



Budgetary review and recommendations report (BRRR)

Portfolio Committee on Trade, Industry and Competition

21 October 2025



AUDITOR-GENERAL
SOUTH AFRICA

Advocating for an effective government culture

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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

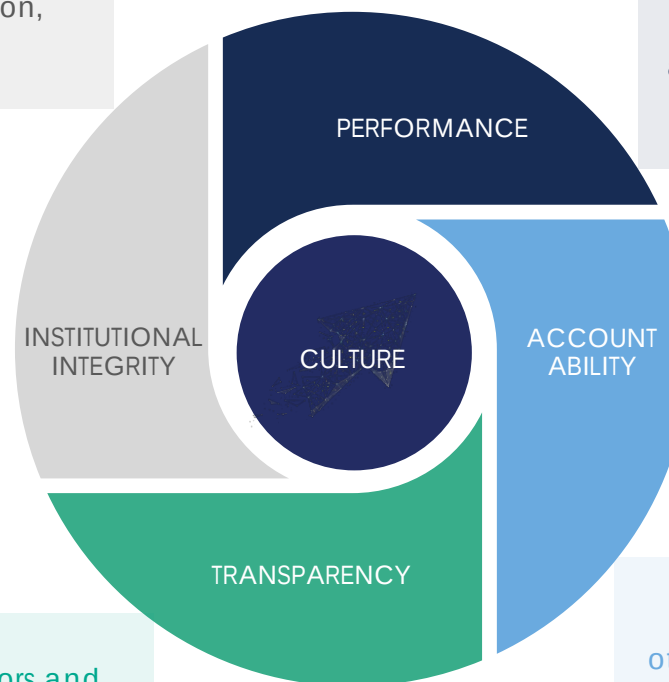


AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Implement and maintain institutionalised controls to ensure leadership and officials behave ethically, comply with legislation and act in best interest of institution, avoiding conflicts of interest

Demonstrate commitment to improving lived realities of South Africans by delivering on legislated mandate and **strategic objectives aligned to people's** needs, being financially sustainable, and avoiding harm to public and public sector institutions



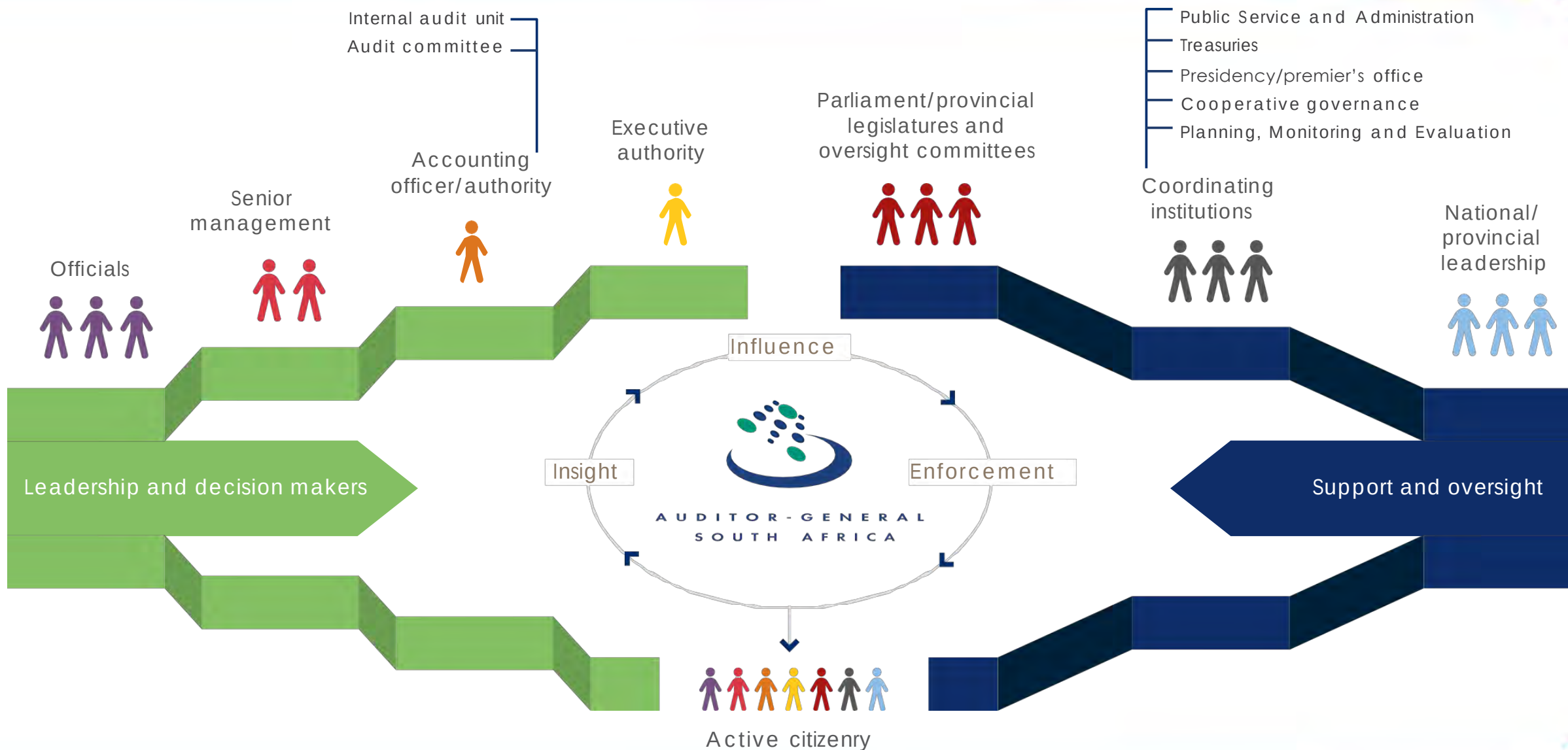
Provide public, oversight, auditors and other stakeholders with timely, relevant **and reliable information on institution's** finances, performance, use of resources and compliance with legislation

Be responsive to public, oversight and other stakeholders through reporting and providing answers on mandated responsibilities fulfilled, actions taken and decisions made; ensure swift consequences for transgressions and poor performance



All have a role to play in accountability ecosystem

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Department of Trade, Industry and Competition (DTIC)

Audited by AGSA

- National Credit Regulator (NCR)
- Competition Tribunal (CT)
- Companies and Intellectual Property Commission (CIPC)
- South Africa Bureau of Standard (SABS)
- National Regulator for Compulsory Specifications (NRCS)
- National Lotteries Commission (NLC)
- Department of Trade, Industry and Competition (DTIC)
- Competition Commission (CC)



Section 4(3) entities

(Not audited by AGSA)

- 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 (CoT)
- Industrial Development Corporation (IDC)
- National Consumer Commission (NCC)
- International Trade Administration Commission of South Africa (ITAC)
- Take Over Regulation Panel (TRP)
- National Consumer Tribunal (NCT)

In 2023-24, we recommended the following:

- ◆ Filling of key vacancies to ensure stability of leadership (SABS, NRCS, NEF, IDC, DTIC)
- ◆ Oversee progress on implementation of audit action plans put in place by the department and entities to improve audit outcomes, including status of material irregularities. (NRCS, DTIC, NLC, SABS)
- ◆ Exercise oversight through consistent monitoring of the performance of the portfolio including implementation of key incentive funded projects to ensure there is accountability, that funds are used for intended purposes and greater impact on the lives of the ordinary citizens.
- ◆ Monitor the progress of the Medium-Term Strategic Framework (MTSF) targets not yet achieved and ensure that there are adequate plans to fast-track the performance of the department and its entities.

