PFMA
2022-23

Budgetary review and recommendations report (BRRR)

Portfolio Committee on Trade, Industry and Competition

10 October 2023

AUDITOR-GENERAL
SOUTH AFRICA

Mission and vision

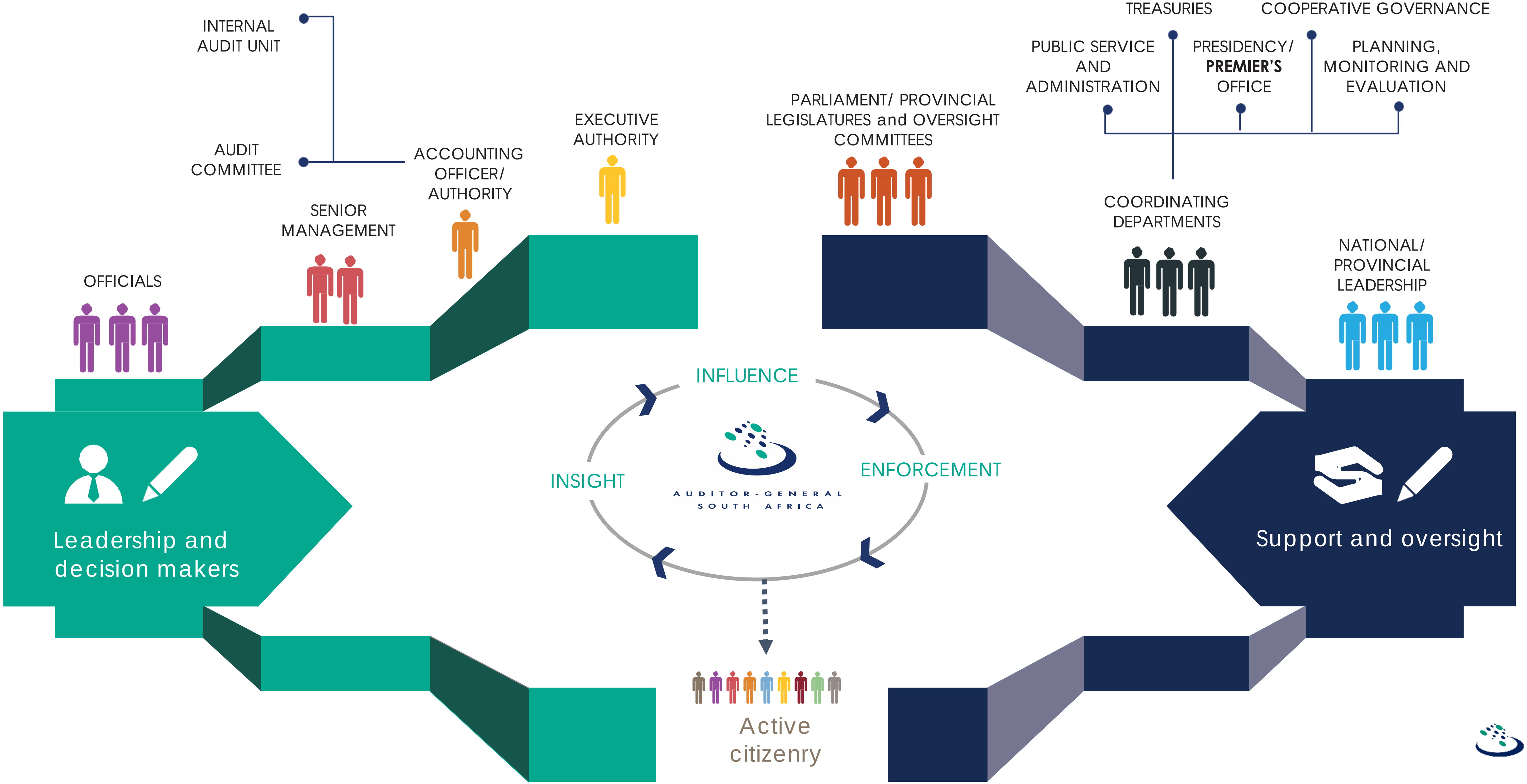
MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

VISION

To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability.

All have a role to play in accountability ecosystem



Trade, Industry and Competition portfolio entities

Department of Trade, Industry and Competition

Audited by AGSA:

- Companies and Intellectual Property Commission (CIPC)
- Competition Commission (CC)
- National Credit Regulator (NCR)
- National Regulator for Compulsory Specifications (NRCS)
- South African Bureau of Standards (SABS)
- National Lotteries Commission (NLC)
- Competition Tribunal (CT)

Section 4(3) audits:

- Export Credit Insurance Corporation (ECIC) *
- National Empowerment Fund (NEF) *
- National Gambling Board (NGB) *
- National Metrology Institute of South Africa (NMISA) *
- South African National Accreditation System (SANAS) *
- Companies Tribunal (CT) *
- Industrial Development Corporation (IDC) *
- International Trade Administration Commission of South Africa (ITAC) *
- National Consumer Commission (NCC) *
- Take Over Regulation Panel (TRP) *

This presentation will focus on audit outcomes of 8 auditees in the portfolio (see next slide) where the audits were performed by AGSA.

