An exploration of the role of records management in corporate governance in South Africa

Background: Corporate governance maybe approached through several functions such as auditing, an internal audit committee, information management, compliance, corporate citizenship and risk management. However, most organisations, including governmental bodies, regularly exclude records management from the criteria for a good corporate-governance infrastructure. Proper records management could be the backbone of establishing good corporate governance.

Objectives: Utilising the King report III on corporate governance as a framework, this quantitative study explores the role of records management in corporate governance in governmental bodies of South Africa.

Method: Report data were collected through questionnaires directed to records managers and auditors in governmental bodies, as well as interviews with purposively selected auditors from the Auditor-General of South Africa. Data were analysed using various analytical tools and through written descriptions, numerical summarisations and tables.

Results: The study revealed that records management is not regarded as an essential component for corporate governance. Records management is only discussed as a footnote; as a result it is a forgotten function with no consequences in government administration in South Africa. The study further revealed that most governmental bodies have established internal audit units and audit committees. However, records-management professionals were excluded from such committees.

Conclusion: The study concludes by arguing that if records management is removed as a footnote of the public-sector operations and placed in the centre of operational concern, it will undoubtedly make a meaningful contribution to good corporate governance.

Introduction and background to the study

Barac (2001) describes corporate governance as the structures, processes, cultures and systems that stimulate the successful operation of organisations. It is the process by which the owners and creditors of an organisation exert control and require accountability for the resources entrusted to the organisation. For an organisation to be accountable and transparent, a number of corporate-governance components such as internal audit, an audit committee, internal controls and a 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). However, records management is often excluded from components of corporate governance as it is demonstrated in the results of this study.

Records management is a corporate function that has the potential to support corporate governance if its principles are appropriately implemented. Willis (2005:86) contends that many organisations are primarily focusing on corporate governance, and as a result, ‘records management is an increasingly important preoccupation’. The link between recorded information and corporate governance is widely acknowledged. The International Records Management Trust (IRMT) (1999:64) posits that corporate governance is supported by three functions, namely, auditing, accounting and information management. The King report III on corporate governance in South Africa also acknowledges a link between good governance, compliance with the law and information management (Institute of Directors in Southern Africa [IoDSA] 2009:1). For example, in terms of clause 5.6 of the King report III, recorded information is the most important asset of an organisation as it is the evidence of business activities. According to Australia National Audit Office (2003), records management is a key component of any organisation’s corporate governance and is critical to its accountability and transparency. Akotia (1996:9) similarly argues that the first and last stages of the budgetary cycle, accountability and auditing, are dependent upon effective records management.
However, the relationship between record-keeping and corporate governance has not been explored in much depth by scholars (Willis 2005:86). This sentiment is echoed by Isa (2009:iii) when he points out that the records-management community claims that records have to be preserved for accountability, but they rarely explore the role records play in corporate governance. Moreover, the contribution of records management to corporate governance is often not recognised by other professions and management (IRMT 1999:65). Isa (2009) 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. (p. iii)

This article discusses records management in relationship to components that support good corporate-governance processes (i.e. auditing and audit committee) in the public sector of South Africa. 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 (lsa 2009:3–4). Nowadays, few areas in any sector are receiving as much attention as corporate governance. However, ‘many efforts to strengthen financial controls have failed because the fundamental structures needed to underpin them are often overlooked, that is, record-keeping’ (IRMT 2001). Records management may utilise the growing interest in corporate governance to leverage its low status by joining the ranks of corporate governance. It is hoped that this study will contribute to the records-management literature by providing empirical evidence concerning the nexus between records management and corporate governance. Insight gained from this study would be useful for governmental bodies to be more transparent and accountable. This study is guided by Chapters Three (Audit Committees) and Seven (Internal Audit) of the King report III (IoDSA 2009) on corporate governance in South Africa.

