



GUIDE TO IMPLEMENT LIFESTYLE AUDITS IN THE PUBLIC SERVICE

MARCH 2021

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LIST OF ABBREVIATIONS

DPSA	Department of Public Service and Administration
EA	Executive Authority
HoD	Head of Department
MPSA	Minister for the Public Service and Administration
PAEIDTAU	Public Administration Ethics, Integrity and Disciplinary Technical Assistance Unit
PRECCA	Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 2004)
PSA	Public Service Act, 1994 (Proclamation No 103 of 1994)
PSR	Public Service Regulations, 2016

1. INTRODUCTION

Fraud and corruption in the Public Service will always be problematic, counter-productive, and devastating, especially in young democracies and developing countries. Although government introduced and continues to add various forms of controls, the persistence of criminals continuously challenges these controls for self-enrichment.

To prevent and detect fraud and corruption in the Public Service, lifestyle audits are a critical and legitimate management tool and forms part of a department's system of risk management. Fraud and corruption are usually committed by means of "off book" transactions, typically the acceptance of a bribe, or by manipulating records, especially those involving tenders and procurement. These "off book" transactions are very difficult to detect and dishonestly inclined professionals are able to conceal their fraudulent actions with disturbing alacrity and ease, particular in work environments with weak controls or limited segregation of duty. Sometimes the only clue to these illicit activities is a sudden unexplained change in an employee's lifestyle.

By adopting lifestyle audits, greater transparency is obtained in the Public Service. This is a powerful deterrent against unethical and criminal behaviour, as it reminds Public Service employees that their behaviour is subject to scrutiny, as the Constitution of the Republic of South Africa, Act 108 of 1996, Section 195 requires that a "high standard of professional ethics must be promoted and maintained". When rolled-out to the whole of the Public Administration (thus including municipalities) as planned, lifestyle audits will assist the Public Administration to undergo a renewal, inspiring its employees towards higher levels of ethics and integrity as demanded by the Constitution, but also within the prescripts for a developmental State, to the benefit of the people of South Africa. All of this will fall within the framework of professionalising the Public Administration, and the Public Service in particular.

2. PURPOSE

The purpose of the *Guide to implement lifestyle audits in the Public Service* (the "Guide") is to guide departments in implementing lifestyle audits in their respective departments.

This Guide should be read in conjunction with the relevant legislation and prescripts regarding risk management and the conducting of lifestyle audits.

3. LEGISLATIVE FRAMEWORK

The following legislative framework governs the management of lifestyle audits.

Legislation	Provision
Constitution of the Republic of South Africa, 1996	Section 195(1)(a) "A high standard of professional ethics must be promoted and maintained."
Public Service Act, 1994 (Proclamation No 103 of 1994)	Section 3 of the Public Service Act, 1994 allows for the Minister for the Public Service and Administration (MPSA) to establish norms and standards relating to "(h) integrity, ethics, conduct and anti-corruption in the public service", which includes the adoption of lifestyle audits as a legitimate fraud prevention and detection mechanism.
Public Administration Management Act, 2014 (Act No 11 of 2014 (PAMA))	The objectives of the PAMA (Section 3), which establishes the Unit, includes, to: <ul style="list-style-type: none"> • "promote and give effect to the values and principles in section 195 (1) of the Constitution;

	<ul style="list-style-type: none"> • promote a high standard of professional ethics in the public administration; • facilitate the eradication and prevention of unethical practices in the public administration; • provide for the setting of minimum norms and standards to give effect to the values and principles of section 195 (1) of the Constitution.”
Public Service Regulations, 2016 (PSR, 2016)	<p>The mandate for departments to conduct lifestyle audits is established in PSR, 2016, regulation 22. This regulation provides for a head of department to-</p> <ul style="list-style-type: none"> (a) “analyse ethics and corruption risks as part of the department’s system of risk management;” (b) “develop and implement an ethics management strategy that prevents and deters unethical conduct and acts of corruption;” (d) “establish an information system that- <ul style="list-style-type: none"> (i) Records all allegations of corruption and unethical conduct; (ii) Monitors the management of the allegations of corruption and unethical conduct; (iii) Identifies any systemic weaknesses and recurring risks, and (iv) Maintains records of the outcomes of the allegations of corruption and unethical conduct; and”
Protection of Personal Information Act, 2013 (Act 4 of 2013) (POPIA)	<p>The access to personal and financial information collected and analysed during reviews, investigations or audits have implications for the privacy of Public Service employees. However, section 38(1) of the Protection of Personal Information Act, 2013 (Act 4 of 2013) (POPIA) provides that personal information processed for the purpose of discharging a relevant function is exempt from sections 11(3), 11(4), 12, 15 and 18 to the extent that the application of those provisions would be likely to prejudice the proper discharge of that function. “Relevant function” is defined in section 38(2) of POPIA to mean a function of a public body or conferred on any person by law, which is performed with the view of protecting the public against acts of dishonesty, malpractice or seriously improper conduct by, or unfitness or incompetence of persons authorised to carry on any profession or other activity.</p>

4. USE OF THE GUIDE

The Guide is intended for use by National and Provincial departments (including Ethics Officers, Ethics Committees and Risk Committees), as well as members of the Services, educators or members of the Intelligence Services only in so far as the provisions of this Guide are not contrary to: a) the laws governing their employment and/or b) the adopted Government strategy regarding lifestyle audits.