* The section 4(3) audits, which are not audited by the AGSA, will not be included.

2021-22 recommendations

In 2021-22, we recommended the following to the accounting authorities/ executive authority:

SABS
- Appointment of a fully functional board to lead and govern the entity.

NRCS
- The CFO vacancy must be appropriately addressed timeously to avoid risk of regression in the audit outcome.

Overall reflections on implementation of recommendations:

- SABS - The new Board was appointed from 1 December 2022 and commenced implementing processes to oversee the activities of the entity. Enhanced focus is required on compliance with laws and regulations to prevent the recurrence of non-compliance with laws and regulations by the entity.
- NRCS – As at year-end the CFO position was not yet filled and vacant for 5 months. Despite this vacancy, management has achieved a clean opinion. The right candidate should be appointed to maintain this status going forward.

Implemented

In progress

Not implemented

2021-22 recommendations continue

In 2021-22, we recommended the following to the accounting authorities:

NLC

- Adequate controls must be in place to prevent irregular expenditure. Furthermore, the entity must improve controls to identify, report and record irregular expenditure.
- Proper controls to prepare and review financial statements must be implemented.
- Irregular expenditure must be investigated, and disciplinary actions taken.
- Filling of key vacant posts.

Overall reflections on implementation of recommendations:

- Irregular expenditure was still not prevented as there are repeat findings on procurement and contract management that led to the incurrence of irregular expenditure. There has been an improvement in the identification, recording and reporting of irregular expenditure.
- Material findings on procurement and contract management is due to lack of implementation of recommendations to address prior year audit findings.
- Some of the vacancies has been filled which includes the commissioner and CFO, but the COO is still vacant. The substantive board was appointed in May 2023. CFO and head of SCM post filled after year end.
- Material misstatements leading to a qualified audit opinion was identified again in the 2022-23 year. The root cause remains the ineffective review of the financial statements.
- Effective and appropriate steps were not taken to prevent the recurrence of irregular expenditure. Furthermore consequence management was not implemented against the officials that permitted the incurrence of irregular expenditure

Implemented

In progress

Not implemented

Stagnation over administration term (audits done by AGSA)

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2019-20 FIRST YEAR OF ADMINISTRATION	6	1	1	0	0	0	8
2021-22	4	3	1	0	0	0	8
2022-23	6	1	1	0	0	0	8

Unqualified with no findings (clean):

- Department of Trade, Industry and Competition(DTIC)
- Competition Commission (CC)
- Companies and Intellectual Property Commission (CIPC)
- Competition Tribunal (CT)
- National Credit Regulator (NCR)
- National Regulator for Compulsory Specifications (NRCS)

Unqualified with findings:

- South African Bureau of Standards (SABS)

Qualified with findings:

- National Lotteries Commission(NLC)

FROM FIRST YEAR OF ADMINISTRATION:
0 ↑ 0 ↓

MOVEMENTS FROM PREVIOUS YEAR:
2 ↑ 0 ↓

NLC: We were not able to obtain sufficient appropriate audit evidence that all approved allocation of grants were recorded in the financial statements, due to the status of the accounting records.

Submission of financial statements by legislated date for portfolio improved from 75% to 87.5%

Regression over administration term (section 4(3) entities)

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2019-20	8	2	0	0	0	0	10
2021-22	7	3	0	0	0	0	10
2022-23	7	3	0	0	0	1	11

Export Credit Insurance Corporation (ECIC)

National Consumer Tribunal (NCT)

Companies Tribunal (CT)

National Gambling Board (NGB)

National Metrology Institute of South Africa (NMISA)

South African National Accreditation System (SANAS)

National Consumer Commission (NCC)

National Empowerment Fund (NEF)

International Trade Administration Commission of South Africa (ITAC)

Industrial Development Corporation (IDC)

Takeover Regulation Panel (TRP)

MOVEMENTS FROM PREVIOUS YEAR:

0 ↑ 0 ↓

Takeover regulation panel was not listed as an entity in the previous cycles.

Overall messages on portfolio audit outcomes

Overall portfolio message

The overall outcomes in the portfolio has improved, when compared to the prior year.

Six auditees (DTIC, CC, CIPC, CT, NCR and NRCS) achieved an unqualified audit opinion with no findings ("clean audit"), representing 75% of the auditees in the portfolio. This is an improvement from 50% (4) in the prior year due to NCR and NRCS improving from unqualified with findings on compliance to a clean audit report. The department, CIPC, CC and CT has managed to sustain their clean audit status once again.

- The factors that contribute to clean audit outcomes are:
  - Leadership oversight that is entrenched in the organisation.
  - The constant monitoring that takes place at all levels.
  - Internal audits effectively execute their mandate with the thorough follow up of audit action plans and monitoring the implementation of actions to address prior year audit findings.
  - The Board through the audit committees monitor the implementation of the actions plans to address prior year audit findings.
  - Leadership culture that is committed to take action to address any findings identified supported by adequately resourced and skilled staff.