Overall reflections on implementation of recommendations:

- Vacancies for chief executive officer (CEO) for NEF and the IDC, and a director-general DTIC were filled between January and April 2025. With regards to NRCS, the CEO position is currently occupied by an acting incumbent. Vacancies still exist at DTIC on DDG positions as some of these still operate under acting leadership.
- While the audit outcomes in the DTIC portfolio have improved, more still needs to be done to achieve clean administration at NLC. The status of NLC Material irregularity (MI) is still in progress pending recovery of financial losses. Two additional MI's were raised in the 2023/24 financial year.
- The committee monitored the portfolio's performance and use of incentive funds, however, fraud risk indicators were identified during the 2024/25 audit on the Capital Projects Feasibility Programme (CPFP) incentive payments which has triggered a forensic investigation (DTIC).
- Based on current year audit, performance still requires improvement as some MTSF targets were not achieved.

Overall audit outcomes (entities audited by the AGSA)

2023-24	5	2	1	0	0	0	8
Last year of previous administration							
2024-25	5	2	0	0	0	1	8
2024-25	63%	25%				12%	

Movement from previous year

2

▲

1

▼

- DTIC
- CT
- CIPC
- NRCS
- CC

- NCR
- NLC

- SABS

Submission of financial statements by legislated date remained stagnant from 89% in the prior year to 89% with only one auditee not having submitted (SABS)

Outstanding audit

- SABS: The audit is delayed due to a ransomware attack experienced in November 2024 which has hindered the auditee in finalising the financial statements. There is no anticipated audit report date as the financial statements are outstanding.

Improved audits

- NRCS improved from an unqualified audit with findings to a clean audit, driven by strengthened controls over performance information reporting.
- NLC improved from a qualified to unqualified with findings audit opinion. Management, audit committee, and the Board collectively strengthened governance by improving internal controls through updated policies and enhancing grant monitoring processes.

Regressed audits

- NCR regressed from a clean audit to an unqualified audit with findings, due to shortcomings in the control environment affecting financial reporting and legislative compliance.



Overall audit outcomes (Section 4(3) entities) - not audited by AGSA

2023-24	5	6	0	0	0	0	11
Last year of previous administration							
2024-25	9	2	0	0	0	0	11
2024-25	82%	18%	-	-	-	-	

Movement from previous year

4 0

- ECIC
- NCC
- CoT
- NGB
- NEF
- Sanas
- NMISA
- ITAC
- NCT

- TRP
- IDC

Improved audits

- NMISA: improved from an unqualified with findings to a clean audit outcome as financial statements were submitted timely in the current reporting cycle.
- Sanas: improved from an unqualified with findings to a clean audit outcome due to improved internal control environment and implementation of audit action plans.
- ECIC: improved from unqualified with findings to a clean audit outcome. In the current year and ECIC submitted their AFS on time which is an improvement from last years late submission.
- NEF: Improved from an unqualified with findings to a clean audit outcome due to improvements in financial reporting processes and strengthened compliance monitoring.



Message on overall audit outcomes – Audited by AGSA

Overall audit outcome

The overall portfolio outcomes have improved, reflecting a positive progression compared to the audit results from the previous year.

Four auditees managed to sustain their clean audit (unqualified audit opinion) status once again (DTIC, CT, CIPC, CC). Potential fraud indicators identified in the current year on the CPFP incentive scheme at DTIC are currently under departmental investigation. The impact assessment will be concluded upon completion of the investigation.

The NRCS improved from an unqualified with audit findings in the prior year to a clean audit driven by strengthened controls over performance information reporting. In the prior year, NRCS received an unqualified audit opinion due to inadequate reviews of the annual performance plan however these issues were resolved in the current year.

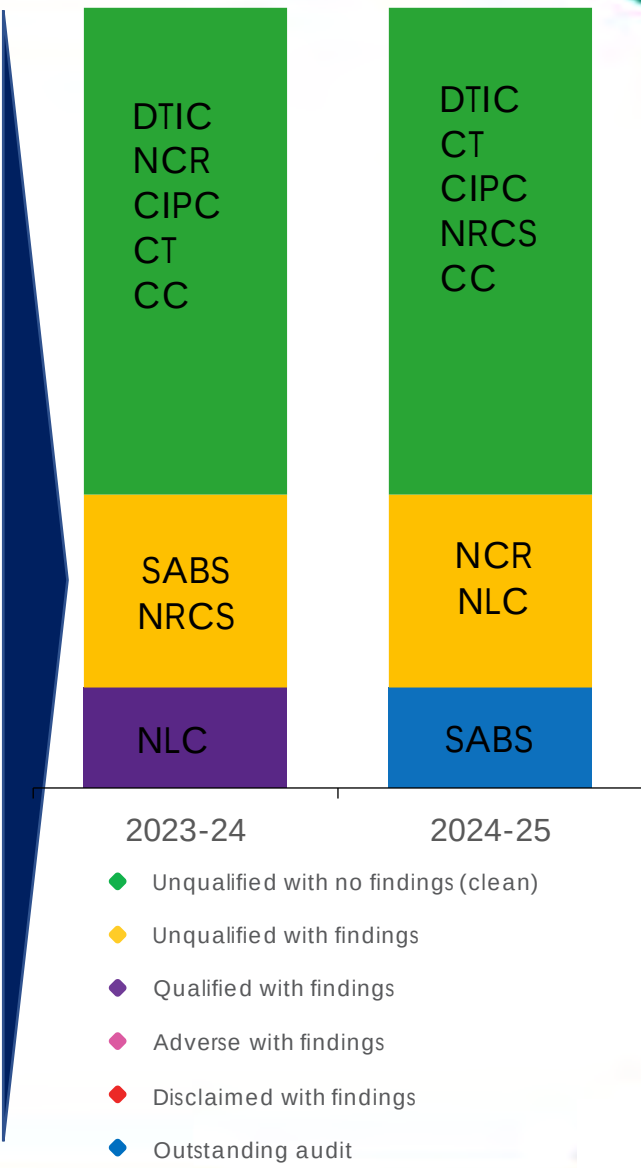
NCR regressed from a clean audit to an unqualified audit with findings, due to shortcomings in the control environment affecting financial reporting and legislative compliance. Material misstatements were identified in the financial statements submitted for audit however these were subsequently corrected.

While further progress remains necessary, we acknowledge the positive shift in the NLC's audit outcomes from a qualified audit opinion to an unqualified opinion with findings. Management, audit committee, and the Board collectively strengthened governance by improving internal controls through updated policies and enhancing grant monitoring processes.

The material misstatement identified on the financial statements were corrected however this indicates deficiencies regarding oversight over the financial statement compilation process and the quality assurance processes. (NLC & NCR)

Deficiencies were noted regarding the performance reporting processes as material misstatements were identified. These were subsequently corrected by management (DTIC, NRCS, CIPC, CC).

With regards to compliance with key legislation, non-compliances were identified in consequence management (NLC), revenue management (NCR), and expenditure management (NLC), indicating deficiencies in the effectiveness of compliance monitoring processes.