When conceptualising this study, chapter four (The governance of risk) of the King report III was deliberately excluded as the study would have been too broad to handle. Instead, the study focuses on examining the role of records management in supporting other elements of corporate governance such as internal audit and audit committee. With regard to chapter five (Governance of information technology) of the King report III, only clause 5.6, which deals with information assets, was included. It is hoped that this study will stimulate further research that embrace the other areas of corporate governance.

Background on corporate governance framework

The concept corporate governance was formally introduced world-wide in the 1980s as a result of the separation of ownership from management (Dandago 2009:94). However, it existed in some form from time immemorial. In the histories of the earliest civilisations, before the art of recording could have been known, corporate governance through 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 acquired, those disposed of and those still in his possession. The master would listen to that recital of the steward’s transactions and question him thereon. The master was the listener, or auditor. This explains the derivation of the word auditing from the Latin word (audíre, 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 in the Bible 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. In the end, the manager lost his job as he could not account.

In the modern world, because of the global financial crisis, various corporate failures such as the collapse of Enron and WorldCom and, locally in South Africa, the collapse of Saambou, Fedsure, Fidentia and Regal Bank and the public concern over the apparent lack of effective boards and management, the importance of corporate governance in both the public and private sectors has been increasingly acknowledged (Mallin 2010:2; Moloi & Barac 2009:49; Truter 2007:1). These factors have 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).

Many governance frameworks have been developed around the globe to guide the implementation of best governance practices. These include 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 (USA) (Mallin 2010:2). However, the framework to be applied in this study is based on the governance model for South Africa as set out in the King report III (IoDSA 2009).

Corporate governance framework in South Africa

Whilst 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 in South Africa, was issued (Jackson & Stent 2010; Moloi & Barac 2009:49). The report was a consequence of 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 to the notion of the Cadbury committee 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.

As a result, when the need to update the King report I arose due to globalisation in the area of corporate governance, the growth of information and communication technology (ICT) and e-commerce together with legislative developments in South Africa, it was imperative to draw upon the expertise of the committee. Significant corporate failures such as Enron and the demise of South African companies such as Regal Bank added momentum and urgency to the drafting of the King report II in 2002 (Moloi & Barac 2009:49). 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 01 September 2009 by the institute of directors, the King report III officially came into effect on 01 March 2010. It heralded a new era in which risk management, internal auditing and recorded information were regarded as important. The King report III has nine chapters. Chapters 3, 4, 5 and 7 are relevant to this study as they deal with an audit committee, risk management, information management and internal auditing. Furthermore, the chapters provide valuable guidance on how the various processes can be integrated.

The King report III (IoDSA 2009) recognises the importance of including information as an integral part of corporate governance as information is regarded as an enabler of business. 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 2009:1). The King report III applies to all private and public entities in South Africa. The principles contained in the King report III 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 2009:53).

A shortcoming of the King report III (IoDSA 2009) is that much emphasis has been placed on information technology (IT) as if the concept embraces all information-management matters. 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. 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’s 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 in organisations and is fundamental to good business practice.

Problem statement

Despite the importance of recorded information in corporate governance and the availability of governance models in many countries, IRMT (1999:64) and Palmer (2000:63) bewail the fact that records management tends to be excluded from components of corporate governance such as auditing and risk management. Records management 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 corporate-governance approach is not yet being practised in the public sector world-wide, hence this study attempted to fathom the relationship between records management and corporate governance. Together, records management and other components of corporate governance provide the layer of control that is essential to ensure transparency, accountability and good governance for organisations. Ironically, research shows that some areas of public administration are reluctant to embrace the contribution that records management can make to corporate governance (Australian National Audit Office 2003:21; Isa 2009:133). When a records-management system breaks down, the consequences for corporate governance are serious. Typical symptoms, according to IRMT (1999), 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.
- Accounts are not produced on time, rendering them of limited value for expenditure control and monitoring. (p. 65)

