported to the TAU. As such, investigations can be conducted by a department, but also by the DPCI.

Lifestyle Audit: An investigator may require the assistance of an auditor to identify assets that could clarify the unexplained wealth of an employee and to identify potential proceeds of unlawful activities. Lifestyle audits may be conducted by a department, but also by competent authorities assisting the DPCI (such as the FIC, AGSA, SIU).



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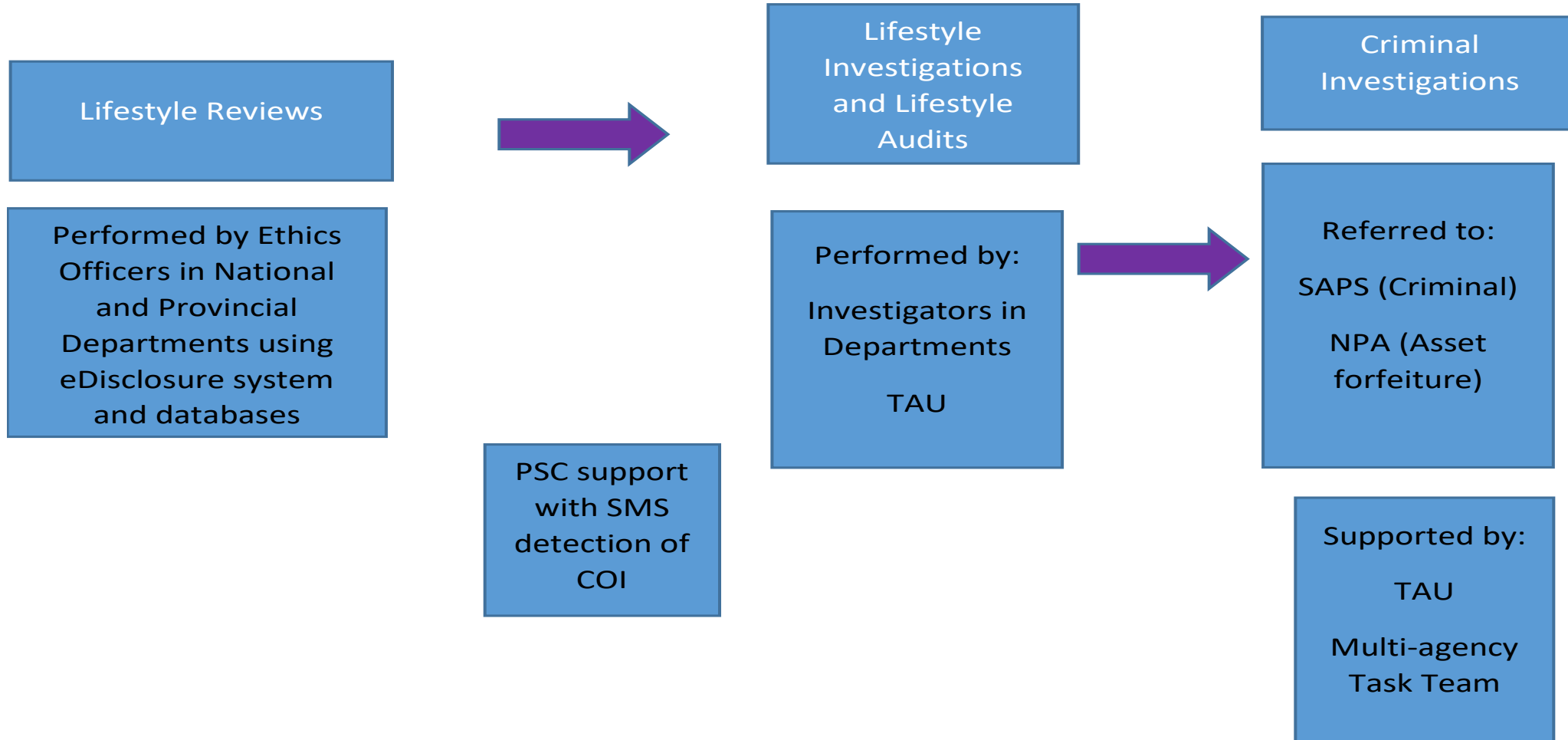
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Guide – Lifestyle audit process map