Message on overall audit outcomes

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Current culture

- Performance – the DTIC portfolio's culture of performance requires improvement. Some key entities have not achieved key service deliver targets, including DTIC (68%), NCR (82%), CT (81%) , CIPC (92%), NRCS (63%), CC (87%) and NLC 80%)
- Accountability – most auditees in the portfolio complied with key legislation. NLC and NCR, to struggle with compliance with key legislation such as revenue management(NCR), Expenditure management (NLC), Consequence management (NLC) and quality of performance (DTIC, NRCS, CIPC & CC) and financial reports (NCR and NLC).
- Transparency – with the exception of the outstanding audit of (SABS), auditees in the portfolio submitted the financial statements on time. Material misstatements were noted at NLC and NCR. The audit identified recurring findings consistent with the previous cycle, highlighting the need for the entity to enhance its processes and accurately recognise transactions, balances, and disclosures in line with the grant conditions. (NLC).
- Institutional integrity – improvements are required to prevent irregular, and fruitless and wasteful expenditure and material irregularities at some entities, the institutions should ensure that material non-compliances are avoided and consequence management is implemented timely.

Root causes

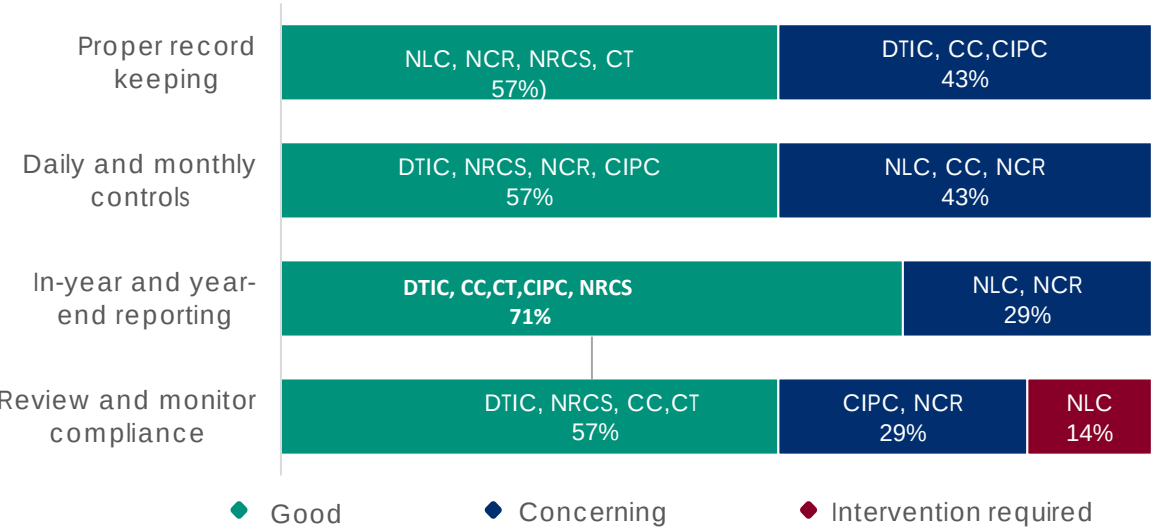
- Ineffective oversight over in-year monitoring on key service delivery targets to ensure that corrective actions are implemented timeously and enable achievement of targets at year end.
- Due care not adequately applied by management to ensure compliance with relevant laws, regulations and internal policies due to inadequate oversight, resulting in material non-compliances and potential financial losses.
- Inadequate implementation of controls intended to identify and rectify errors and omissions in the financial statements , impacting the credibility of the financial statements.

Recommendations

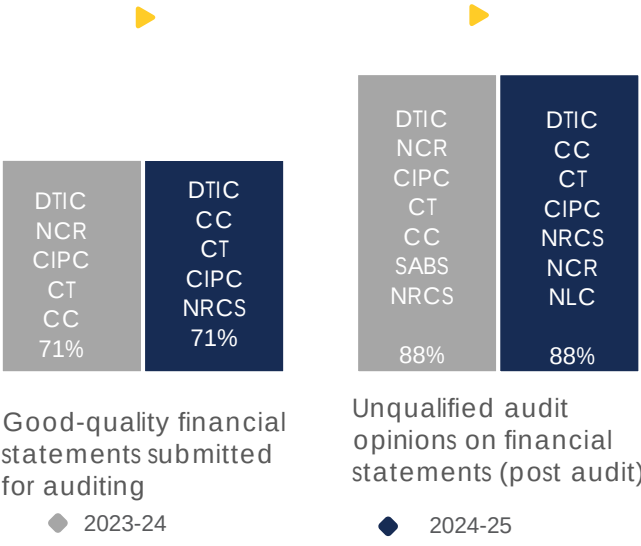
- The compliance monitoring interventions must be enhanced to ensure identified gaps are addressed and compliance enforced throughout the portfolio.
- Remediate identified control weaknesses related to CPFP incentive and grant management processes by implementing targeted preventative and detective controls to strengthen the grants and incentive payment processes.
- Monitor progress on improving quality of financial statements and performance reports to ensure clean administration. Effective monitoring and implementation of remedial measures are essential to enhancing the performance of the department and its entities

Financial statements – accounting for financial performance

Financial management controls



Quality of financial statements



What caused improvement and regression?

Improvement

- NLC: The auditee corrected the prior year misstatements related to grants and all other material misstatements were corrected.

Regression

- NCR: regressed from a clean audit to an unqualified audit with findings, due to shortcomings in the control environment affecting financial reporting.

Key observations since previous year

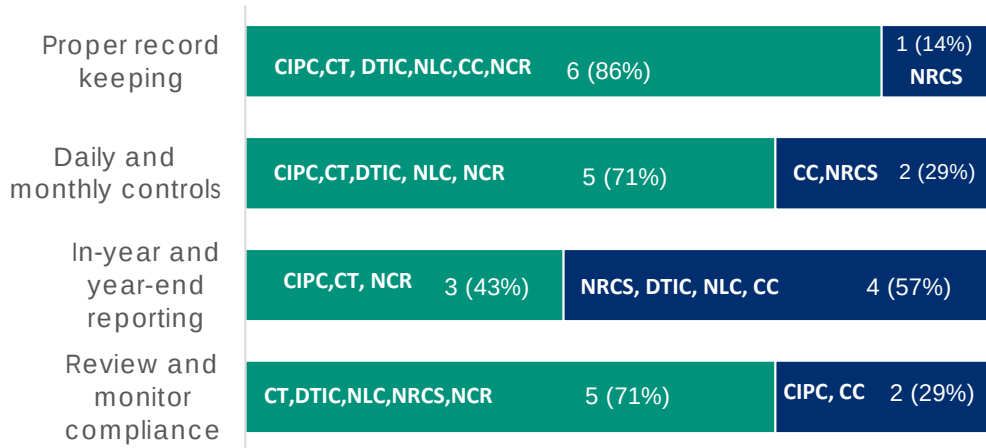
- The overall quality of financial statements submitted for audit remained static during the current cycle. While the NLC demonstrated an improvement, this was offset by a deterioration in NCR's audit outcomes. Both entities had material misstatements across critical financial areas. NCR in receivables, payables, revenue, assets, and disclosures; and NLC in grant-related liabilities, income, and related party transactions, highlighting ongoing weaknesses in financial reporting and control environments.
- Material misstatements in the AFS submitted for auditing require close monitoring to avoid a regression in the audit outcomes (NCR and NLC) as the material misstatements negatively affect the credibility of the AFS.

Impact : Poor quality financial reporting undermines transparency and accountability and impairs effective oversight on the institutions. The quality of financial statements submitted for audit remains an area of concern.