Research purpose and objectives

The general purpose of this study was to explore the relationship between records management and corporate governance in the public sector of South Africa with a view to entrench the culture of good corporate governance. The specific research objectives were to:

- Investigate the relationship between records management and internal auditing in governmental bodies of South Africa.
- Establish whether governmental bodies in South Africa have set up functioning internal-audit committees that include records-management practitioners.
- Investigate the role of leadership in records management and corporate governance in governmental bodies of South Africa.
- Investigate the availability of systems to manage information assets.
Research methodology

In order to explore the relationship between records management and corporate governance in the public sector of South Africa, this study relied on a quantitative approach and triangulated data-collection methods in order to enhance the validity of the findings. This study utilised a self-administered questionnaire directed to records managers and internal auditors of governmental bodies in South Africa as the principal instrument for data collection. Data collected via questionnaires were supplemented through interviews with purposively selected external auditors of governmental bodies at the Auditor-General of South Africa’s office.

The population of the study consisted of governmental bodies in South Africa (national departments, provincial departments, municipalities and statutory bodies). The stakeholder database of the Auditor-General of South Africa, which listed 283 municipalities, 37 national government departments, 108 provincial government departments in all nine provinces and 30 constitutional bodies or public entities, was used as a sampling frame. The population was divided into strata of municipalities, national departments, provincial departments and public entities to ensure that it is representative. Municipalities and provincial departments were further grouped into sub-strata according to their respective provinces. Since the population was large, sampling was conducted to ensure that the final sample size was manageable.

Though it is at times presumed that, when determining the size of a sample, a 10% sample should be fine in most cases (Seaberg 1988; Grinnell & Williams 1990 cited in Ngulube 2005), this study utilised a mathematical formula, which is based on sampling theory, for determining sample size. In this regard, a Raosoft sample size calculator (Raosoft 2012) was used to calculate the sample size at a margin error of 15%. As a result, a proportional sample size of 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 1 for the sampling proportion). The advantage with proportional stratified sampling is that it makes possible the representativeness of a particular segment of the population (Singleton & Straits 2010:183). For each governmental body selected in the sample, the participants consisted of either a records manager or an internal auditor who was assigned to complete the questionnaire.

Data collected via questionnaires were supplemented with telephonic interviews conducted with four purposively selected auditors from the Auditor-General of South Africa (AGSA).

Data analysis and findings of the study

This section analyses and presents the results of the data obtained via questionnaires and interviews. Data analysis is a key aspect of any research, and it helps with drawing conclusions and generalisations from the data as it relates to a problem statement (Creswell 2009:152). Of the 171 questionnaires distributed, only 94 were returned, representing a 55% response rate. Qualitative data from questionnaires were analysed, using different analytical tools and computer software such as Microsoft Excel® Spreadsheet and PHStat to produce the graphs. Qualitative data from interview results were analysed manually and used to substantiate numerical data. Results are presented through written descriptions, numerical summarisations and tables. The results are presented according to research objectives outlined in Section 4. It is worth mentioning that the data presented in this study do not reveal the identity of any individual or institution that participated in this study as anonymity was promised during data collection.

Availability and composition of audit committees in governmental bodies

The purpose of this study objective was to examine the establishment and composition of audit committees in the public sector and to investigate the involvement of records managers in the committees. Chapter 3 of King report III (IoDSA 2009) recommends that organisations should ensure that they establish effective and independent audit committees. The audit committee fulfils a vital role in corporate governance. Amongst other things, they ensure the integrity of integrated reporting and internal financial controls.

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) defines an 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. (p. 27)

The King report III (IoDSA 2009) recommends the establishment of an audit committee for the private and public sectors. Principle 3.1 of the King report III calls for the board or management to ensure that the organisation has an effective and independent audit committee (IoDSA 2009). The role of the audit committee is to function as an independent advisory body to the municipal councils, accounting officers, chief information officers, directors, board members, political office-bearers, etc. on matters relating to risk management, accounting policies, internal controls and audits.

