**<On firm’s letterhead>**

**Report of Factual Findings to meet the requirements specified in APSS Programme Guidelines**

The Programme Manager: Agro-Processing Support Scheme

 Industrial Development Administration Division

Department of Trade and Industry

Private Bag X84,

Pretoria

0001

Dear Sir

**Factual Findings Report of the Independent Registered Auditor / Independent External Accounting Professional of ABC (PTY) LTD to the Department of Trade and Industry in respect of the APSS Grant Claim for first/second claim for the claim period from xxxx/xx/xx to xxxx/xx/xx.**

At the request of the Department of Trade and Industry (**the dti**) and in accordance with the APSS Guidelines we have performed the procedures agreed with the Programme Manager and set out below with respect to the information contained in the Claim Form for the stage 1 or stage 2 (annual) Claim of **ABD (PTY) LTD** (the Company / Close Corporation / Co-Operative) for the claim period from **xxxx/xx/xx** to **xxxx/xx/xx**.

Our engagement was undertaken in accordance with the *International Standard on Related Services ISRS 4400 – Engagement to Perform Agreed-Upon Procedures Regarding Financial Information.* Our procedures were performed solely to assist the Programme Manager in evaluating whether, or not, the Claim Form is in accordance with the Programme Guidelines and Approval Letter dated **xxxx/xx/xx**. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the Programme Manager. We have initialed the completed Claim Form and other accompanying schedules as set out on pages **1** to **X** for identification purposes only.

1. Reflect whatever is not applicable as (N/A)
2. This factual finding report shall be provided by an **independent registered auditor**, or an **independent external accredited Accounting Professional ( the Accounting Professional)**, as follows:
3. The factual findings report for Claim Forms submitted by a **company,** or in respect of a **project of a company**, shall be provided by the **independent registered auditor of the company.**
4. The factual findings report for claim forms submitted by a **Company**, **Close Corporation or Co-Operative** project with total investment for the APSS project in owned building, machinery and equipment commercial vehicles and competitiveness of **R10m and above** shall be provided by an **independent registered auditor.**
5. The factualfindings report for claim forms submitted by a **Close Corporation or Co-Operative** **project** with total investment for the APSS project in owned building, machinery and equipment commercial vehicles and competitiveness of below R10m may be provided by either and **independent registered auditor or an independent external accounting professional.**
6. Where the entity is **exempt from an audit requirement** and its investment for the APSS project in owned buildings, machinery and equipment, commercial vehicles and competitiveness is **below R10m**, the factual findings report for claim forms submitted may be provided by either an **independent** **registered auditor** or an **independent external professional person**.
7. **An Independent Registered Auditor** (the “Auditor”) means the individual or firm registered as an auditor with the Independent Regulatory Board for Auditors (the “IRBA”).
8. **An Independent External Accounting Professional** (the “Accounting Professional”) who is a member in good standing for any of the following professional bodies: the South African Institute of Chartered Accountants (SAICA); the South African Institute of Professional Accountants (SAIPA); the Commercial and Financial Accountants of South Africa (CFA-SA); practicing member and Associate General Accountants (AGAs) and the Association of Certified Chartered Accountants (ACCA).
9. Stage 1 & 3: is the bi-annual (6 months) claim for the first year and second year.
10. Stage 2 & 4 is the annual claims of the first year and second year.