5. CLARIFICATION OF CONCEPTS

Stephen Powell¹ defines a lifestyle audit as, “the term commonly used by forensic auditors and management in companies to **describe the tests** that are performed to determine if the lifestyle of an employee is commensurate with that person’s known income stream”.

In this Guide, the following definition² is proposed:

‘Lifestyle audit’ means—

- (a) an amalgamation of reports from a variety of databases in order to understand the financial profile of a person, regarding legitimate declared income against known and observed assets;
- (b) where that person’s expenditures exceed his or her income, an investigation to establish through legally sound methods, an independent corroboration of information and the collection of evidence so as assist in identifying—
 - (i) undeclared sources of income;
 - (ii) whether a person is living beyond his or her means;
 - (iii) debt, assets, income, criminal records, trusts, hidden assets and undeclared income; and
- (c) where required, an objective evaluation of a person’s standard of living to express an opinion derived by applying audit sampling methods as governed by legislation and complying with audit standards on whether that person—
 - (i) is living above his or her means; or
 - (ii) is abusing power or influence for personal gain at that time or a later stage.”

In the Public Service, the following three tests are performed to determine if the lifestyle of an employee is commensurate with that person’s known income stream:

Lifestyle Review

Lifestyle Investigations

Lifestyle Audit

Lifestyle review: In its simplest form, this refers to an amalgamation of reports from a variety of databases (internal and external), which provide a snapshot into certain aspects of the life of an employee. When this information is compared to the remuneration of an employee, an assessment can be made to judge if the employee’s lifestyle is commensurate with his/her income. Thus, it serves as a tool to understand the financial profile of an employee, regarding legitimate declared income versus known and observed assets.

The areas that are to be included in a lifestyle review are listed in regulation 18 of the PSR,2016, namely: shares, loan accounts, income-generating assets, trusts, directorships and partnerships, remunerated work outside the employee’s employment in his or her department, consultancies and retainerships, sponsorships, gifts and hospitality, ownership and other interests in immovable property and vehicles, all of which provides a clue on staff members’ lifestyles. This information is contained in the eDisclosure system. Information disclosed in the departmental gifts registers, the register of employees registered as suppliers to government as reflected on the Central Supplier Database (CSD) and information

¹ Steven Powell, Director ENS, Head of the Forensic Services Division ENS (Edward Nathan Sonnenbergs).

² This definition was proposed in the South African Police Service Amendment Bill, 2020, based on the information contained in this Guide.

regarding the performance of other remunerative work as captured on the Personnel Salary System (PERSAL) also provides some clues on an employee's lifestyle.

The *Guide on the Reporting of Unethical Conduct, Corruption and Non-Compliance to the Public Service Act, 1994 and Public Service Regulations, 2016 in the Public Service* (Reporting Guide) adds to the information available for departments, in that it requires departments to establish reporting systems for the reporting of unethical conduct, corruption and non-compliance.

All information on the eDisclosure system, departmental registers and databases to address corruption, combined with records emanating from the Reporting system, constitutes the information system alluded to in regulation 22(d) of the PSR, 2016.

Besides internal information, external databases, such as the Deeds Office, eNatis and that of the Companies and Intellectual Property Commission (CIPC), can also be consulted for a lifestyle review.

It must be noted that lifestyle reviews are distinctly different from the verification activities conducted by the Public Service Commission to identify conflicts of interests, vetting as conducted by the State Security Agency and Tax Payer Audits as conducted by the South African Revenue Service.

The triggers for a lifestyle review are: reports (whistle-blowing), tip-offs and complaints regarding an employee's lifestyle, verification of financial declarations captured on the eDisclosure system and random sampling based on a department's ethics management strategy.

The aim of a lifestyle review is to collect as much as possible information on an employee's lifestyle to be able to identify when an employee's expenditures exceed his/her income. In itself, a lifestyle review is not conclusive. The results of the lifestyle review are an indicator, or a clue that something may be amiss, but can never, without further evidence, be regarded as conclusive proof of wrong-doing. There may, of course, be a perfectly reasonable explanation for what, on the face of it, may appear to be an extravagant lifestyle. These explanations include an inheritance, or a wealthy partner or family member providing financial support, which is not known to the employer.