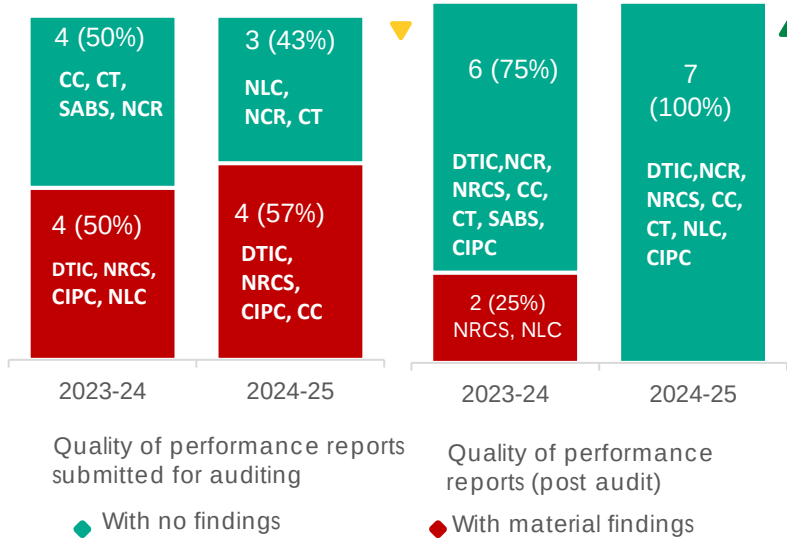
Performance planning and reporting for service delivery

Performance management controls



◆ Good ◆ Concerning ◆ Poor

Quality of performance reports



Material findings on performance reports

- CC: Difference between reported achievement and recalculated achievement for one indicator. (Reliability)
- CIPC: Reported target for two key performance indicators was not consistent with planned target. (Usefulness)
- DTIC: Quarterly targets were compared to actual quarterly results instead of annual targets, as stipulated in the Department of Planning, Monitoring and Evaluation (DPME) guidelines thus impacting deviations reported. (Reliability)
- NRCS: The reported achievement was not complete due to failure to timeously update the registers. (Reliability)

Impact

- Unreliable reporting disempowers the accountability ecosystem's roleplayers' ability to assess performance and take action.
- Significant changes after the audit indicate that in-year reporting is not reliable and may impact decision-making.
- Indicators and targets that are not planned properly have a direct impact on the deliverables and may undermine key objectives.

Findings caused by:

- CC: Lack of thorough management review and reconciliation of the reported performance achievements with the supporting evidence prior to submission for audit.
- CIPC: Management did not perform adequate consistency reviews between the reported performance targets against approved planning documents highlighting a breakdown in the planning and performance reporting processes.
- DTIC: Management did not ensure adherence to the Framework for Managing Programme Performance Information (FMPPI) in putting systems in place to verify and validate third party information.
- NRCS: Due to failure to timeously update registers

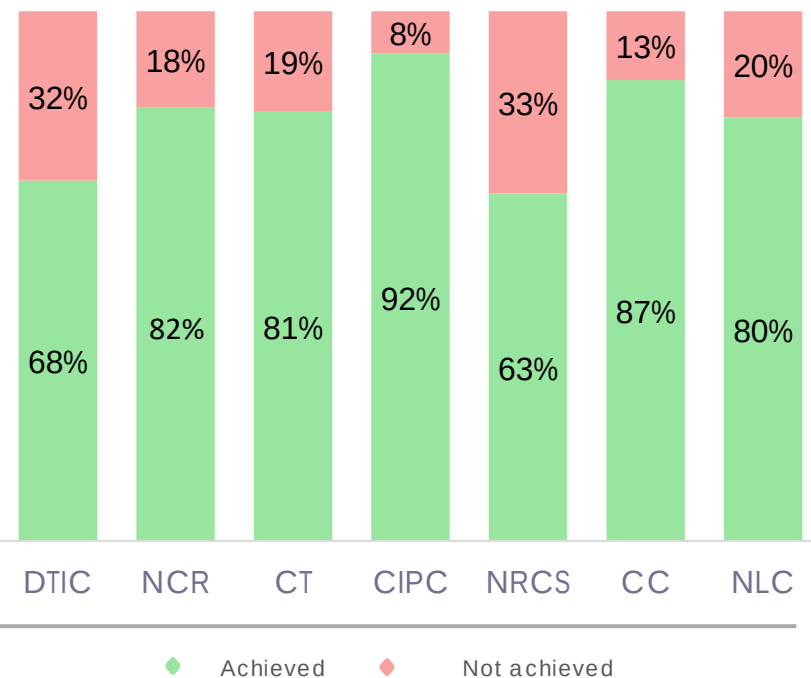
These matters demonstrate ineffective internal controls over performance reporting processes.



Performance against targets

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Achievement of annual targets as reported in annual performance report (all indicators – 2024-25)



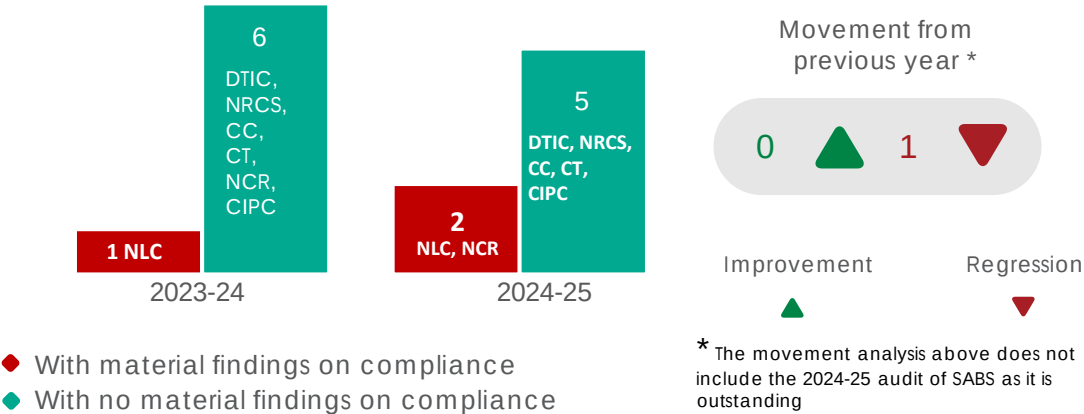
Key targets not achieved include the following:

- DTIC: Number of new jobs created through sectoral interventions, Number of jobs supported through branch interventions in Black Industrialist firms. Root cause - Mainly due to re-prioritisation of targets on the revised APP.
- NCR: Impact study report on the effect of total cost of credit and credit life insurance regulations on consumers and submit a final report to the DTIC. Root cause: Delay and late appointment of a suitable service provider to perform impact study report.
- CT: Percentage of decisions and orders issued on opposed applications within 35 working days from the last set-down or final submission by parties, whichever is applicable. Root cause: The root cause is the absence of cases reported(indicator 1) , complexity of cases and limited capacity of resources available on full time bases (indicator 2).
- NRCS: Number of Inspections conducted as per the NRCS risk-based approach to monitor compliance to regulations within the automotive, chemicals materials and mechanicals (CMM), electro-technical and legal metrology sectors. Root cause: financial constraints and insufficient revenue generation, compounded by prolonged leadership vacancies and unionised environment that affect strategic direction and organizational stability and performance.
- CC: Percentage exemption application completed within 12 months, percentage of cartel cases won at courts and %merger decision upheld by the courts. Progress report on the development of the Management Information System (MIS). Root cause- Mainly due to some court decisions, which were outside of the control of the entity and unanticipated contractual disputes with service provider regarding the MIS.
- NLC: Percentage of applications adjudicated within 150 days. Root cause: delay in completing due diligence such as site visits, feasibility assessments, consultations, and beneficiary verification in a timely manner.