**Procedures and Findings**

Our procedures performed and corresponding findings thereon are set out in the table below.

|  |  |  |
| --- | --- | --- |
|  | **Procedures** | **Findings** |
|  |  **SECTION A : GENERAL PROCEDURES** |
| 1 | Inspect the Grant Approval Letter and compare it to the name of the entity submitting the Claim. | The name of the entity reflected in the Claim Form is the same as that in the Grant Approval Letter. ***[Provide details of exceptions]*** |
| 2 | Inspect the establishment point of the entity and check if is still the same as indicated at application stage | The establishment point <is or is not> still the same as indicate at application stage |
| 3 | Inspect the Grant Approval Letter and compare approved activity to actual activity of the project. Confirm that the entity has started production and the date of production  | The activity that the project is engaged in, <is or is not> as per approval letter.The entity has started production and the start of production date is \_\_\_\_\_\_\_\_/\_\_\_\_\_\_\_/\_\_\_\_\_\_\_\_\_***[Provide details of exceptions]***  |
| 4 | Inspect the Grant Approval Letter and programme guidelines and confirm that the specific conditions of approval were adhered to.e.g:30% of raw materials/inputs from black suppliers  | The specific conditions reflected on the Grant Approval Letter <were or were not> adhered with.***[Provide details of exceptions]***  |
| 5 | Verify if there is any pending litigation against the applicant that might have an impact on the project. Confirm if there was litigation/pending litigation during the time of application or is, at the time of the claim/s and verify whether **the dti** was duly informed. This can be done through performing a forensic check with the approval from the applicant or obtaining an affidavit by the company CEO submitted to **the dti** declaring no pending litigation against the applicant.  | <There is or there is no> pending litigation against the applicant that might <have > impact on the project. This was confirmed and verified by performing <…………..>.***[Provide details of exceptions]*** |
| 6 | Inspect the audited annual financial statements for annual/full year claims and check that the name corresponds to the Claim Form and the Approval Letter. | The <audited/reviewed> annual financial statements supporting the grant claim are in respect of the Grant recipient for the period claimed. ***[Provide details of exceptions]*** |
| 7 | Inspect the auditor’s / accredited person’s report for annual claims and note details of any modification to the auditor’s report. | The auditors / accredited person’s opinion <was or was not> modified / modified – qualified / adverse / disclaimer of opinion. ***[Provide details of exceptions]*** |
| 8 | Compare the information in the Claim Form to the audited/reviewed financial statements for annual claims and underlying accounting records in previous claims and identify any discrepancies in the information extracted. | The information in the Claim Form has been extracted correctly from the audited financial statements and/or underlying accounting records. ***[Provide details of exceptions]*** |
| 9 | Confirm if the project/business has exhibited economic merit in terms of sustainability | Confirmed that the project/business <has or has not> exhibited economic merit in terms of sustainability. ***[Provide details of exceptions]*** |
| 10 | Check and confirm if the entity complies with the by-laws of South Africa | Checked and confirmed that the entity <complies/ does not comply> with the by-laws of South Africa [Provide details of exceptions] |
|  | **SECTION B : CAPITAL INVESTMENT** |
|  | **ASSET LIST- ASSETS OWNED (at cost) - LAND AND BUILDINGS, COMMERCIAL VEHICLES AND MACHINERY AND EQUIPMENT** |
|  | **PROCEDURE** | **FINDINGS** |
|  | Obtain the detailed **list of ‘Claim Assets’** reflecting the additions of qualifying assets acquired during the claim period and perform the following procedures. Sample 50% of invoices |
| 11 | Re-perform the casts and cross casts of the Asset List and compare the cost and details of additions during the Claim Period to the underlying accounting records for the Claim Period  | The amounts on the Asset List <agree / do not agree> to the cost in the claim form and no casting errors were identified, except for the following: ***[Provide details of exceptions]***  |
| 12 | Inspect supporting documentation for evidence that the assets actually have been acquired, e.g., invoices, contracts, proof of delivery, and evidence of payment to the supplier.  | Inspected supporting documentation and <there is or there is no> evidence that the assets have actually been acquired. ***[Provide details of exceptions]***   |
| 13 | Re-perform casts and calculations as per the invoices, contracts and agree the costs to the asset list and claim form.  | Re-performed casts and calculations as per the invoices, contracts the costs <agree or does not agree> to the amounts as per the asset list and claim form. ***[Provide details of exceptions]***  |
| 14 | Inspect the proof of delivery for evidence of the date of purchase and confirm that the assets were acquired after applying/approval of the incentive. Identify assets that have been purchased prior to applying for the incentive and confirm that these have not been claimed for  | There is evidence that assets <were acquired or were not acquired> during the claim period/after applying or approval of the incentive. Assets purchased prior to applying, <were / were not> claimed for. ***[Provide details of exceptions]***  |