1.1. PROCESS MAP



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Guide

Part 1: Conducting of Lifestyle Audits

In this section, guidance is provided that national, provincial and government components should conduct lifestyle audits and that it is a decentralised function and as such the responsibility of HoDs in terms of regulation 22 of the PSR, 2016. The section also states the principles to be adhered to when implementing lifestyle audits. Clarity is provided on the execution of the anti-corruption and ethics functions, and the implication thereof for lifestyle audits:

- Lifestyle audits must be conducted as part of a departments system of risk management (regulation 22).
- It must be addressed in the ethics management strategy (regulation 22).



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Part 1: Conducting of Lifestyle Audits (Cont)

- A reporting system must be developed for tip-offs as per *DPSA Reporting Guide*, and employees must report fraud, corruption, unethical conduct and non-compliance as per regulations 13(e) and 14(q) (PSR, 2016).
- A single information system has to be created (regulation 22) to inform ethics risks and to assist with lifestyle audits (that is an amalgamation of the reporting system and systems alluding to ethics, corruption and non-compliance such as eDisclosure system, audit reports, etc: as per Audit Committee and Ethics Committee).
- That corruption identified during lifestyle audits be referred, investigated and acted on (regulation 22 (e)) (To SAPS in terms of PRECCA and to TAU ito Section 15(5) and 15(6) of the PAMA, 2016).



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Part 2: Roles and responsibilities

In this section, the roles and responsibilities of the different role-players are unpacked. This includes that of Risk Management, Ethics Officers, Investigators, Auditors, departmental committees and TAU. This is to ensure focus of effort, to ensure mandate clarity and the legitimacy of the process. The Ethics Committees will play an oversight role.



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Part 3: Lifestyle audit methodology

In this section, the methodology for the three tests are explained in detail.

Guidance is provided to the Ethics Officer on how to conduct **lifestyle reviews**. This includes a process flow for lifestyle reviews, the triggers, the methodology, templates of reports to be used and the oversight mechanism.

Guidance is also provided to the investigator on how to conduct **lifestyle investigations**. This includes a requirement to register cases, to outline the scope and timeline for a case and the requirement to refer criminality to SAPS and to report to TAU. The lifestyle investigation process is explained in detail. This includes guidance on the engagement process, the evidence collection process, the reporting process, and the loss recovery process. The necessary templates are provided.



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Part 3: Lifestyle audit methodology (Cont)

Guidance is provided on **lifestyle audits**. This includes the methods to perform lifestyle audits. It is also stressed that costs to conduct audits must be justified. The services of the SIU, FIC, AGSA etc. would rather be requested, and this will be coordinated by the TAU. MOUs were already drafted with the FIC, SAPS, NPA and DOJ, and one with the AGSA is in the process of finalization.



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Interventions

Implementation support:

- Q1: 3-4 May, UNODC pilot training for 50 Ethics Officers on Lifestyle Reviews (Risk-based verification of financial disclosures).
- DPSA to develop a full scale training course for Ethics Officers and Investigators. Will be finalised at end of July. All Ethics Officers and Investigators to be trained online.
- Q2: Support to departments to conduct lifestyle audits on SMS members.
- Q3: Support to departments to conduct lifestyle audits on MMS members and other public service employees.
- Q4: Reflection on implementation progress, preparation for implementation to Public Administration.



Conclusion

Lifestyle audits in the Public Service will be implemented as part of the National Anti-Corruption Strategy (NACS). In terms of the NACS implementation plan, the training of Ethics Officers is also a target for the DPSA.



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