Lifestyle investigations: When a lifestyle review identifies that an employee's expenditures constantly exceed his/her income, and it cannot be explained, an investigation should be launched. An investigation undertakes to establish the truth and to employ legally sound methods to independently corroborate information through the collection of evidence so as to prove the allegation and to identify those responsible. Thus, an investigation assists in identifying undeclared sources of income (such as performance of other remunerative work, acceptance of gifts, etc.) and to determine whether a person is living beyond their means, by identifying debt, assets, income, criminal records, trusts, hidden assets and undeclared income.

Lifestyle audit: In order to enhance an investigation or to be able to conclude it, an investigator may require the assistance of an auditor to identify assets that could clarify the unexplained wealth of the employee and/or to identify potential proceeds of unlawful activities. A lifestyle audit in essence is an objective evaluation of an individual's standard of living *viz a viz* his or her income done by auditors, and as such the audit expresses an opinion derived by applying audit sampling methods as governed by legislation and complying with audit standards.

6. CONDUCTING LIFESTYLE AUDITS IN THE PUBLIC SERVICE

6.1. Who should conduct lifestyle audits?

All National, Provincial Departments and Government Components should conduct lifestyle audits, as this is a decentralised function in terms of the PSR, 2016, Regulation 22 (a).

6.2. Who has the mandate to conduct lifestyle audits?

Heads of departments and their delegated officials (notably Ethics Officers and Investigators) are mandated to conduct lifestyle audits. PSR, 2016, regulation 22, provides for a head of department to-“(a) analyse ethics and corruption risks as part of the department’s system of risk management;”

6.3. Principles to implement lifestyle audits

To ensure employee’s rights are protected, the following standards of professional conduct should be maintained when lifestyle audits are conducted:

- Confidentiality
- Fairness
- Independence
- Due care
- Professionalism

6.4. Execution of Anti-Corruption and Ethics functions

The implementation of lifestyle audits in departments is informed by part 3 of Chapter 2 in the PSR, 2016.

In terms of the PSR, 2016 (regulation 22), the following anti-corruption and ethics functions are the responsibility of the head of department:

“(a) analyse ethics and corruption risks as part of the department’s system of risk management;”
“(b) develop and implement an ethics management strategy that prevents and deters unethical conduct and acts of corruption;”

“(c) establish a system that encourages and allows employees and citizens to report allegations of corruption and other unethical conduct, and such system shall provide for-

- (i) confidentiality of reporting; and
- (ii) the recording of allegations of corruption and unethical conduct received through the system or systems;”

“(d) establish an information system that-

- (i) Records all allegations of corruption and unethical conduct;
- (ii) Monitors the management of the allegations of corruption and unethical conduct;
- (iii) Identifies any systemic weaknesses and recurring risks, and
- (iv) Maintains records of the outcomes of the allegations of corruption and unethical conduct; and”

“(e) refer allegations of corruption to the relevant law enforcement agency and investigate whether disciplinary steps must be taken against any employee of the department and if so, institute such disciplinary action.”

These functions inform the implementation of lifestyle audits, as it implies the following:

- That lifestyle audits be conducted as part of a department's system of risk management.
- That lifestyle audits be addressed in the ethics management strategy.
- That a reporting system (whistle-blowing system) be developed which allows for "tip-offs" on suspected activities that may explain the lifestyle of Public Service employees.³ In terms of PSR, 2016, "an employee shall-

13(e) immediately report to the relevant authorities, fraud, corruption, nepotism, maladministration and any other act which constitutes a contravention of any law (including, but not limited to, a criminal offence) or which is prejudicial to the interest of the public, which comes to his or her attention during the course of his or her employment in the public service;"

"14(q) shall immediately report any non-compliance of the Act to the head of department."

- That information regarding corruption and unethical conduct be coordinated (on National and Provincial levels) to form a single information system to inform a department of its ethics risks and to enable it to monitor and assess recorded cases of corruption and unethical conduct. This requires the cooperation of a number of role-players to collate all information related to ethics and corruption, in order to inform the risk management approach and strategy, including that for lifestyle audits.
- That corruption identified during lifestyle audits be referred, investigated and be acted on. In terms of PSR, 2016, the head of department shall- (22(e) "refer allegations of corruption to the relevant law enforcement agency and investigate whether disciplinary steps must be taken against any employee of the department and if so, institute such disciplinary action."

Section 34 of the Prevention and Combating of Corrupt Activities Act, 2004 (Act 12 of 2004) requires a person holding a position of authority (including SMS members), who knows or ought to reasonably have known or suspect that any person,

- (a) has committed an offence regarding PRECCA; or
- (b) the offence of theft, fraud, extortion, forgery or uttering a forged document; and
- (c) which involves an amount of R 100 000 or more, must report such knowledge or suspicion or cause it to be reported to the Directorate for Priority Crime Investigations (DPCI).