| 15 | Check if second hand assets are included in the asset list and claim form as only new assets qualify for incentive purposes- inspect supporting documents to corroborate this.  | Second hand assets <are / are not> included in the assets list and claim form ***[Provide details of exceptions]***  |
| 16 | Compare the asset list line items to the Approval Letter and Programme Guidelines to identify any assets acquired that are not Qualifying Assets/costs for purposes of the Claim. | Assets acquired <are qualifying or are not qualifying> for the purposes of the claim ***[Provide details of assets claimed that do not appear to be Qualifying Assets]*** |
| 17 | Confirm whether the assets purchased are correctly disclosed as New or Second hand assets - inspect supporting documents to corroborate this. | Assets purchased were <correctly or incorrectly> disclosed as new or second hand ***[Provide details of exceptions]*** |
| 18 | Confirm that any assets selected were not purchased from a “Connected Party” as defined by **the dti programme guidelines** (*reflected on glossary of terms and definitions).* | Assets selected as per the asset list <were / were not> purchased from a connected party as defined by **the dti** ***[Provide details of exceptions]*** |
| 19 | Physically inspect assets and records of the date the assets were taken into production – agree to details as shown on the Asset List. | Assets were inspected on **xxxx/xx/xx** and <were / were not> being used in production at that date. The date as disclosed in the Asset List that the assets were taken into production / brought into use <agrees / does not agree> to the Company’s production or other records. ***[Provide details of exceptions]*** |
| 20 | Inspect that assets disposed of during the claim period are not claimed and are not included on the Asset List or the Claim Form.  | Assets disposed during the claim period <were/were not> claimed for and <were/were not> included on the assets list or claim form ***[Provide details of exceptions]***  |
| 21 | Inspect that the commercial vehicles claimed for is new and is linked to production process. | The commercial vehicle inspected <is or is not> new and <is or is not> linked to production process. ***[Provide details of exceptions]***  |
| 22 | Inspect that the commercial vehicle is registered in the applicants name and the registration certificate is valid | The commercial vehicle inspected <is or is not> registered in the applicant’s name and <is or is not> valid. ***[Provide details of exceptions]***  |
| 23 | Check the supplier of asset’s bank statement to confirm if payments were made by the applicant for the assets claimed for.  | The supplier’s bank statement <reflects or does not reflect> payments made by the applicant for the <same or not the same > assets claimed for***[Provide details of exceptions]***  |
| 24 | Check that the costs related to professional fees are related to the machinery and equipment and/or buildings claimed for.  | The costs related to professional fees <are related/not related> to the machinery and equipment and/or buildings the entity is claiming for. [Provide details of exceptions]  |
|  | **SECTION C: Asset List – Leased Buildings Improvements and owned buildings thereto** |
| 25 | Obtain the lease agreement and inspect the clauses relating to Leasehold Building Improvements. Compare to additions listed in the claim period to the lease agreement – enquire about any leasehold additions reflected not in accordance with the lease agreement. | The additions disclosed for the claim period <were / were not> in accordance with the Leasehold Improvements clauses in the lease agreement. ***[Provide details of exceptions and management’s explanations relating thereto]*** |
| 26 | Check if the Building improvements were not done prior to applying for the programme | The building improvement claimed for <were / were not> done prior to applying for the programme.***[Provide details of exceptions]***  |
| 27 | Obtain and inspect the purchase agreement and title deed for the owned buildings and check if it belongs to the approved entity and is acquired after applying for the programme. | The purchase agreement and title deed <does or does not> belong to the approved legal entity and the building was acquired <before/after> applying for the programme ***[Provide details of exceptions]*** |
|  | **SECTION D: EMPLOYMENT** |
|  | **Procedures Findings** |
| 28 | Obtain a schedule of the total number of employees and check against what is the base year employment at application stage and claim stage and if there is any reduction.  | Employees schedule obtained indicate that the base year employment at application and claim stage <is / is not> the same and<there is reduction or there is no reduction> in the base year employment ***[Provide details of exceptions]***  |
| 29 | Obtain a schedule of the total number of full-time employees for the claim period and compare to the total number of full time employees captured on the claim form*.*  | The total number of full –time employees for the relevant claim period for the entity or project <agrees / does not agree> to the underlying wage and payroll records and to the claim form <agrees or does not agree> ***[Provide details of exceptions]***  |
| 30 | Inspect the contract or letter of employment and/or termination of employment between the company and the employee. Confirm that the period of employment reflected in the letter/s applies to the claim period and identify any discrepancies. | Inspected the contract or letter of employment and/or termination of employment between the company and the employee.The period of employment reflected in the letter/s <agrees or does not agree>***[Provide details of exceptions]***  |