Findings are presented according to the following sub-themes:

- the availability of audit committees
- the composition and skills of audit committees.

<table>
<thead>
<tr>
<th>TABLE 1: Stratified proportional sampling.</th>
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<tr>
<td>Stratum</td>
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<tr>
<td>Municipalities</td>
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<td>National departments</td>
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<td>Provincial departments</td>
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<td>Statutory bodies</td>
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<td>Total</td>
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http://www.sajim.co.za
doi:10.4102/sajim.v15i2.575
The availability of audit committees

The respondents were asked whether their organisations had established audit committees. Results reflect that 77.7% (73) indicated that their organisations had established audit committees as compared with 22.3% (21) that did not. As illustrated in Table 2, a study by Sigidi (2012) indicated that 254 (91%) of 278 municipalities had established audit committees by March 2012.

The composition and skills of audit committee members

According to Ferreira (2007:98), the actual size of the audit committee depends on the size and complexity of the organisation. The King report III (IoDSA 2009) 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 three to eighteen. However, some respondents indicated that not all people who attended the audit committee meetings were members. Of the 94 respondents, only 10 indicated that records management was represented in the audit committee through the head of information technology (IT).

However, none indicated that a member of the records-management team was part of the audit committee. The respondents indicated that they did not think that records-management issues were addressed in the audit committee meetings, as compared to auditing, risk management, supply-chain management and IT. 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 supports Ferreira (2007:90)’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 Isa (2009:133) and Janse van Rensburg and Coetzee (2010:29) share sentiments that many audit-committee members do not possess the necessary skills, knowledge and experience to act as audit-committee members in either the public or private sector.

The relationship between records management and internal audit

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 internal audit function plays a critical role in corporate governance by providing a wide spectrum of assurance. It is the in-house resource for the accurate and objective assessment and assurance of information as reliable and trustworthy. 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 (2006:3) points out that the internal audit function in South Africa has grown significantly as a result of the release of the King report III (IoDSA 2009). 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 2010:29).

The questionnaire sought to establish whether governmental bodies in South Africa had established internal audit units. It is believed that effective internal audit units may prepare governmental bodies to be ready for external auditors. Result show that 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.

In support of the finding above, in a study by Sigidi (2012) as reflected in Table 3, it was found that 220 of 278 municipalities have established internal audit units.

It is assumed that 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. Respondents indicated that records management and auditing did not always work hand in glove. Although respondents indicated that records management is a

<table>
<thead>
<tr>
<th>South African Province</th>
<th>Total number of municipalities</th>
<th>Number of municipalities with audit committees</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>45</td>
<td>43</td>
<td>96</td>
</tr>
<tr>
<td>Free State</td>
<td>24</td>
<td>19</td>
<td>79</td>
</tr>
<tr>
<td>Gauteng</td>
<td>12</td>
<td>12</td>
<td>100</td>
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<tr>
<td>KwaZulu-Natal</td>
<td>61</td>
<td>59</td>
<td>97</td>
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<tr>
<td>Limpopo</td>
<td>30</td>
<td>29</td>
<td>97</td>
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<tr>
<td>Mpumalanga</td>
<td>21</td>
<td>20</td>
<td>95</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>32</td>
<td>24</td>
<td>75</td>
</tr>
<tr>
<td>North West</td>
<td>23</td>
<td>20</td>
<td>87</td>
</tr>
<tr>
<td>Western Cape</td>
<td>30</td>
<td>28</td>
<td>93</td>
</tr>
<tr>
<td>Total</td>
<td>278</td>
<td>254</td>
<td>91</td>
</tr>
</tbody>
</table>

TABLE 2: The establishment of audit committees in municipalities (N = 278).

