



AUDITOR - GENERAL  
SOUTH AFRICA

# Trade, Industry and Competition ministerial briefing on the audit outcomes for 2023-24

## Ministerial briefing

7 October 2024





## 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

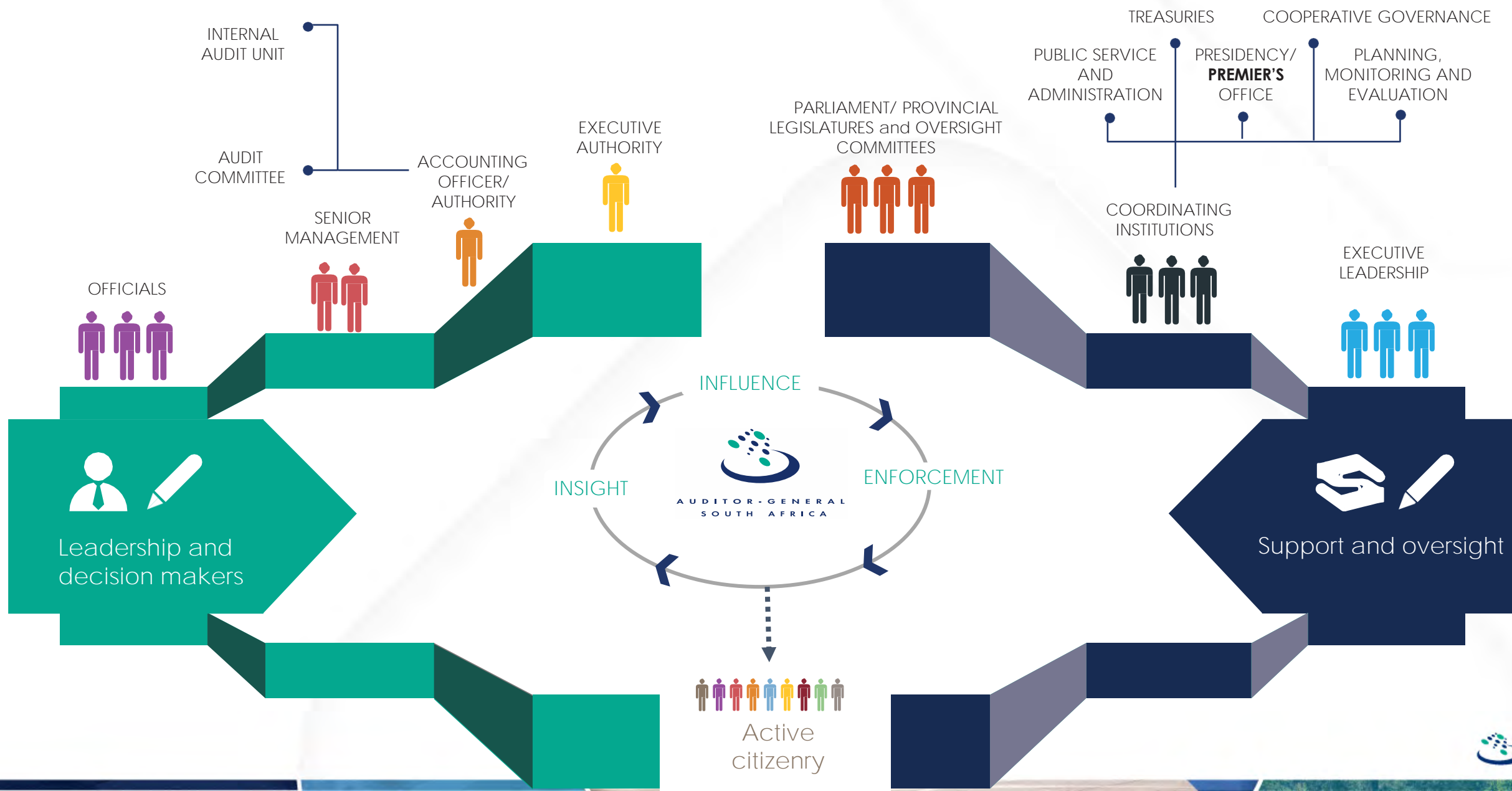


## VISION

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

3





## Department of Trade, Industry and Competition

Audited by  
AGSA



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



Section 4(3)  
audits  
(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)\*

\*Section 4(3) entities are not included in the audit outcomes.