Section 15 (5) of the Public Administration Management Act, 2014 (PAMA)

- (a) When an institution discovers an act of corruption, such corruption must immediately be reported to the police for investigation in terms of any applicable law, including the Prevention and Combating of Corrupt Activities Act, 2004 (Act 12 of 2000).
- (b) Issues of misconduct emanating from criminal investigations must be reported to the Unit⁴ and the relevant head of institution for initiation and institution of disciplinary proceedings.

Section 15 (6) of PAMA

- (a) The head of the institution must report to the Unit on steps taken in respect of subsection (5)(b).

- In order to form a holistic picture on corruption and unethical conduct in the Public Service, information obtained through departmental information systems must be shared with the Public Administration Ethics, Integrity and Disciplinary Technical Assistance Unit (PAEIDTAU). Apart from

³ See Reporting Guide.

⁴ Public Administration Ethics, Integrity and Disciplinary Technical Assistance Unit.

section 15 of PAMA indicated in the previous paragraph, the Public Service Act, 1994, section 16A(2), further stipulates:

“A head of department shall-

- (a) Immediately take appropriate disciplinary steps against an employee of the department who does not comply with a provision of this Act or a regulation, determination or directive made hereunder;
- (b) Immediately report to the Director-General: Public Service and Administration the particulars of such non-compliance; and
- (c) As soon as possible report to that Director-General the particulars of disciplinary steps taken.”

6.5. Role-players involved with conducting lifestyle audits

The head of a department will be supported by the Ethics Officer to conduct lifestyle reviews and an investigator or anti-corruption official to conduct lifestyle investigations. In performing this, they will be supported by Risk Management and the Audit – and/or Ethics Committees. Internal auditors will audit the process.

External to a department, the South African Police Service (SAPS) and the National Prosecuting Authority (NPA) will investigate and prosecute criminal conduct linked to lifestyle audits.

The PAEIDTAU will provide technical support to departments.

7. ROLES AND RESPONSIBILITIES

The roles and responsibilities set out below may be assigned to specific employees in a department, so as to establish a proper process for implementing lifestyle audits.

7.1. Risk Management

Life style audits should be conducted following a risk based approach. As such, it should be reflected in the department's system of risk management, and in the ethics management strategy.

7.2. Ethics Office(r)

PSR, 2016, regulation 23(1)(a), outlines the functions of the Ethics Officer as follows:

- (a) promote integrity and ethical behaviour in the department;
- (b) advise employees on ethical matters;
- (c) identify and report unethical behaviour and corrupt activities to the head of department;
- (d) **manage the financial disclosure system**; and
- (e) manage the processes and systems relating to remunerative work performed by employees outside their employment in the relevant department.

The eDisclosure system is intended for the declaration of financial interests. The verification of this information provides the Ethics Officer with an opportunity to review an employee's lifestyle. Similarly, PSR, 2016, regulation 21 (2), mandates heads of department to verify interests disclosed by non-SMS members via the eDisclosure system for possible conflicts of interest. This is a role currently performed by the Ethics Officer.

In terms of this Guide, the role of Ethics Officers will be restricted to perform lifestyle reviews. This role is anchored on the role the Ethics Officer plays in verifying information submitted to the eDisclosure system using various relevant databases.

7.3. Investigations

Investigations stemming from a lifestyle review should be performed by an investigator or anti-corruption official. This may be an investigator attached to a department or part of a shared services model. In straight forward cases, investigators may be able to conduct simple audits, but if it is a complex investigation, the assistance of an independent auditor may be required. It is not recommended to have an internal auditor undertaking this responsibility.

When an investigation identified possible corruption, the case has to be referred to the SAPS, with the department required to conclude a disciplinary hearing and to report the referral to the PAEIDTAU.

7.4. Auditors

Internal auditors should audit the lifestyle audit process, to ensure due processes were followed. It is not best practise to involve internal auditors in lifestyle investigations, as they should provide oversight and should ensure that lifestyle audits are conducted effectively and legally.

External auditors should be sourced to assist, if it makes economic sense, when investigators deal with complex investigations into unexplained wealth.

7.5. The role of departmental committees

Both the Ethics Committee and Audit Committee may be in possession of information that feeds into the departmental information system. This information must be shared with Ethics Officers to be able to perform credible lifestyle reviews.

The Ethics Committee should play an oversight role regarding the role of Ethics Officers in the lifestyle review process, to ensure that the principles for conducting lifestyle audits are adhered to. The Audit Committee will provide assurance regarding the implementation of the lifestyle audit process.