<table>
<thead>
<tr>
<th>South African Province</th>
<th>Total number of municipalities</th>
<th>Number of municipalities with internal audit units</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>45</td>
<td>30</td>
<td>67</td>
</tr>
<tr>
<td>Free State</td>
<td>24</td>
<td>24</td>
<td>100</td>
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<tr>
<td>Gauteng</td>
<td>12</td>
<td>9</td>
<td>75</td>
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<td>North West</td>
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<td>14</td>
<td>61</td>
</tr>
<tr>
<td>Western Cape</td>
<td>30</td>
<td>23</td>
<td>77</td>
</tr>
<tr>
<td>Total</td>
<td>278</td>
<td>220</td>
<td>79</td>
</tr>
</tbody>
</table>

TABLE 3: The establishment of internal-audit units in municipalities (N = 278).
vital ingredient in the success of auditing, the majority of respondents 72.3% (68) indicated that the scope of internal auditing in their organisations did not include records management. Reports by the internal audit unit can provide the organisation with a key source of information on the entity’s performance. Despite the availability of internal audit units, governmental bodies continued to receive negative audit results from the Auditor-General of South Africa (AGSA).

Results of interviews with AGSA indicate that the major contributors to negative audit opinions in governmental bodies is a lack of supporting evidence (records) for financial statement items and a lack of knowledge amongst 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 annual financial statements. According to the respondents, the records that are mostly required for the audit by AGSA include invoices supporting expenditure, memo’s or approvals by 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.

The role of leadership in corporate governance and records management

Adequate leadership involvement and oversight that will set the tone at the top of the institution and create an environment conducive to good corporate governance and service delivery is vital. If key officials such as heads of departments, chief financial officers, chief executive officers and municipal managers support corporate governance and are available during the audits to deal with audit-related matters and clear these in timely manner, it will go a long way towards assisting the organisations. It will also go a long way towards avoiding qualifications in auditing because they (leadership) can gain earlier notices of audit findings to take corrective action before the final conclusions leading to the audit opinion.

When asked about the role of leadership in corporate governance and records management, only 85% (80) of the respondents indicated that leadership was supposed to play a monitoring and oversight role, which did in reality not happen. This, according to respondents, would ensure that information is made available during the auditing cycle to ensure effective corporate governance. The respondents emphasised that the visibility of leadership was also of outmost importance as it may contribute to audit outcomes. The respondents indicated that the 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 for the auditing process. As a result, leadership may then support records-management programmes in their organisation.

This role was confirmed by respondents from AGSA as they felt that leadership was supposed to be available to discuss any matter that auditors bring to their attention. In this way, leadership would be able to address queries before it became too late.

The availability of systems to manage information assets

According to clause 35 of the King Report III (IoDSA 2009), information management encompasses:

- The protection of information (information security).
- Management of information (information management).
- the protection of personal information processed by companies (information privacy).
- The King report III views information contained in records as the most important information assets as they are evidence of business activities. Therefore, there is a requirement in terms of clause 37 for the board to ensure that there are systems in place for the management of records. (n.p.)

The availability of a records-management unit in governmental bodies goes a long way towards helping with the implementation of policies and securing information assets. It is essential to manage the transactions, information and knowledge necessary to sustain an organisation. In this regard, records can easily be retrieved when requested by auditors or whoever seeks information. The study also sought to establish whether governmental bodies had established records management programmes. Results revealed that 83% (78) of respondents had records-management units as compared to 17% (16) that did not have any. Those that did not have records-management units indicated that records management were the responsibility of each unit and in some cases of records creators. In this regard, it was not clear from the respondents whether records were protected against destruction or unauthorised access. However, those with established programmes indicated that only records-management staff had access to the storage, and other staff members could access records on request.

With regard to the level of records managers in the organisation, it was depressing to note that 39.4% (37) of respondents indicated that their organisation did not have a records manager whereas 20.2% (19) indicated that the records manager was at a junior level, 26.6% (25) indicated a manager at middle-management level and only 8.5% (8) indicated that they have a records manager at senior management level. No governmental body had a records manager at top-management level. This partly explains why records-management professionals were not invited to audit-committee meetings as indicated by respondents.