| 31 | Obtain the schedule of total employees and check if projected new jobs as per approval are created | Employees schedule obtained indicates that approved projected new jobs as per approval are created at ------- %***[Provide details of exceptions]***  |
| 32 | Physically inspect the identity document, work permits or certified copy thereof (ID or Passport) of the employee (if currently employed / or in the employee personal records maintained by the personnel department and identify any discrepancies from the information recorded in the payroll records and extracted to the Schedule above (Procedure 29).  | The employees’ ID/Passport or certified copy thereof were inspected and <agrees / does not agree> to the information in the personnel records of the employee. ***[Provide details of exceptions]***  |
| 33 | Attend a wage payout and verify the existence of employees through physical observation and inspection of ID’s presented at the payout compared to the Payroll Records *(for entities that have manual wage payout).*  | The employees were observed at the payout and their ID / Passports were inspected and compared to the Payroll Records. No discrepancies were found other than those indicated below:ORN/A – Claiming Entity does not have a manual wage payout system. ***[Provide details of exceptions]*** |
| 34 | Inspect registration form for evidence of the employees’ registration with the Unemployment Insurance Fund (UIF) for those employees working more than the minimum number of hours per week / per month.  | UIF Registration forms <were / were not> inspected for all employees who qualify for registration.***[Provide details of exceptions]*** |
| 35 | Inspect the payments records to confirm that employees who qualify for UIF have deductions for UIF have been paid over to the authorities. | UIF deductions for employees that qualify for UIF <have been paid or have not been paid> to the authorities.***[Provide details of exceptions]***  |
| 36 | Inspect that wages paid to the employees and confirm if it is not below the sectoral minimum wage and legislative requirements governing the sector as published on **the Department of Labor** website | Wages paid to employees <were / were not> below the sectoral minimum wage and legislative requirements governing the sector as published on **the Department of Labor** website ***[Provide details of exceptions]***  |
|  | **SECTION E: COMPETITIVENESS IMPROVEMENT COSTS** |
|  | **Procedures:** | **Findings** |
| 37 | Re-perform casts and calculations as per the invoices, contracts and agree the costs to the competitiveness improvement costs as per the claim form. | Re-performed casts and calculations as per the invoices, contracts and the costs <agrees / does not agree to the amounts of competitiveness improvement cost claimed for in the claim form. ***[Provide details of exceptions]*** |
| 38 | Check if the competitiveness improvement costs claimed for is as per the approval letter  | The competitiveness improvement costs claimed for <is> or <is not> as per the approval letter  ***[Provide details of exceptions]*** |
| 39 | Verify if the Competitive Improvement cost categories on the claim asset list is per qualifying investment cost categories as the guidelines | Business development Services categories <are or are not> as per qualifying investment cost as the guidelines.***[Provide details of exceptions]***  |
| 40 | Agree the total Assets reflected on the Asset List to the “Investment made at Cost” reflected in the Claim Form. | The investment at cost of R xx,xxx,xxx <agrees / does not agree> to that reflected on the Asset List. ***[Provide details of exceptions]*** |
| 41 | Verify the items and costs as per the claim assets list against relevant supporting evidence, eg: Invoices, bank statement | Items and costs as per the claim asset list <are or are not> as per supporting evidence.***[Provide details of exceptions]***  |
| 42 | Confirm the existence of deliverables as per **the dti** approved Activity Schedule and determine whether the deliverables undertaken was specified and approved during the application stage.  | Deliverables undertaken <were or were not> as approved by the dti***[Provide details of exceptions]***  |
| 43 | Inspect evidence of improvement as detailed in the application form. Verify whether this is in line with the reasons given on the application form submitted to **the dti**. | Improvements done <were or were not> as detailed in the application form. ***[Provide details of exceptions]***  |
|  | **SECTION F: ECONOMIC BENEFIT CRITERIA (APPLICABLE TO ENTITIES APPROVED FOR ADDITIONAL 10% GRANT)** |
|  | **Procedure:** | **Findings** |
| 44 | Check if the Economic Benefit Criteria approved at application stage is achieved and is still maintained as approved where an additional 10% grant was approved. Inspect supporting documents to collaborate this. * Increased base year employment by at least 25%
* Achieved level 1 on B-BBE codes of good practice
* Project located in state owned Industrial Park or are with unemployment higher than 25%
* Procuring at least 70% of inputs or Machinery and Equipment that is locally manufactured.
 | The Economic Benefit Criteria approved at application <is or is not> achieved and still maintained as approved ***[Provide details of exceptions]***  |
| 45 | **SECTION G: CALCULATION OF THE 50% AND 30% REQUIREMENT OF SOURCING RAW MATRIALS/INPUTS** |
|  | **Procedure:**  | **Findings:** |
|  | Calculate whether 50% of raw materials/inputs were sourced in South Africa | xxxxxxxxx % of raw materials were sourced in South Africa |
|  | Calculate whether 30% of the raw materials/inputs were sources from Black South African suppliers | Xxxxxxxxxx % of raw materials were sources from Black South African suppliers. |