Impact of targets not achieved

- NCR - The underachievement directly impacted the objective of enhancing consumer protection and access to responsible credit.
- CT – Non-achievement of targets may result in not fully implementing the core mandate.
- CIPC - Customer experiences with CIPC as well as desired improvements in intellectual property regulation compliance and royalty distribution environment for investment.
- CC - Non-achievements impacted key deliverables such as; exemption applications not completed within 12 months, cartel cases won in courts and merger decisions upheld in courts
- NRCS - The under achievement directly impacts the mandate of the NRCS which is to safeguard public health, safety, and the environment by developing and enforcing compulsory specifications and technical regulations.
- NLC - NPOs that rely on grant funding experience significant financial strain, rendering them unsustainable and impairs their ability to deliver essential social services.
- DTIC - Lack of job opportunities lead to continued higher levels of unemployment in South Africa.

Compliance with key legislation



Causes of compliance findings

- o NCR & NLC: Ineffective oversight over the preparation and review processes of the financial statements.
- o NCR: Adequate measures to recover outstanding revenue were not implemented (Revenue management)
- o NLC: Effective steps were not taken to prevent irregular expenditure due to ineffective oversight. (Expenditure management)
- o NLC: Insufficient evidence to conclude that resources were used economically.
- o NLC – Lack of investigation into fruitless and wasteful expenditure.

Impact

- o Reduced reliability of financial information, as material misstatements in submitted financial statements limit their usefulness for decision-making and public accountability (NCR&NLC).
- o Failure to implement adequate revenue recovery measures may lead to cash shortfalls which will compromise service delivery. (NCR)
- o Undermines the constitution, which prescribes that procurement should be cost-effective, fair, transparent, equitable and competitive. (NLC)
- o Delayed implementation of consequence management heightens the risk of recurring non-compliance, undermining the institution's overall performance and accountability. (NLC)

Most common areas of non-compliance (2024-25)

Most common areas of non-compliance (2024-25)	NCR	NLC
Annual financial statements	X	X
Revenue management	X	
Expenditure management		X
Consequence management		X

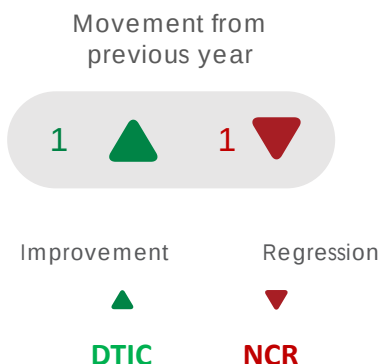
Risk: weaknesses in procurement and contract management

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Status of compliance with legislation on procurement and contract management



◆ No findings ◆ Non-material findings ◆ Material findings



Causes of procurement and contract management findings

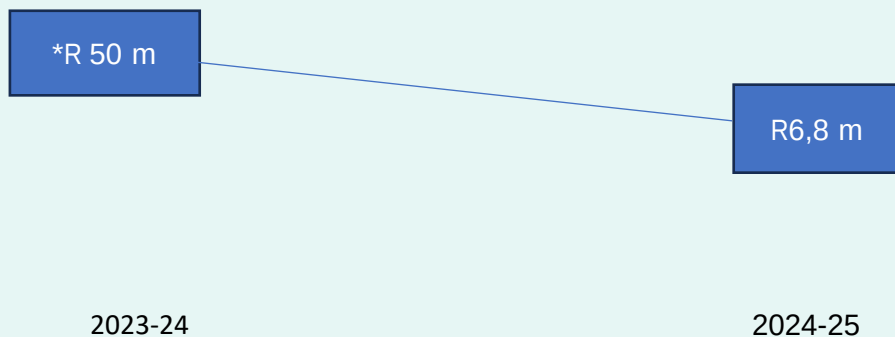
- Inadequate reviews and monitoring of compliance with procurement legislation and policies
- Inadequate recordkeeping and failure to retain sufficient evidence to demonstrate compliance

Impact

- Increased risk of irregular, fruitless and wasteful expenditure
- Undermines the principles of fairness, transparency and cost-effectiveness in public spending

Detail of procurement findings	NLC	NCR	CIPC	NRCS
Audit limitations	X			
Deviations	X		X	
Conflict of interest		X		
Non-compliance: competitive bidding process	X			
Non-compliance : quotation process	X			X
Contract management	X			

Annual irregular expenditure



**Prior year amount has been restated to include the irregular expenditure of NLC*



Irregular expenditure of portfolio does not include the irregular expenditure for SABs as the audit is outstanding.

Causes of irregular expenditure

Non-compliance with procurement process and non-compliance with legislation on contracts (NLC)

Top contributor

R6,7m

NLC

Impact of irregular expenditure incurred

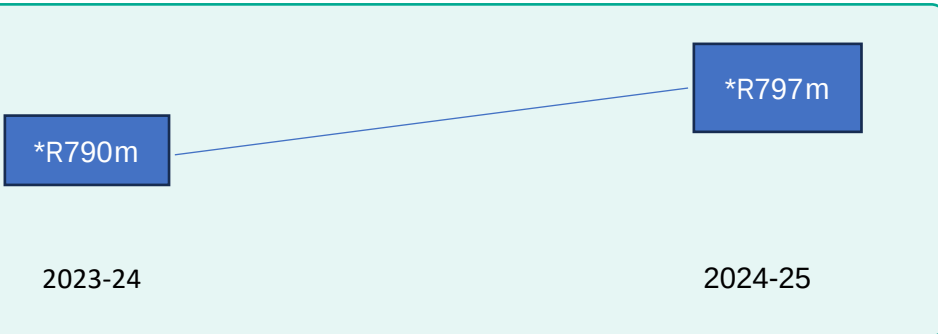
- Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive: R6,7m (NLC), R15k (DTIC), R8K(NRCS).
- The irregular expenditure identified at NLC (R6.7) relates to instances where three written price quotations were not obtained, quotations not approved by the appropriately delegated authority, quotations awarded without verification of bidder's tax compliance, no clear guidance on the scoring of the evaluation criteria used as well as total payments made on contracts exceeding the original contract price and expenditure made on expired contracts.
- DTIC (R15k) relating to SCM Quotations where the budgeted amount was exceeded.
- NRCS (R8k) due to SCM processes not being followed in relation to obtaining the required approval for a deviation.

The incurrance of irregular expenditure results in uneconomical use of available funds that could be directed towards the enhancement of service delivery objectives.

Risk: consequence management – dealing with irregular expenditure

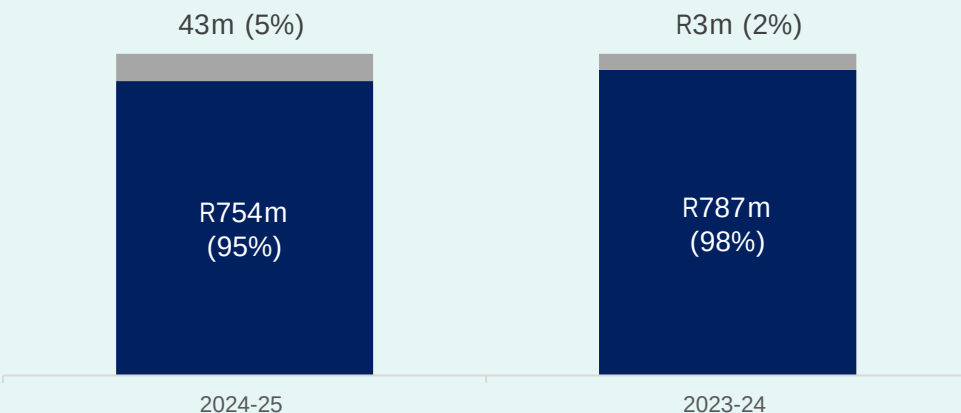
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Closing balances of irregular expenditure (as per annual report)