In 2022-23, we recommended the following to the executive authority:

## SABS

- 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

## NLC

- 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 within the department ensure that a detailed review of the annual performance plan is performed.
- Oversee the process to strengthen legislation relating to lottery funding

## Overall reflections on implementation of recommendations:

### SABS

- In progress - The audit outcomes remained unchanged for SABS as the recommendations were not fully implemented. There was inadequate reviews as material misstatements and non-compliance with relevant legislation were identified.
- In progress- The recruitment process for the CEO is still underway and awaiting concurrence from the Minister.

We do recommend that implementation of the audit action plans be monitored to ensure improved audit outcomes.

### NLC

- The NLC audit is still outstanding and not yet finalised.



Implemented



In progress



Not implemented



# Regression over administration term (Audits done by AGSA)

6

	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
2022-23	6	1	1	0	0	0	8
2023-24	5	2	0	0	0	1	8

Movement from previous year

0 ▲ 1 ▼

Movement from first year of administration

0 ▲ 2 ▼

Department of Trade, Industry and Competition (DTIC)

National Credit Regulator (NCR)

Companies and Intellectual Property Commission (CIPC)

Competition Tribunal (CT)

Competition Commission (CC)

Southern African Bureau of Standards (SABS)

National Regulator for Compulsory Specifications (NRCS)

Outstanding audits

National Lotteries Commission (NLC): The delay is due to technical alignment discussions between management and AGSA. Anticipated sign off date is 16 October 2024

Submission of financial statements by legislated date for portfolio improved from 87,5% to 89%

*Good practices for clean administration*

Key role players in the accountability ecosystem are committed towards strong internal control environment with an effective internal audit function and an audit committee that is independent providing oversight. In addition, there is a commitment from management to take action to address any findings identified supported by adequately resourced and skilled staff

*Root causes for regression*

This was due to **inadequate reviews** of the annual performance plan and key **vacancy** at CEO level at **NRCS**. **Inadequate compliance monitoring** at **SABS** was also due to key vacancies not filled.



# Regression over administration term (Section 4(3) entities not audited by AGSA)

7

	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	8	2	0	0	0	0	10
2022-23	8	3	0	0	0	0	11
2023-24	5	5	0	0	0	1	11

Movement from  
previous year

1 ▲ 3 ▼

Movement from first year of  
administration

0 ▲ 4 ▼

National Consumer Tribunal (NCT)

Companies Tribunal (CT)

National Gambling Board (NGB)

International Trade  
Administration Commission  
of South Africa (ITAC)

National Consumer  
Commission (NCC)

Industrial  
Development  
Corporation (IDC)

South African  
National  
Accreditation  
System (SANAS)

National  
Empowerment  
Fund (NEF)

National Metrology  
Institute of South  
Africa (NMISA)

Takeover  
Regulation Panel  
(TRP)

Outstanding audits

Export Credit Insurance Corporation (ECIC): The delay is due to the implementation of IFRS 17, *Insurance contracts*. The financial statements were submitted on the 30 June 2024 for auditing. Anticipated sign off date is 31 October 2024

Submission of financial  
statements by legislated  
date for portfolio improved  
from 87,5% to 89% .



Overall outcomes:

NOTE: This presentation will focus on audit outcomes of 8 auditees in the portfolio where the audits were performed by AGSA.