Because the above procedures do not constitute an audit of financial information, a review of financial information or other assurance engagement on non-financial information conducted in accordance with *International Standards on Auditing, International Standards on Review Engagements* and *International Standards on Assurance Engagements other than Audits or Reviews of Historical Financial Information,* we do not express any assurance on the validity or accuracy of the attached Grant Claim. Had we performed additional procedures or had we performed an audit or review, or other assurance engagement in respect of the completed Claim Form and other accompanying schedules for the period ended **xxxx/xx/xx** other matters might have come to our attention that would have been report to you.

**Restriction on use and distribution**

Our report is prepared solely for the purpose set out in the first paragraph to assist the Programme Manager in evaluating whether or not the attached Claim Form for Stage **1 or 2** is in accordance with the Programme Guidelines and Approval Letter date **xxxx/xx/xx**. Our report may not be suitable for another purpose and is not to be distributed to, or used by, any other parties other than as provided for in the Programme Guidelines and Approval Letter.

**Registered Audit Firm**

***<Name of individual Registered Auditor>***

**Capacity: *<Sole Practitioner, Partner, Director>***

**Registered Auditor**

**<Registration Number>**

**OR**

**Where the factual findings report is provided by an independent external accounting professional who is not a registered auditor:**

**Independent External Accounting Professional’s Firm**

***<Name of individual accounting professional>***

**Capacity: *<Sole Practitioner, Partner, Director>***

**<Chartered Accounting (SA) / Professional Accountant (SA) / Certified Chartered Accountant>**

**<Membership Number>**