These entities have effective governance structures that ensures that actions are taken to address audit findings and are supported by adequately resourced officials. Going forward, the focus of these entities should be on maintaining clean administration and achieving strategic objectives and service delivery mandates to ensure effective and efficient delivery of services to the citizens.

SABS and NLC should replicate these best practices to achieve clean administration for the portfolio as a whole.

All of the entities with clean audit outcomes achieved their targets relating to key performance indicators.

Overall portfolio message continue

Governance/Stability

Instability in leadership and the accounting authority was the key contributor to audit outcome of the NLC entity remaining stagnant (qualified with material findings).

The Commissioner was appointed on 1 February 2023 and the chairperson of the accounting authority was appointed on 1 September 2022. The fully substantive board was appointed in May 2023. It is anticipated that with a fully capacitated accounting authority and stability at leadership level, this entity will make strides towards implementing actions to address prior year audit findings and thus result in positive movement in audit outcomes.

Stability has been established at the SABS through the appointment of the Board in December 2022. This board has commenced implementing processes to provide oversight of the activities of this entity, however there is instability in senior management as the entity has been operating without a permanent CEO since 2018 and a few other senior management positions with individuals acting in the positions.

Despite vacancy rates in the finance units of 17% and 29% respectively in the NRCS and NCR, they have managed to improve their audit outcomes in the current year, due to leadership being committed to good governance.

The executive authority should prioritise the filing of the key vacant posts at the department to ensure leadership stability at the department and that the department is able to maintain is positive audit outcomes and focus on its key service delivery mandate, furthermore oversee the capacitation of the entities by its respective accounting authorities.

Overall portfolio message continue

Quality of submitted financial statements

Six auditees (DTIC, CIPC, CC, CT, NRCS, NCR) submitted financial statements free of material misstatements.

SABS and NLC submitted financial statements for audit which contained material misstatements. SABS was able to correct the misstatements identified through the audit process on the cash flow statements and certain disclosure notes and thus received an unqualified audit opinion. However, NLC was unable to submit sufficient, appropriate audit evidence whether all approved allocation of grants were recorded in the consolidated financial statements and thus a qualified audit opinion was issued in the current year. Other material misstatements were identified during the audit in the submitted financial statements of NLC in the areas of receivables, revenue and expenditure, however these were corrected by management.

Ineffective reviews of the financial statements by management and the accounting authority prior to submission for audit. Furthermore, regular financial reports supported by and evidenced by reliable information was not prepared.

Management is urged to enhance the proper record keeping to ensure that information supporting the financial statements is easily retrievable for audit purposes.

The accounting authorities should implement disciplined financial reporting structures based on solid accounting and financial management knowledge and enhance review processes of the financial statements to ensure that quality financial statements is submitted for audit. This would eliminate the need for any material audit adjustments.

It is commendable that 88% of the entities in the portfolio achieved an unqualified audit opinion on the financial statements.

Overall portfolio message continue

Quality of submitted annual performance reports

The department and NCR submitted annual performance reports for audit which were free of material misstatements.

Five auditees (CIPC, CC, CT, NRCS and SABS) submitted performance reports for audit which contained material misstatements. These misstatements were communicated to management and were corrected.

Submission of annual performance reports which contains material misstatements compromises the credibility of the reported performance and makes these reports not to be useful to key decision makers overseeing the entities and the portfolio. The only entity to have material findings on annual performance reporting in the audit report was NLC based on the programme selected for audit, namely Programme 3 – Grant making.

Financial sustainability/going concern

The financial health of entities in the portfolio have been assessed individually and we noted that no material uncertainties on the ability of the department or the entities in the portfolio to continue as a going concern in the foreseeable future.

Oversight by the executive authority through the department, should continue to monitor the financial health of the entities in the portfolio and intervene when required through the respective accounting authorities.

Overall portfolio message continue

Compliance with laws and regulations

The two common non-compliance areas reported for NLC and SABS were expenditure management (failure to prevent the incurrence of irregular expenditure) and material misstatements identified in the financial statements submitted for auditing.

There are repeat audit findings from the prior year and no/ inadequate action plans was developed to address these findings. It would be critical for management to ensure that developed action plans are addressing the real root causes of the findings. Oversight bodies should monitor and enforce implementation of approved action plans.

Expenditure management

Irregular expenditure decreased from R190 million to R103 million, and fruitless and wasteful expenditure increased from R4.7 million to R6.2 million over the past year.

NLC, NRCS and SABS remained the largest contributors to irregular expenditure. Preventative controls over supply chain management at these entities needs to be enhanced as non-compliance with SCM prescripts is the biggest contributor when it comes to irregular expenditure. The risk exist that the non-compliance can result in Material Irregularities and the accounting officer/authorities therefore needs to deal with these matters properly with a zero tolerance approach to prevent financial losses.

Overall portfolio message continue

Information technology

The portfolio's entities (SABS, NLC, CIPC, NCR and NRCS) still struggles with internal controls in the IT governance controls specifically around network security management, user access management, programme change management and service continuity. Action plans should be developed and implemented to improve information technology controls, together with the necessary system enhancements and patches to effectively address the shortcomings identified with regards to the network security.