7.6. The role of the PAEIDTAU

In terms of the PAMA, 2014, PAEIDTAU is mandated, in as far as lifestyle audits are concerned, to provide technical assistance to National and Provincial departments, develop norms and standards, strengthen government oversight, promote and enhance good ethics and integrity and to cooperate with other institutions and organs of state to fulfil its functions. In terms of the PAMA, 2014, the PAEIDTAU is mandated to assess and monitor the implementation of lifestyle audits in the Public Service.

As the PAEIDTAU does not have a mandate to investigate criminal conduct or employees of National, Provincial departments and Government Components identified through the lifestyle audit process, cooperation with law enforcement agencies is key. For this reason, PAEIDTAU has arrangements with SAPS with respect to the referral of investigations and with the Financial Intelligence Centre (FIC) to screen identified employees for involvement in financial wrong-doing (such as money laundering).

8. LIFESTYLE AUDIT METHODOLOGY

Lifestyle audits are a risk management activity, aimed to prevent and detect risks of fraud, corruption and unethical conduct.

8.1. Lifestyle Reviews

Fig 1: Process flow for a lifestyle review

Responsibility	Triggers for review (Based on risk profile, characteristics and opportunities)	Methodology	Report	Oversight
Ethics Officer (PSR, 2016)	<ul style="list-style-type: none"> Reports (Whistle-blowing) and tip-offs Financial disclosure Random sampling based on the ethics management strategy 	INTERNAL DATABASES Reporting system Information system eDisclosure system Gift Register PERSAL CSD EXTERNAL DATABASES Deeds Office eNatis CIPC	Review Report with an opinion to indicate: <ul style="list-style-type: none"> a) Completed successfully b) Referred for investigation 	Review Reports (or summary) submitted to Ethics Committee Investigation referral approved by Head of Ethics Office

The aim of a lifestyle review is for an Ethics Officer to draft a report, based on verified information reported to a department or contained in a variety of databases, so as to compare the income of an employee against his or her expenditures to assess if the employee's lifestyle is commensurate with his/her income. The report expresses an opinion that unexplained wealth was not detected, or that further investigation is required to obtain evidence of wrongdoing (see Annexure A).

The trigger for a review is:

- Reports via the reporting system (internal and external reporting) and tip-offs
- A submitted financial disclosure
- Random sampling taking profile and characteristics of a fraudster into consideration, as well as opportunism trends (promotions, high-risk positions)

The databases to be consulted for the review report includes:

- Reporting system
- Information system
- The eDisclosure system
- Departmental gifts registers
- CSD
- PERSAL system (including information regarding the performance of other remunerative work)

The Ethics Officer will obtain the following information on the eDisclosure system: shares, loan accounts, income-generating assets, trusts, directorships and partnerships, remunerated work outside the employee's employment in his or her department, consultancies and retainerships, sponsorships, gifts

and hospitality, ownership and other interests in immovable property and vehicles. The information system will provide records of allegations of corruption, unethical conduct, systemic weaknesses and recurring risks. External databases, such as the Deeds Office, National Traffic Information System (eNatis) and that of the CIPC should also be consulted for a lifestyle review.

The main task of the Ethics Officer with a lifestyle review is to collect information from these databases, to verify information submitted to the eDisclosure system and to assess if an employee is living beyond his or her means. The basic method to assess this is to use the Cash T method. This method entails the Ethics Officer to make a list of the assets of an employee and to compare it with his/her income over a specific period of time. If the assets are more than the income and the situation cannot be explained (unexplained wealth), an investigation is warranted.

Reports on the lifestyle of colleagues and Public Service employees may also trigger a review to establish if there are grounds for an investigation. A department should verify the information received via reporting systems against the data recorded on the information system.

Any employee implicated in a report should, were reasonable and fair, be approached (in terms of the *audi alteram partem* principle) to explain his/her position. Unexplained wealth or allegations of enrichment through corruption may for instance be justified if a person have won the lotto, inherited money, has a rich family, spouse, etc. In those cases, the case can be easily concluded and closed.

Once unexplained wealth is identified, the Ethics Officer should refer the review for an investigation (see Annexure B).

8.2. Lifestyle Investigations

Upon receiving a referral from the Ethics Officer, the investigator must register the case and outline the scope and timeline of the case.