The overall outcomes in the portfolio have slightly regressed, when compared to the prior year. Five auditees managed to sustain their clean audit (unqualified audit opinion) status once again (DTIC, CC, CIPC, CT and NCR), representing 62.5% of the portfolio' auditees audited by the AGSA. These auditees achieved more than 80% of their targets relating to key performance indicators.

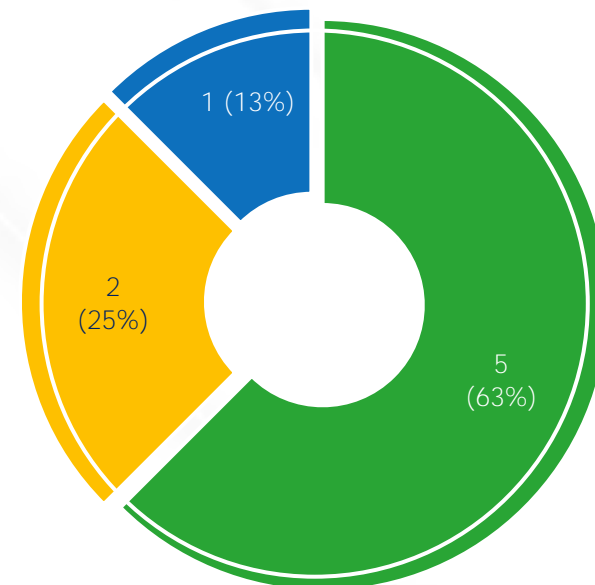
The factors that contribute to clean audit outcomes include a strong internal control environment with an effective internal audit function and an audit committee that is independent providing oversight. In addition, there is a commitment from management to take action to address any findings identified supported by adequately resourced and skilled staff.

NRCS has struggled to maintain a clean audit outcome over the five-year period. They only managed to obtain a clean audit outcome in the 2022-23 financial year. The audit outcome of NRCS regressed from a clean audit to unqualified with findings due to material findings on the usefulness of performance information. This was due to inadequate reviews of the annual performance plan and key vacancy at CEO level.

The audit outcomes of SABS remained unchanged from prior year as unqualified with findings on compliance. The material non-compliances identified are in expenditure management, material misstatements identified in the financial statements submitted for auditing and strategic planning. This was mainly due to vacancies within the entity, including that of the CEO, that are not filled on time and inadequate review processes.

NLC audit is outstanding due to ongoing technical alignment discussions with the auditee. The anticipated audit report sign off date is 16 October 2024.

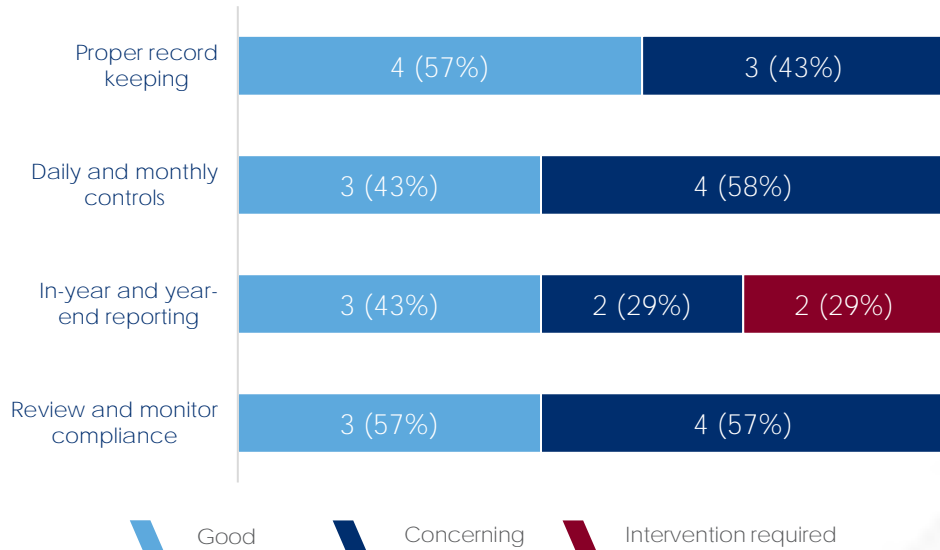
AUDIT OUTCOMES  
Audits performed by AGSA