Material irregularities (MIs)

One MI was identified and issued at NLC in the current cycle that related to a financial loss of R6m paid for the construction of a sport complex that was never delivered.

The response from the accounting authority indicated that they have accepted the MI and have instituted certain investigations internally and by the SIU. The disciplinary actions against the officials is in progress and certain SAPS cases have been opened. The feedback from the accounting authority is that it is anticipated that the entity will recover the financial losses by 31 December 2023.

Overall portfolio message (continued)

Root causes and recommendations to the accounting officers/authorities (AO/AA)

Key root causes for outcomes in portfolio in the internal control environment

- The authority did not implement adequate and sufficient review and monitoring controls over the preparation of the financial statements (NLC, SABS)
- Audit action plans were inadequate and not fully implemented resulting in repeat findings in certain entities (NLC, SABS)
- Inadequate controls to prevent non-compliance with legislation (NL and SABS)
- Vacancies in key positions of certain entities and the department

Key recommendations to AO/AA/ Executive authority

- Enhance the controls over the preparation and review of financial statements to ensure compliance with the financial reporting framework
- The internal audit function, together with the audit committee and accounting officers/authorities, must review the audit action plans to ensure that root causes are properly identified, and the plans are adequate to address findings reported. These action plans should be developed and implemented timeously.
- Filling of key executive positions with skilled and experienced personnel
- Enhance the preventative controls over procurement and contract management to ensure no repeat findings are identified

Activating the accountability ecosystem – a call to action

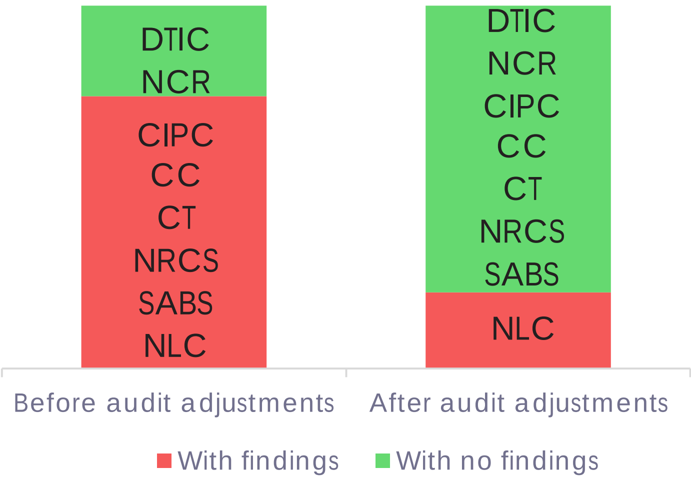
	Root causes	Call to action
1	Inadequate monitoring and oversight over financial statement compilation and compliance	Oversee the enhancement of controls over the preparation and review of financial statements to ensure compliance with the financial reporting framework
2	Poor implementation of action plans/action plans not root cause focused	Continue to oversee progress with audit action plans put in place by the entities to improve audit outcomes
3	Vacancies in key positions	Continue to oversee and monitor the filling of the remaining vacancies to ensure stability of leadership.
4	Inadequate controls to prevent non-compliance with legislation	Oversee the enhancement of preventative controls over procurement an contract management to prevent the incurrence of irregular expenditure

A culture of accountability will improve service delivery

Portfolio performance

Performance planning and reporting has impact on service delivery

Quality of performance reports before and after audit (material misstatements)



Findings: Planning for service delivery / Reporting

NLC – Programme 3 – Grant making

Indicator 4.2 – A minimum of 10% allocated to projects located in the Districts of the District Development Model (DDM)

The indicator was included in the approved APP and strategic plan, but not clearly defined during the planning process. It was also not clear how the related target would be measured and what evidence would be needed to support the achievement.

Impact

The indicator that is not well-defined result in targets that do not fully meet the SMART criteria (not measurable) and therefore the performance against these indicators cannot be adequately monitored, which will ultimately lead to the above project not being funded adequately.

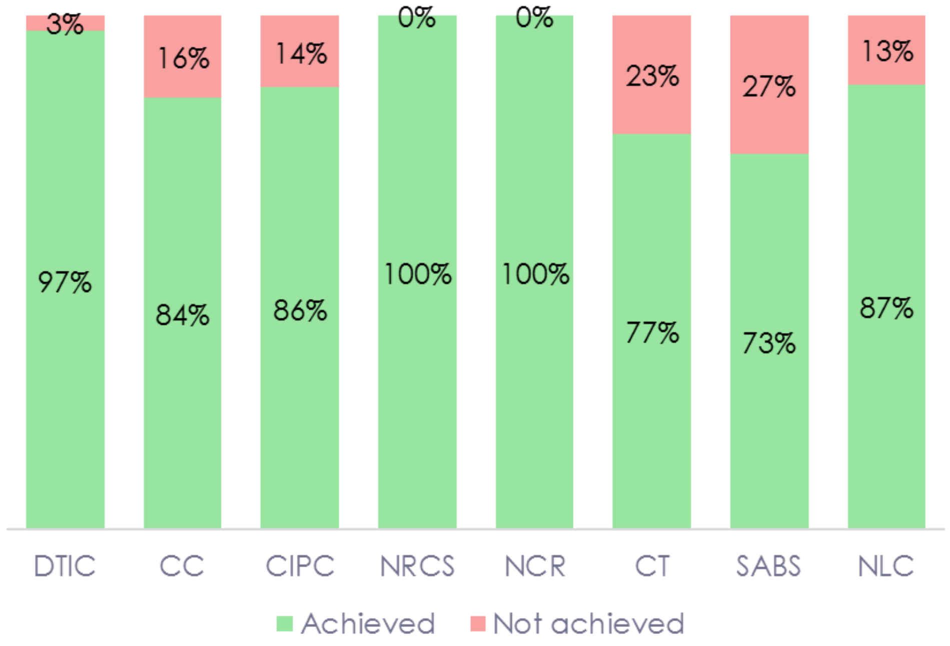
It will be difficult to confirm if the entity did in fact achieve this target and thus whether the entity met its service delivery mandate.