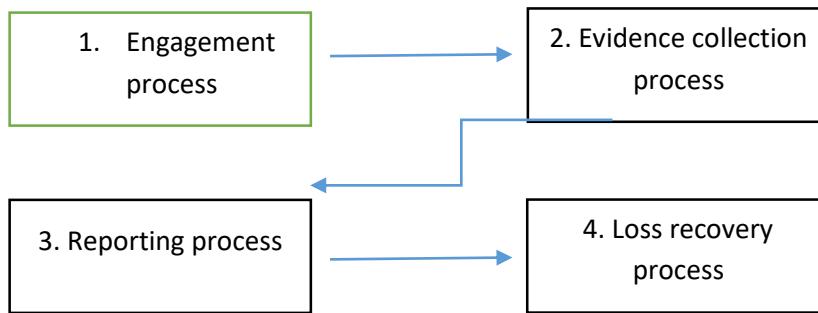
The aim of a lifestyle investigation is to obtain legally sound evidence for unexplained wealth by identifying undeclared sources of income, movement records, credit searches, debt, assets, income, verified fixed and moveable assets, criminal records, trusts, hidden assets and undeclared income. In these investigations, criminal records can be acquired from the SAPS and movement records from Home Affairs. The South African Revenue Service is in terms of law not allowed to share information on tax payers with anyone.

In most of the cases, a simple audit will form part of the investigation. However, if it is a complex case involving various assets, it would be best to involve an external auditor to perform a lifestyle audit.

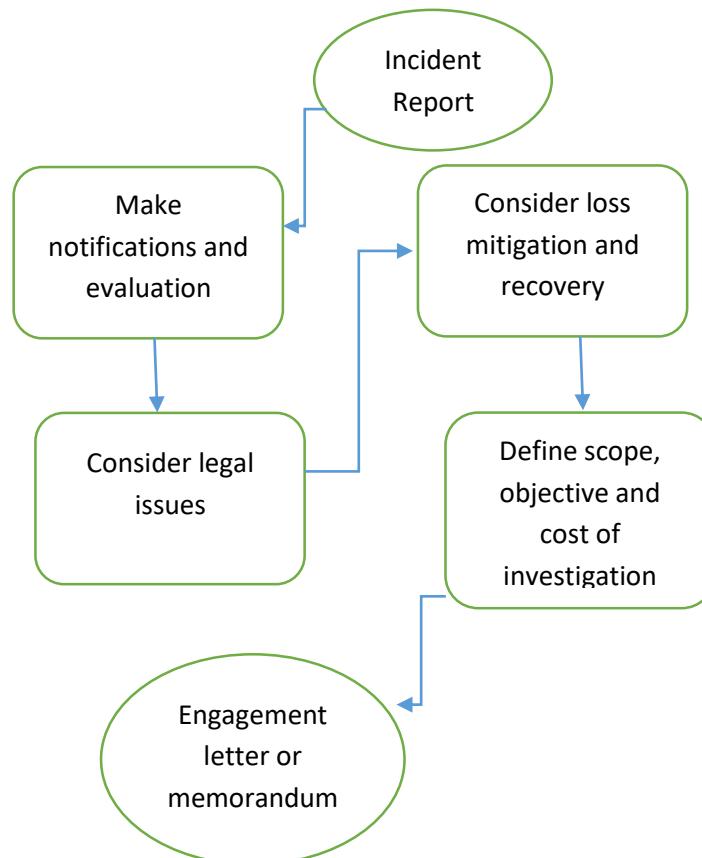
In investigations where corruption is detected, such as collusion regarding tenders, falsification of documents or signatures, etc., the case must be referred to SAPS for criminal investigation, but an internal disciplinary hearing should still continue.

A register must be established to track progress on cases referred to the police and issues of misconduct emanating from criminal investigations and steps taken in respect of it should be reported to the PAEIDTAU (PAMA, 2014, section 15(5)(b) and 15(6)(b).