**amounts relate to the closing balances of IE at year end and not irregular expenditure incurred in the current year and has been restated to include NLC irregular expenditure*

How have auditees dealt with irregular expenditure



◆ Not dealt with ◆ Dealt with (condoned, recovered or in process of recovery, written off)

Reliability of IE balance

No material inconsistencies were identified

Irregular expenditure under assessment of R79m (NLC)

Top contributors (R796m) to irregular expenditure not dealt with constitute 99% of R797m

R697m NLC

R98m CIPC

R1,3m CC

Reasons for 2023-24 IE not dealt with (using balances)

Investigated and awaiting condonement/removal/consequence management

- CIPC: R98m

Condoned/Removed

- NRCS: R43m

Investigation in progress

- CC: R0,773m
- NLC: R369m

Not yet investigated

- NLC: R242m

Under assessment

- NLC: R79m

Fruitless and wasteful expenditure

17

Annual Fruitless and wasteful expenditure

*R1,5 m

R0,87 m

2023-24

2024-25

**Prior year amount was restated to include the fruitless and wasteful expenditure for NLC*

Impact of fruitless and wasteful expenditure incurred (current year fruitless and wasteful expenditure)

- Penalties and interest: R493 (NRCS), R2 000 (NLC)
- Other: (NCR): R52 000 Loss of asset; Non-attendance of a conference; Receipt of medical aid subsidy for non-qualifying person; contempt of court order.
- R 33 000(NLC): Traffic fines, missed flights

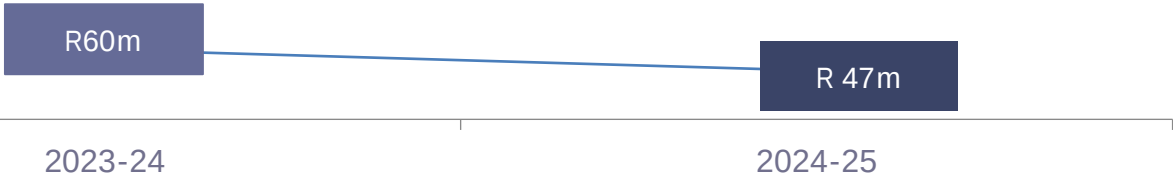


Fruitless and wasteful expenditure of the portfolio does not include the fruitless and wasteful expenditure for SABS as audit is outstanding



Risk: consequence management – dealing with fruitless and wasteful expenditure

Closing balance of fruitless and wasteful expenditure



The 2024/25 excludes the amount of fruitless expenditure for SABs as audit is not yet finalized.
The 2023/24 balance of fruitless and wasteful was restated to include the FWE of NLC that was outstanding in the prior year.

Reliability of FWE balance

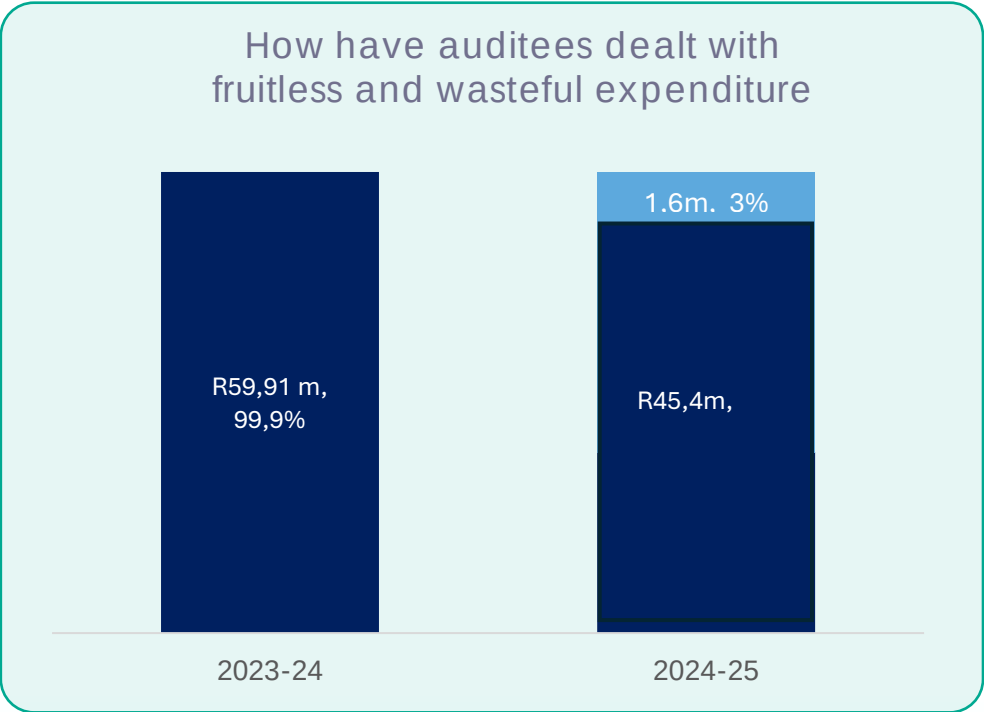
- No material inconsistencies were identified

Reasons for FWE not dealt with

- Investigated and awaiting recovery/ write off
 - NCR – R 33 000 investigated and awaiting condonement/recovery
- Investigation in progress
 - NCR – R21 591 000 Investigation still in progress
 - NRCS – R3 693 265 Investigations were done but not yet written off or recovered
- Not yet investigated/ Not dealt with
 - NLC – R20 821 000

FWE dealt with

- Money recovered or in the process of recovery
 - NCR – R1616 000
 - NLC – R16 000



Top contributor: NCR (R23m) and NLC (R20m) fruitless and wasteful expenditure not dealt with constitute 92% of R47m



Financial health

1

Good financial health:

The department together with its controlled entities did not have significant findings that may suggest risks of going concern.

2

Financial assessment

Below are areas to be noted with regards to financial health in the various entities. These do not cast significant doubt on the entities' ability to continue as a going concern

Entity	Financial assessment
NLC	- Expenditure management: Creditor payment period exceeds the standard of 30 days and is currently sitting at 76 days. - Cash management: Cash on hand increased from R3,7bn in the prior year to R4,4bn in the current year.
CC	- Creditor payment period remains elevated at 77 days. This indicates ongoing delays in settling obligations, which could stain supplier relationships and results in penalties - Cash management: The entity experienced negative net cash flows from operating activities for both years (R16,8 million in 2025), reflecting potential inefficiencies in operations and working capital management.
CT	- Negative net cash flow from operating activities: The negative net operating cash flow is mainly as a result of both lower-than-expected filing fees from the commission and utilisation of the previous year's surplus retention for operating activities. The negative cash flow from operating activities is R4 104 000. - Total expenditure exceeds total revenue: The total deficit for the year amounted to R5 371 000 due to filing fees actual costs being more than the budgeted amounts.
CIPC	Deficit was realised for the year: Total expenditure exceeded total revenue by R26 538 000
NCR	- Debtors' impairment provision at year end as a percentage of account receivable is 100% meaning that credit control and collection policies of the entity are not effective. This also resulted in material non-compliance in revenue management. - Creditors payment period increased from 31 days to 127 days which indicates that controls are not applied correctly
NRCS	- Revenue Management: The entity collection period for debtors has slightly deteriorated compared to the prior year, increasing from 45 to 54 days, which is indicative of the difficulties that are still experienced in collection on time. - Cash Management : creditors' days have slightly increased from 42 days to 45 days however the entity is still able to pay off its creditors as and when they become due.