Performance against targets

Key targets in medium-term strategic framework for portfolio

- R75-billion private-sector investment leveraged and annual targets on jobs and enterprises achieved (MTSF target). Achievement to date in the MTSF period R42-billion projected investment by approved enterprises/projects (year 4 of MTSF)
- 26 industrial parks revitalised based on the current budget – should budget increase, the target will be revised (MTSF target). Achievement to date in MTSF period, 12 industrial parks revitalised, with 1 currently in reconstruction phase (year 4 of MTSF)

Achievement of annual targets as reported in annual performance report (all indicators) – 2022-23



Key targets not achieved include:
- Strategic partnerships with nine key stakeholders (provincial and national) are developed and implemented. (NLC)
- 90% of applications adjudicated within 150 days. (NLC)

Impact of targets not achieved

- Lack of strategic partnerships hinders the ability of the NLC to co-ordinate the monitoring of funded projects and ensuring that they are maintained to ensure continued service delivery.
- Delays in adjudication and approval results in key projects not being delivered on time thus impacting directly on the lived experience of citizens.

Achieving key performance targets – summarised information from performance report

NLC

Performance indicator	Target	Actual performance	Reason for non-achievement
4.1 Regulation 3A(1)(a) – Percentage of applications adjudicated within 150 days	90% of applications adjudicated within 150 days.	Not Achieved. 61% of applications were adjudicated within 150 days.	The Charities Distributing Agency commenced adjudication in the first week of June 2022.

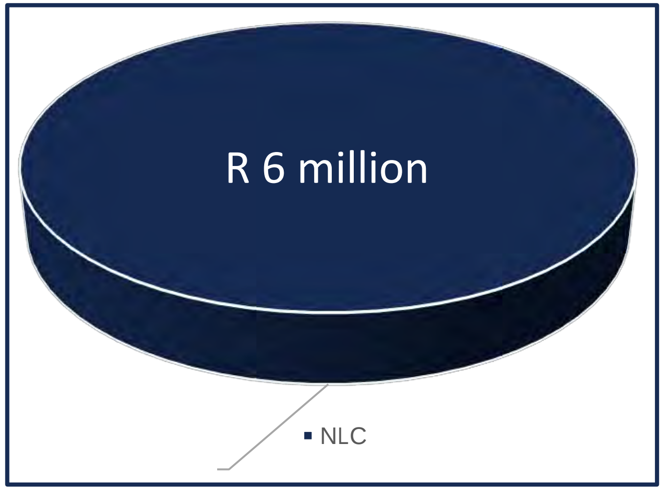
Purpose and Impact

- 150 days is the regulated time in terms of Regulation 3A(1)(a) in which an application received from the public should be adjudicated. This is aimed at ensuring that the NLC responds to applicants within a reasonable time. The target is 90%
- NLC does not adjudicate applications received for grant funding within 150 days as required by National Lotteries Act Regulations.
- The executive Authority in terms of Section 26A of the Lottery's Act must appointment a Distributing Agency (DA) , a DA is the only body that can adjudicate applications. There was no appointed DA for a period of 68 days hence the non-achievement.

Material irregularities

MI process implemented and MIs identified

MATERIAL IRREGULARITIES



MI DESCRIPTION

Payments were made for the construction of a sport complex that was never delivered.

ACTIONS TAKEN BY AUDITEES

R3 m	Prevented financial loss from taking place
R6 m	Financial loss in process of recovery
R0 m	Financial loss recovered

4	Responsible officials identified and disciplinary process completed or in process
1	Investigations instituted
1	Stopped supplier contracts where money is being lost
1	Internal controls and processes improved to prevent recurrence

What we found:
Inadequate processes in identifying NPOs and approving grants.
Payments are made to NPOs for projects that do not exist or have not been started.

Cause.:
Large payments are made upfront with no work done on-site.
Service-level agreements signed do not have strong and enforceable conditions.
Ineffective project monitoring to verify projects (e.g. verification is done on a sample basis)

Call for action:

- Strengthen the **validation of the NPOs.**
- Payments to be made in **lower percentage tranches** and monitor progress before making **further payments.**
- Increase the number of projects that are subject of verification **prioritizing high value projects.**

Observations from MI process

The MI was issued and the accounting authority acknowledged the MI and set out the steps to investigate the matter, implement consequence management, recover the losses and enhance controls.