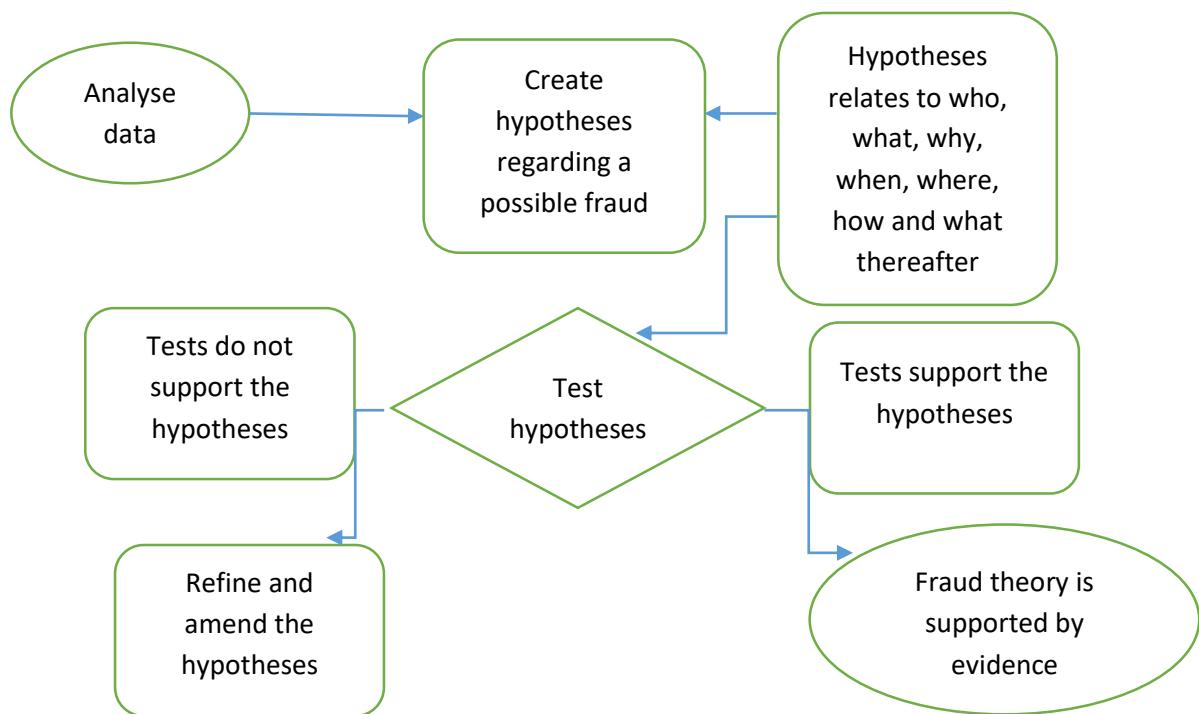
Fig 2: Lifestyle Investigation Process (see Prospen, 2020: Conducting effective lifestyle audits). The lifestyle investigation process involves the systematic gathering and reviewing of evidence for the purpose of documenting the presence or absence of fraud.



1. Engagement process: This is the series of steps that begins with the investigators first contact with the case and is concluded with a complete agreement regarding the investigation (see Prospen, 2020: Conducting effective lifestyle audits).



2. Evidence collection process: The aim of a lifestyle investigation is to collect physical and documentary evidence, observational evidence and interview evidence. The evidence collection process entails the various steps in which evidence in support of the objectives and scope of the investigation is collected (see Prospen, 2020: Conducting effective lifestyle audits).



3. Reporting Process: An investigation report that found evidence of unexplained wealth will be used as bases to request a lifestyle audit. In doing so, the cost of performing a lifestyle audit must warrant further action. Where evidence of corruption was identified, the lifestyle investigation report should serve as a probable cause for law enforcement. Disciplinary action where necessary, should continue.

In order to obtain a holistic picture on the involvement of Public Service employees in corruption, information regarding lifestyle audits should be coordinated. Progress and the outcome of lifestyle audits conducted at provincial departmental level should therefore be reported to the Office of the Premier, and that of national departments to the Offices of their Director-Generals. The collated information should then be shared with the PAEIDTAU by end of March each year. The MPSA is obliged to report to Parliament in terms of the PAMA, 2014.

During the course of investigations certain information may be obtained that reflects on an employee's integrity. This may include issues of high indebtedness, substance abuse, etc. These issues, called pressures in terms of lifestyle audit principles, if substantiated with evidence, should be brought to the attention of the State Security Agency (via the departmental vetting structure) for vetting purposes. Some information obtained may also warrant disciplinary action or referral of an employee to Employee Wellness.

As for the investigation report, it must indicate the mandate of the investigator, as well as the scope and period agreed for the investigation. All initial information used to justify the

investigation must be included in a unified case file and should be referenced in the investigation report. Proper record must be kept of investigations, as is required in terms of Regulation 22 (d) (see Annexure C for an example of a record).

4. **Loss Recovery Process:** If evidence of unexplained wealth is found and it is linked to possible corrupt activities (including money laundering), the SAPS will refer the case to the NPA who will institute asset forfeiture actions.

Where losses took place due to unauthorised remuneration, recovery processes as outlined in section 30 of the Public Service Act, 1994 should be instituted by the department. This includes income generated from unauthorised gifts, conducting business with the State and performing other remunerative work without authorisation.

8.3. Lifestyle Audits

It is an established principle that perpetrators spend what they steal. Because of this, looking at spending patterns is a primary investigation technique.