Key findings: information technology (IT) environment

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What we found

- CIPC continues to face persistent ICT governance challenges anchored in long-standing staffing constraints and gaps in strategic execution. Despite structured recruitment plans aligned to organisational needs, 13 critical ICT positions—including chief technology officer, Senior manager: Application management, and system integrators remain vacant or under recruitment, with some roles unfilled across multiple audit cycles dating back to 2018.
- The ICT Strategic Plan and Governance Framework had not been formally updated since 2020. (CIPC)
- No evidence of monitoring of antivirus and patch management software exception reports. (NRCS)
- Ineffective change management processes and weaknesses on grant management module (NLC)
- The IT environment at DTIC, NRC and CC was found to be operating in line with the intended configurations.

Causes of findings

- Lack of system-generated audit logs, absence of periodic access rights reviews, and inadequate oversight of administrator activities across critical platforms. These limitations hinder traceability, expose sensitive registration and intellectual property data to unauthorized access, and undermine accountability in change deployment processes. (CIPC)
- The absence of periodic monitoring of antivirus and patch management exception reports (NRCS)
- Systems that are outdated and no longer supported, repeat findings affecting Pastel and Oracle Fusion were not resolved by management (NLC)

Impact

If the responsibilities of the critical positions are not formally delegated, the department might not enforce the programs, policies and procedures that protect the department's systems and assets from internal and external threats. This could result in financial loss and data integrity could be compromised. (CIPC)

The absence of periodic monitoring of exception reports increases the risk that vulnerabilities from missing security updates or outdated antivirus definitions may go undetected and exploited, potentially compromising sensitive information, system integrity, and network security (NRCS)

The impact of not having proper evidence of changes can be severe. Unauthorized changes can lead to vulnerabilities, making the system susceptible to security breaches. Uncontrolled changes can corrupt data, leading to loss of data integrity and adverse effect on operations due to system downtimes. (NLC)



Governance

Effectiveness of internal audit units

- Internal audit within the portfolio is adequately resourced, conducted audits in line with the internal audit plan, and provided independent assurance to the audit committee. There were no significant concerns noted regarding the effectiveness of internal audit during the reporting period.

Effectiveness of audit committees

- Audit committees within the portfolio generally executed their duties with due diligence and complied with relevant legislation. Oversight responsibility was also provided to management during the preparation of the AFS, APR and compliance.
- NCR and NLC: Improvement required in relation to review of financial statements before submission for audit to ensure that the financial statements are free from material misstatements.
- Improvements are required to address material non-compliance with key legislation (NCR and NLC) and material adjustments in performance reporting (DTIC, NRCS, CIPC, CC)

Institutional capability

Vacancies

DTIC: Increasing flow of foreign direct investment, strong trade relations with other countries is key in ensuring economic transformation. The significant number of vacancies in the foreign economic offices (FEOs) is a concern. A total of 65 vacancies across the 45 foreign offices exists in the current DTIC structure.

The DTIC initiated a comprehensive Fit-for-Purpose organizational review with the assistance of GTAC. As a result, senior management positions such as the director-general has been filled however there are several DDG posts (exports, investment and spatial Industrial development, sectors, and transformation and competition) that are currently vacant. These positions are crucial for fulfilling the department's mandate, making it imperative to address these vacancies promptly to avoid hindering departmental operations. Vacant posts in critical leadership roles poses a significant risk to the stability and effective functioning of the department.

The CEO position is currently occupied by an acting incumbent.(NRCS)



We have long reported on pervasive mismanagement / leakage of public funds without consequences and our audit recommendations not receiving the required attention, with little or no improvement noted in the *status quo*, leading to our relevance being questioned

Public outcry for increased accountability and transparency, saw calls from parliamentary oversight structures, civil society, organised labour, media and the public at large for the AG to be empowered to hold accounting officers entrusted with public funds accountable for their actions

Original expanded mandate now finding its basis in our strategy

Enforcement

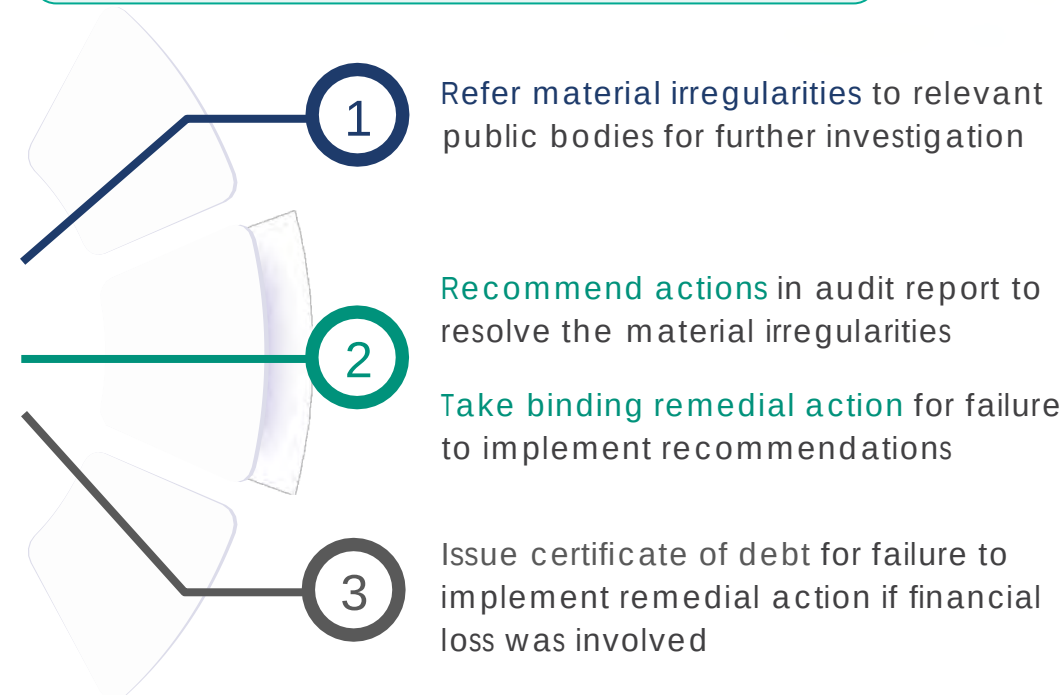
Apply powers to directly and indirectly recover resources lost to the state and taxpayers, and ensure application of consequences for wrongdoing – #cultureshift2030

Material irregularity



means any non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty identified during an audit performed under the Public Audit Act that resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource, or substantial harm to a public sector institution or the general public.

If AO/AA does not appropriately deal with MIs, our expanded mandate allows us to:



Overall aim of our expanded mandate:

Instil a culture of accountability

Improve the protection of resources

Enhance public sector performance and encourage an ethical culture

Strengthen public sector institutions to better serve the people of South Africa

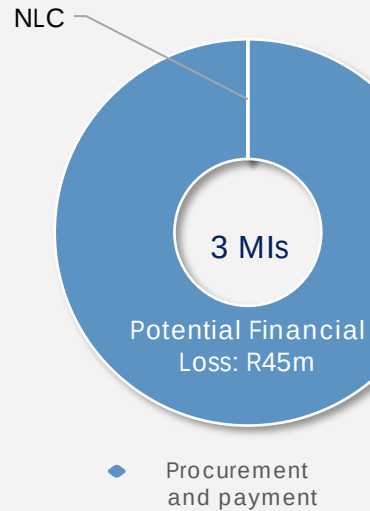
Enable effective oversight

MI process implemented and MIs identified

23

Nature of MIs: National Lotteries Commission

1. Payments were made for the construction of a sport complex that was never delivered (Motheo)
2. Payments were made for the construction of eDumbe Old Age Home that was never completed.
3. Payment made for the provision of professional services for the completion of eDumbe Old Age Home construction that was never completed



Actions taken by auditees

R0m

Prevented financial loss from taking place

R45m

Financial loss in process of recovery

R0m

Financial loss recovered

4

Responsible officials identified and disciplinary process completed or in process

2

Investigations instituted

3

Stopped supplier contracts where money is being lost

2

Internal controls and processes improved to prevent recurrence

Observation from MI process

The MIs were issued and the accounting authority acknowledged the MIs and set out the steps to investigate the matter, implement consequence management, recover the losses and enhance controls; including the modernisation of the Grant Management system, which includes built-in preventative controls and compliance monitoring.