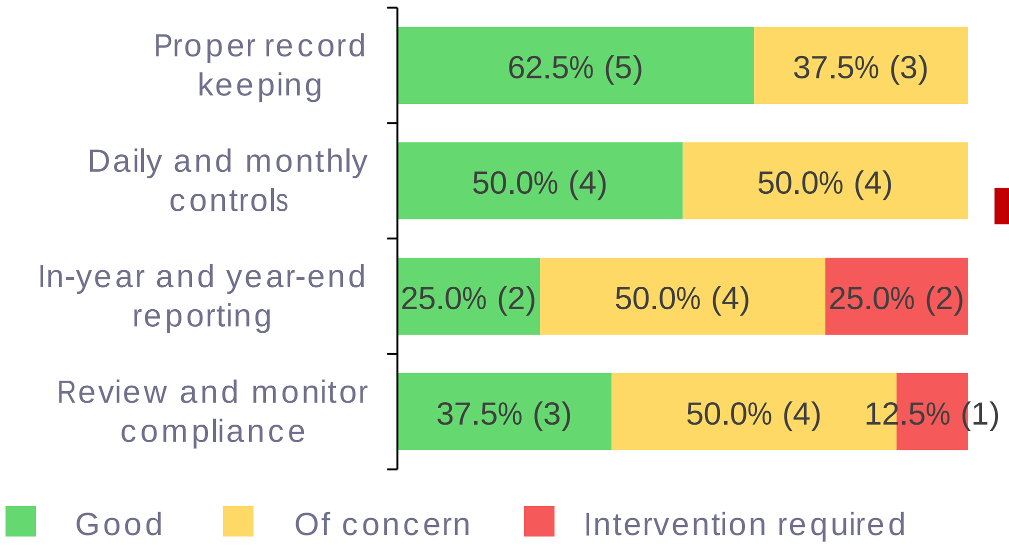
Recommendations for portfolio committee

Monitor the progress by the accounting authority to recover losses, institute proper consequence management and enhance controls to prevent a recurrence of this matter.

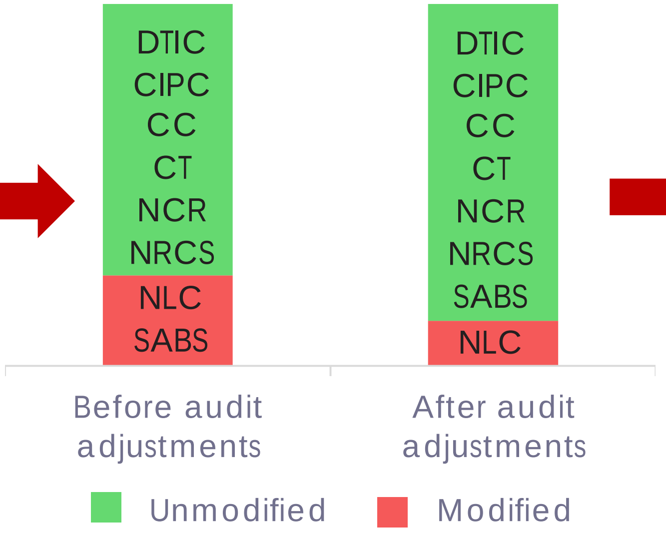
Financial management and compliance

Quality of financial reporting

Financial management controls



Impact on quality of financial statements submitted for auditing



Main qualification areas - NLC

- Allocation of grants

Sufficient appropriate audit evidence to confirm all approved allocation of grants were recorded could not be provided for audit.

Impact

- Inadequate quality financial statements (proper record keeping) may impact the ability of the NLC to manage it's operations efficiently, as the decisions are based on the ratio's presented in accounting records. This may impact the entity's ability to perform against its mandate.
- Having good quality financial statements once again, has a positive impact on the department's and the portfolio's ability to manage its operations and deliver on services or in terms of its mandate. The quality of financial statements is largely dependent on sound control environment which is influenced by leaderships' willingness to do the right thing. This influence the culture of the organisations and provide a platform to implement adequate and appropriate financial management controls.
- SABS obtained unmodified outcomes after the correction of material misstatements identified through the audit processes, which indicates weaknesses in the financial control environment that need to be addressed in the next period. Intervention is urgently required in the case of NLC, which again received a qualified opinion.