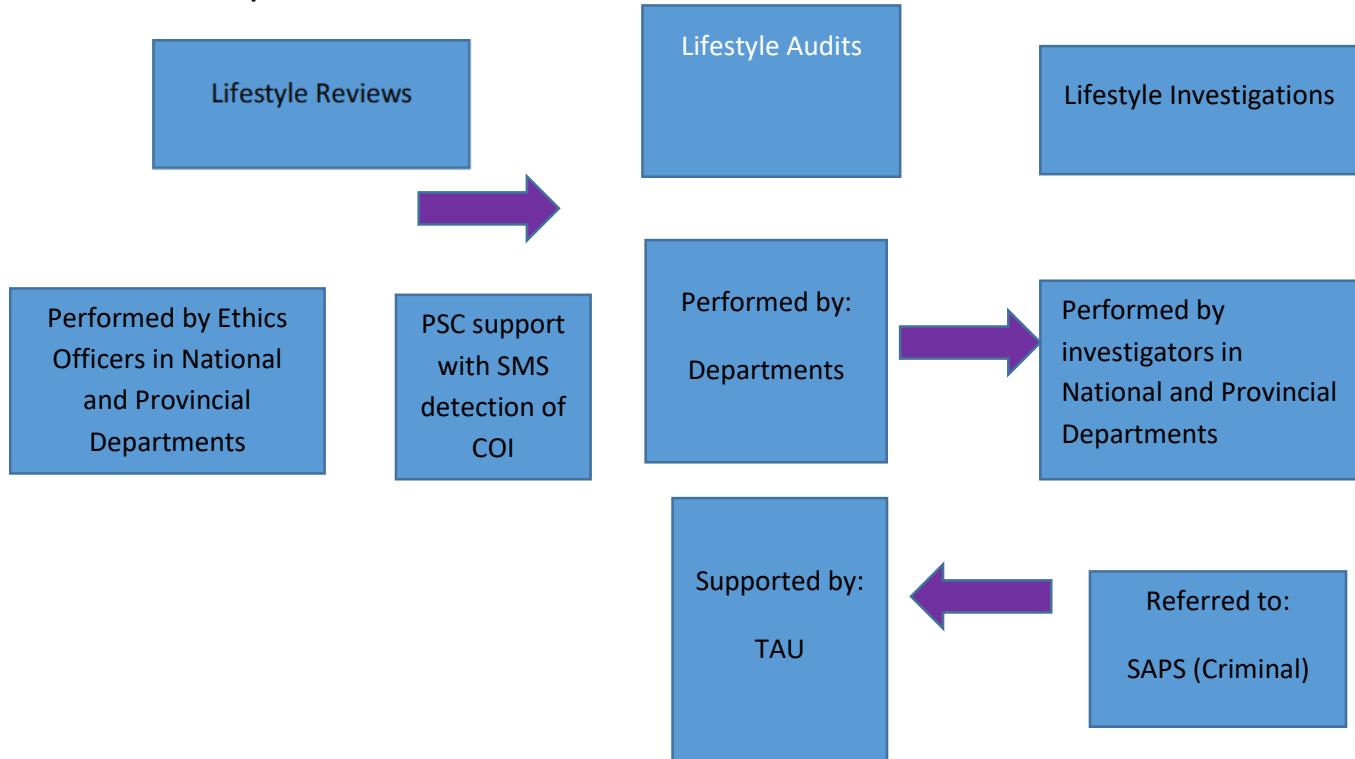
In complex cases, an investigator may require the assistance of a professional auditor to conduct a lifestyle audit. An auditor will quantify the income and expenses of an employee's lifestyle to determine his or her standard of living. The auditor will attempt to qualify the living expenses of an individual and compare such expenses with the individual's known sources of income and other funds over a period of time. Any differences might be attributed to concealed or illicit sources of income.

Two methods exist to perform a lifestyle audit (see Prospen, 2020: Conducting effective lifestyle audits):

- Direct method: Probing missing income by pointing to specific items of income that do not appear on the employee's Financial Declaration Form. Conventional auditing techniques are used such as looking for deeds records of real estate transactions, public records and other direct evidence of unreported income. A typical method to directly assess lifestyle is the Cash-T Method.
- Indirect method: Use economic reality and financial status techniques in which the employee's finances are reconstructed through circumstantial evidence. A typical method to indirectly assess lifestyle is the Source and Application of Funds Method (Expenditure Approach), as well as the Net Worth Method.

The outcome of this process is a report, drafted by a professional auditor which is an objective evaluation of an employee's standard of living *viz a viz* his/her income, which can stand the scrutiny of a court. The report will clearly state if the allegation is unqualified, qualified, unqualified with a finding or a disclaimer.

Process Map:



9. SUPPORT

The PAEIDTAU unit will provide technical assistance to departments to implement this Guide. This include awareness raising, training of Ethics Officers and collaborating with the required law enforcement agencies to ensure effective support.

SAPS (DPCI) created a central unit that deals with corrupt activities involving Public Service employees. All allegations of corruption stemming from lifestyle investigations/audits should be reported to this nodal point: Section Head: Government Fraud, Serious Commercial Crime Investigation, Directorate for Priority Crime Investigation, email address: BaloyiBQ@saps.gov.za.

10. SOURCE

PROSPEN, 2020: [Conducting effective lifestyle audits](#)