Recommendations for portfolio committee:

- Follow up on the progress of the investigation by the SIU.
- Ensure the new modernisation grant management system is finalised and implemented.
- Monitor the progress by the accounting authority to recover the losses, institute proper consequence management(where required) and enhance the control environment to prevent re-occurrence.

Insights on incentive programme - DTIC

24

What we found and what caused it

- o Issue: In the prior reporting period, we noted two sites that had received disbursements but showed no evidence of project implementation, despite the time elapsed since the initial funding. Incentive payment to Saldanha Bay Special Economic Zones (SEZ) as at 2023-24 amounted to R235 475 080 and R416 054 131 for the Tshwane Automotive Hub.
- o Root cause: There are no clear project milestones before the incentive payments are made for SEZs and Industrial Development Zones (IDZs).

Impact

- Significant delays were observed on these sites in prior-year site inspections, even though material disbursements were made.
- Delays in finalising the Tshwane Automotive Hub hinders job creation, slows industrial growth and weakens South Africa's competitiveness in the automotive sector.
- Delays in finalising the Saldanha Bay SEZ hinder economic growth and stall job creation and industrial development in South Africa's west coast region.

Current year update

- o In the current year site visit, we observed that significant progress had been made on the Saldhana SEZ. At the time of visit (April-May 2025), the project was scheduled to be finalized in October.
- o With regards to the Tshwane automotive hub, we observed that construction activities are now in progress.

Call to action

- The portfolio committee should strengthen oversight of SEZ and IDZ projects to ensure their timely completion and effective contribution to economic growth.

Incentives payment projects re-visited



Pictures: Saldhana bay SEZ



Pictures: Tshwane IDZ



Insights on Incentive Site visits

25

Reflections on Verifications of Incentive sites

As part of the audit, the team performed over 50 site visits across the country. Based on site visits performed, we determined that the incentives were used for intended purpose.

Rocket Trading - BIS



Mulino - CIP



Mercedes-Benz - IAS



Nkwankowa Industrial park



Seshego Industrial Park



Programme 6 : Incentives							
Incentive Programme	Automotive Incentive Scheme (AIS)	Business Process Services (BPS)	Critical Infrastructure Programme (CIP)	Capital Project Feasibility Programme (CPFP)	Global Business Services (GBS)	Special Economic Zones	Technology and Human Resources for Industry Programme
Province							
Eastern Cape	8	0	0	0	0	0	0
Gauteng	10	6	1	4	1	1	1
KwaZulu Natal	2	5	1	0	6	0	0
Western Cape	1	0	0	0	14	1	0
Limpopo	0	1	2	0	0	0	0
Northern Cape.	0	0	1	0	0	0	0
North West	0	0	0	3	0	0	0

Key observation: In 2024/25, R809.6 million was disbursed across 104 companies under the Global Business Services (GBS) incentive scheme. An analysis revealed limited participation from companies with B-BBEE levels 1–4 (23%), while the majority of beneficiaries (77%) were companies with levels 5–8, indicating a need to strengthen transformation and inclusion within the scheme.

Impact: The disproportionate allocation of benefits to entities with lower B-BBEE ratings (levels 5–8) detracts from the achievement of national objectives aimed at fostering inclusive economic growth and broad-based participation.

Recommendation: Follow up with the accounting officer and executive authority on the review of incentive guidelines to ensure that it prioritizes entities with higher BBEE status.

% of GBS companies BBEE level



What we found and what caused it

- o Issue: During the current year, we identified control weaknesses in the review of applications for grant funding processes. Some of the allocation of grants were approved and paid without beneficiaries submitting all the mandatory application documents and administrative requirements. These include amongst others, the non-submission of progress reports of previously funded projects or independently reviewed or audited annual financial statements.
- o Root cause: Management did not perform adequate reviews of the applications received to confirm that they meet all the requirements before processing further for approval and the distributing agency committee also failed to identify instances of non-compliant applications and approved them even though they should not have.
- o Issue: We conducted a project site verification and noted that two laptops were purchased by the NPO, however no invoices or supporting documents were provided to support the expenditure and no employment contracts could be provided to confirm existence of the full-time employees paid salaries by the NPO.
- o Root cause: Senior management did not ensure proper quality assurance processes are in place to monitor the grantees' compliance with the provisions agreed to in the grant agreement.

Impact

- Disbursement of funds to NPOs that do not have the capacity and capability to utilise funds for intended purposes, resulting in misuse and uneconomical use of the resources of the entity.

Call to action

- While we recognise the implementation of a grant management system with built in preventative control measures, however management should continue to perform effective reviews of the applications process and monitoring of funded project to prevent reoccurrence of the issues identified. The committee should monitor implementation of improved controls in this area.



Overall message to Portfolio Committee



AUDITOR-GENERAL
SOUTH AFRICA

Root causes, recommendations and commitments

Key root causes

- Inadequate robust and structured review process by management on AFS and APRs prior to submission for audit. (NCR, NLC, DTIC, CC, CIPC)
- Inadequate effective implementation and monitoring of audit action plans by management to address root causes (NLC, NRCS, CIPC)
- Inadequate effective monitoring and confirmation that resources are used economically. (NLC)

Key Recommendations (AO)

- Enhance oversight over DTIC controlled entities to ensure improved performance and financial reporting.
- Monitor the progress on the resolution of the NLC material irregularities identified and ensure that steps are taken to recover losses, prevent further losses, enhance controls and implement consequence management.
- Remediate identified control weaknesses related to CPFP incentive fraud risks by implementing targeted preventative and detective measures to strengthen the control environment.
- Conduct thorough reviews of the annual performance plan to support timely cascading of MTDP targets and mitigate the risk of non-achievement

Commitments by executive authority (Proposed)

- Monitor the progress on the resolution of the NLC material irregularities identified.
- Strengthen oversight of DTIC-controlled entities to drive improved performance and ensure that incentive guidelines prioritize entities with higher BBBEE status.
- Remediate identified control weaknesses related to CPFP incentive fraud risks by implementing targeted preventative and detective measures to strengthen the control environment.
- Monitor progress on improving quality of financial statements and performance reports to ensure clean administration

Overall message/ recommendations to Committee

We acknowledge that the portfolio to a large extent has achieved clean audit outcomes, however monitoring and follow up with the executive authority and accounting officer on:

1

Effective oversight over financial statements and performance report to ensure clean administration across the DTIC portfolio.

2

Progress on the three material irregularities at NLC to ensure resolution and accountability, including regular follow up on the matters referred to SIU.

3

Improvements in performance of the DTIC portfolio to ensure accountability for non-achievement of core targets and enable more effective oversight and ensure that incentive guidelines prioritize entities with higher BBBEE status.

4

Progress on the remediation of identified control weaknesses related to incentives payments and grant management, including progress on incentives forensic investigation and ensure that funds are used for intended purpose.



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