Financial health

Revenue

Debt-collection period > 90 days at 2 auditees (NRCS / SABS)

Average debt-collection period = 38 days

More than 10% of debt irrecoverable at 2 auditees (NCR / NRCS)

≠

Expenditure

R6.2 million of expenditure was fruitless and wasteful (3 auditees) (SABS (R6.1m), NRCS, NCR)

Creditor-payment period > 30 days at 6 auditees (NLC, NRCS, NCR, CC, CT and SABS)

Average creditor-payment period = 40 days

Impact

1 auditee (NRCS) ended year in deficit (expenditure more than revenue)

None (0%) of the auditees disclosed or should have disclosed significant doubt in financial statements about ability to continue operating as a going concern in foreseeable future

Doubt whether auditees can continue as going concern

None

Compliance with key legislation

2022-23

No material findings	Material findings
DTIC, CIPC, CC, CT, NCR, NRCS	NLC, SABS

MOVEMENTS FROM PREVIOUS YEAR:
2 ↑ 0 ↓

FROM FIRST YEAR OF ADMINISTRATION:
1 ↑ 1 ↓

Most common areas of non-compliance	NLC	SABS
Procurement and contract management	X	
Quality of financial statements	X	X
Prevention of irregular and fruitless and wasteful expenditure	X	X
Effecting consequences	X	
Revenue management		X

Poor quality financial statements, results in users not receiving credible financial information for decision making

Lack of consequence management results in recurrence of non-compliance leading to incurrence of irregular and fruitless and wasteful expenditure.

Not collecting revenue on time, will impact on the financial sustainability of the entity and could lead to financial losses for the entity.

Procurement and payments

Status of compliance with legislation on procurement and contract management

2022-23	DTIC, CIPC, CT, NCR	SABS, NRCS, CC	NLC

With no findings · With findings · With material findings

MOVEMENTS FROM PREVIOUS YEAR: 1 ↑ 0 ↓

FROM FIRST YEAR OF ADMINISTRATION: 0 ↑ 1 ↓

Details of procurement findings	NLC	SABS	NRCS	CC
Uncompetitive and unfair procurement processes	X	X	X	X

No payments for goods and services not received or of poor quality were made.

Noncompliance will result in a procurement of goods and services that are not fair, equitable, transparent, competitive and cost effective to achieve optimal value for public money spent and ensure equitable opportunities for suppliers to participate in government business

PFMA Compliance and Reporting Framework

National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework (Instruction) which came into effect on 03 January 2023, was issued in terms of section 76(1)(b), (e) and (f), (2)(e) and (4)(a) and (c) of the PFMA

Public objective of the Instruction note is to prescribe the principles and compliance reporting requirements for PFMA institutions to the Public Finance Management Act, 1999 regarding unauthorised, irregular and fruitless and wasteful expenditure (UIF&WE).

Framework

The new framework brought significant changes in relation to the disclosure of irregular, and fruitless and wasteful expenditure (IFWE). These changes are as follows:

1. Movement in the disclosure note of IFWE has been moved from annual financial statements to the annual report.
2. PFMA institutions will only disclose IFWE incurred in the current year, with a one-year comparative analysis.
3. Historical balances (i.e., opening balances) have been completely removed from the annual financial statements

Message to portfolio committee

The fact that the disclosure of IFWE (historical balances and movements) is no longer required on the annual financial statements and no audit assurance is provided thereon, the oversight structures would need to engage directly with the information disclosed in the annual report to exercise their oversight responsibility.

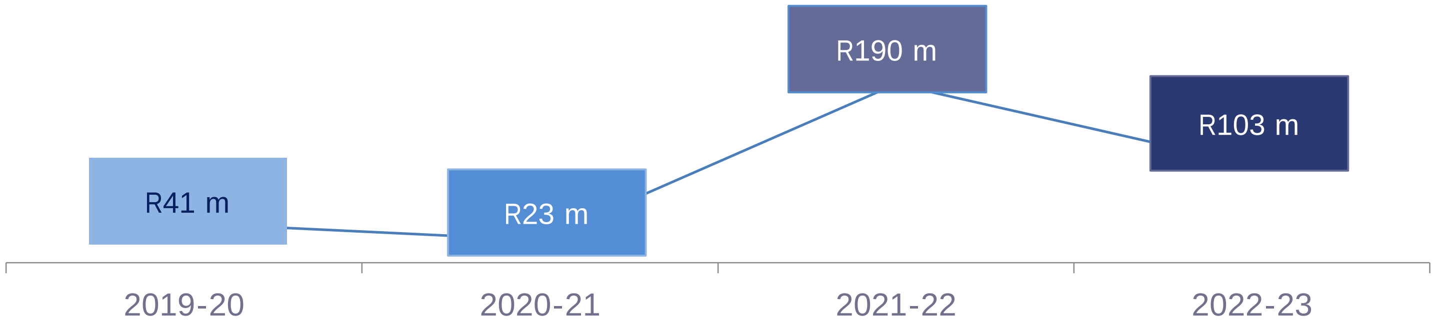
AGSA refined its audit approach to uphold transparency by continuing to audit the IFWE disclosure in the annual report

There is a clear messaging in the audit report on reliability of the IFWE disclosure in the annual report

The objective was to ensure that we could still be in a position to report to users of the AFS in cases where these historic balances of IFWE are not complete and accurate. This had no impact on the audit opinion.