Discussion of the results

The results of the study revealed that most governmental bodies (70%) have established internal audit units. This is almost in line with the results of a survey by Sigidi (2012) that found that 79% of municipalities in South Africa had
established internal audit functions. This indicates the increasing recognition of the internal-audit function in the public sector in South Africa. However, it would seem that the establishment of internal-audit functions in most governmental bodies was just for ceremonial and compliance purposes as governmental bodies continue to experience problems such as negative audit results. The results indicate that records management could play an enabling role in auditing process. For example, auditors rely on records to support their findings. Therefore, records management supports the entire accounting function as the beginning of accounting cycle starts with the creation of a record. However, it is clear from the results that records-management and auditing units did not always work in unison as the majority of respondents indicated that the scope of internal auditing in their organisations did not include records management.

The study also found that most governmental bodies did establish audit committees. Not surprisingly, records management was not represented in the audit committees in most governmental bodies. In cases where it was represented, it was through IT officials who did not have enough background information about records management. The assumption is that the lack of expertise is related to the fact that most records managers in governmental bodies were at middle-management and junior levels. Therefore, records managers were not invited to audit-committee meetings as in most instances, only senior managers and higher were required to attend. As a result, there is a possibility that records-management risks were not addressed in these meetings. This study also revealed the failure of individual committee members to contribute 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 as indicated by the respondents.

The results indicate that the leadership has a supportive and oversight role to play in records management and corporate governance. However, this was not the case in most governmental bodies. It would seem that leadership always shifts this responsibility to junior staff members. Perusal of AGSA reports revealed that governmental bodies that achieved good corporate governance had the following in common:

- the commitment and single-minded intention of their leadership to lead and set the right tone from the top
- basic internal controls in place
- daily, monthly and quarterly reconciliations of financial records
- a working partnership between leadership, internal audit and audit committees that ensured effective oversight.

Conclusion and recommendations

It is clear from the results that the absence of proper record-keeping partly contributes to negative audit results and impacts negatively on the auditing process. Records management, just like internal audit, plays an integral role in good corporate governance. Auditors ascertain the quality of organisations’ operations by relying on records to verify their findings. Therefore, well-managed records provide the framework for the management of all other resources. 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 (Akotia 1996:7). 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.

It would seem from the study that many public organisations in South Africa still regard corporate governance as a compliance issue. 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 organisations to comply with the King Report III (IoDSA 2009) is not enough. If organisations commit themselves to good corporate governance and if leadership set the right tone, it may augur very well for the country’s future. 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 study calls for records management practitioners to work together with other disciplines (stakeholders) such as auditors, risk managers and IT professionals. The scope of internal audit should also include records management. For records management to contribute positively to corporate governance, this study recommends that records management should be a standing item at audit-committee meetings. In that way, records-management issues may 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 committees. Audit-committee members should also be inducted in records management and made aware of the legislation that regulates records management in governmental bodies and its potential contribution to good corporate governance. Audit committee can also play a role in overseeing internal audit to ensure that all corporate-governance components are monitored. Also, audit committees may provide an interface between management and external auditors. The overall role of audit committees could be to ask relevant questions about the overall corporate-governance process. The committee should be aware that IT does not constitute information management, but it is an enabler and a component within information management. AGSA could establish a partnership with the National Archives and Records Service 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, which may in turn assist the affected institutions in setting up proper records-management programmes. Furthermore, AGSA could also test specifically for compliance of key aspects of
the applicable legislation pertaining to records management. Finally, the King Committee should consider the revision of chapter five of the King Report III to explicitly include the management of records.

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Competing interests

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Authors’ contributions

P.N. (University of South Africa) was the project leader, and M.N. (University of South Africa) conceptualised the research, collected and analysed data and compiled the article in collaboration with P.N. (University of South Africa).

References