Irregular expenditure

Annual irregular expenditure



Top contributors

- R94.4 m 91.9% NLC
- R5.2 m 5.1% NRCS
- R2.5 m 2.4% SABS

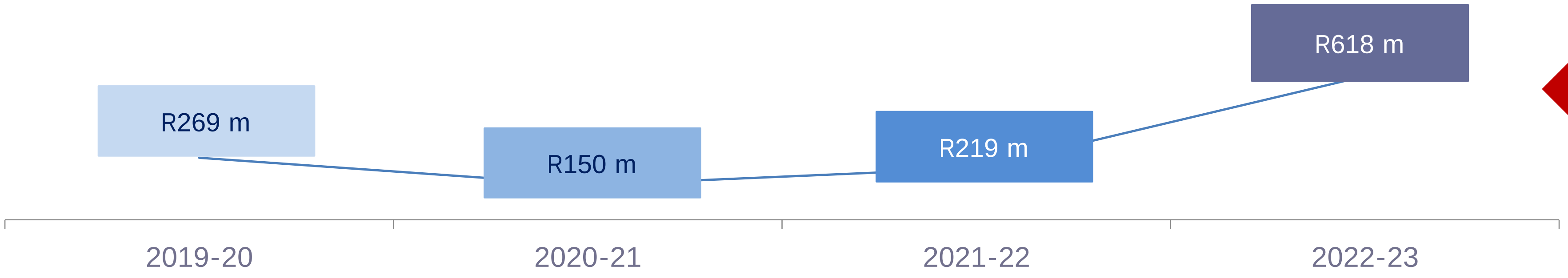
Impact of irregular expenditure incurred

Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive:
CC: R540k
CT: R92k
NLC: R94.4m
NCR: R5.7k
NRCS: R5.2m
SABS: R2.4m

Impact not yet assessed: SABS: R90k (employee costs)

Consequence management – dealing with irregular expenditure

Closing balance of irregular expenditure continues to increase



Reliability of IE balance

Material inconsistencies were identified
- NLC – IE inconsistent

How have auditees dealt with irregular expenditure

R0 bn	R0 bn	R0 bn	R0.618 bn
Money recovered or in process of recovery	Written off	Condoned/ removed	Not dealt with

Top 4 contributors (R614 million) to irregular expenditure not dealt with constitute 99.3% of R618 million

R434 m	70.3% (NLC)
R99.8 m	15.9% (CIPC)
R42.9 m	6.9% (NRCS)
R37.6 m	6.0% (SABS)

Reasons for IE not dealt with:

1. Investigated and awaiting condonement
   - NRCS – PY IE
   - CC – PY IE
   - CIPC – Closing balance IE
   - SABS – PY IE

2. Not yet investigated
   - NLC – CY and PY IE

Conclusions and recommendations

Portfolio committee message

Root causes, recommendations and commitments - NLC

Key root causes

- Inadequately regulated lottery environment that is mainly governed by policies, which has enabled mismanagement of the fund
- Weak/inadequate enforceable conditions on grants agreements which made misappropriation of grants possible
- Ineffective preventative controls over procurement and contract management and record keeping to support financial reporting .
- Ineffective reviews over the financial statements and annual performance reports. As well as poor record keeping.

Key recommendations

- Formulate and develop regulations for the proactive or research-based funding
- Enhance grant conditions and ensure adequate enforceable conditions on grant agreements
- Accounting authority to oversee the development and implementation of the action plans to address prior year audit findings, especially enhancement of controls supporting financial reporting and procurement and contract management.
- Enhance review process of annual financial statements and annual performance reports, consider subjecting these to a review by internal audit .

Commitments by executive authority / required

- Formulate and develop regulations for the proactive or research-based funding
- Review legislation relating to lottery funding to a view to strengthen the legislation
- Monitor the progress by the entity on the implementation of the action plans to address prior year audit findings
- Provide direction to the entity to engage the accountant-general on the appropriateness of the accounting policies used.
- Through the oversight unit with the department ensure that a detailed review of the annual performance plan is performed.

Call for action - NLC

1. Material irregularity - Committee to monitor the steps taken by the entity to recover the losses, implement consequence management and enhance controls to prevent a recurrence of this matter.
2. Committee to receive feedback through the in-year engagements with the entity on the implementation of action plans to address prior year audit findings.
3. Solicit feedback on the engagements with the accountant general on the appropriateness of the accounting policies applied by the entity and whether this is in accordance with the approved financial reporting framework.
4. The committee should interrogate the annual performance plan to ensure that it is aligned to the service delivery mandate of the entity and the indicators and targets are well defined to support credible performance reporting.
5. The committee should oversee the process to strengthen legislation relating to lottery funding

Portfolio committee message

Root causes, recommendations and commitments - SABS

Key root causes

- Ineffective reviews and monitoring of compliance with applicable legislation by management.
- Ineffective reviews to ensure preparation of regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
- Instability in leadership due to vacancy of CEO position and the placement process not being completed timeously.

Key recommendations

- Management should enhance the reviews of the separate and consolidated financial statements and monitor compliance with legislation.
- The Board should expedite the filling of the key vacancies.

Commitments by executive authority

- Monitor the progress by the entity on the implementation of the action plans to address prior year audit findings.
- Provide oversight and support to the board regarding filling of key vacant posts

Call for action - SABS

1. Committee to receive feedback through the in-year engagements with the entity on the implementation of action plans to address prior year audit findings.

2. Monitor the progress on the filling of key vacancies in the entity through the in-year engagements with the Executive Authority and Accounting Authority.

THANK YOU

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