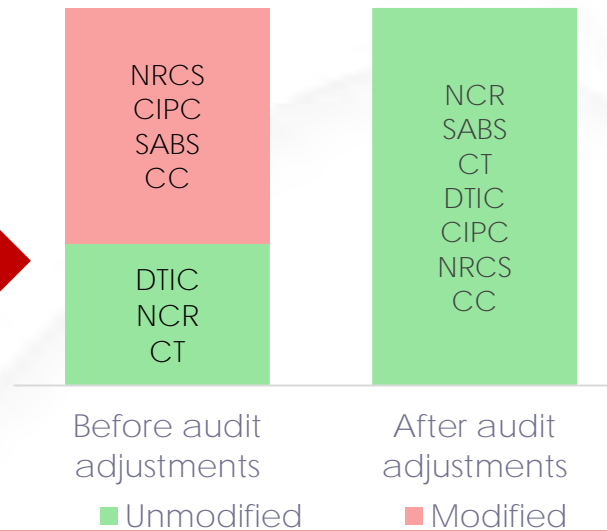
- Unqualified with no findings
- Unqualified with findings
- Qualified with findings
- Adverse with findings
- Disclaimed with findings
- Outstanding audit



## Financial management controls



## Impact on quality of financial statements submitted for auditing



## Main qualification areas

- No material misstatements identified on the AFS

## Impact

- The quality of financial statements submitted for audit has regressed when compared to the prior year. In the prior year, only NLC and SABS had material misstatements in the financial statements submitted for audit.
- Material misstatements in the AFS submitted for auditing identified during the audit process require close monitoring to avoid a regression in the audit outcomes (NRCS, CC, CIPC and SABS). The material misstatements negatively affect the credibility of the AFS. We urge the accounting officer and management of these entities to continue to strengthen the process of developing adequate audit action plans that is root cause focused, and ensuring the plans are timeously implemented and regularly monitored to address the deficiencies that impact the quality of the annual financial statements.
- Submission of financial statements by legislated date for portfolio improved from 87,5% to 89% (Including the section 4(3) entities).
- The department's ability to continue providing good quality financial statements must filter down to all the controlled entities and best practices must be shared in the portfolio to ensure there is improvement in the financial management controls.



# Reflection on the MTSF targets over the five year-period

10

## Key targets in the medium-term strategic framework for portfolio

Output indicators (Where DTIC is a LEAD)	Portfolio (aligned / not aligned with APP)	Portfolio (included in the APP / later)	Status
Complete the revitalisation of industrialisation parks	Aligned		In progress
Master Plans developed	Aligned		Achieved
Number of films and documentaries produced / supported telling SA story	Aligned		In progress

### ACTUAL ACHIEVEMENTS

i) Complete the revitalisation of industrialisation parks  
As of 31 March 2024, 12 industrial parks have been revitalised, with four parks currently at various stages of reconstruction. Five application requests are pending budget availability. The target was to have 26 industrial parks revitalised by 2024.

Master Plans developed  
Developed Master plans by end of 2021 for Automotives, Poultry, Sugar, Steel and Metal Fabrication, and Retail master plans.

Number of films and documentaries produced / supported telling SA story  
A target of 12 in the 2023-24 financial year is significantly below the MTSF target (i.e. 110) for the period.

Included in the department's strategic planning documents

### REASONS FOR MTSF TARGETS NOT ACHIEVED

- i) Insufficient budget available for revitalisation of industrial parks since 2022/2023 to date
- ii) Lower target included in the department's 2023-24 APP when compared to the MTSF target for the same financial year

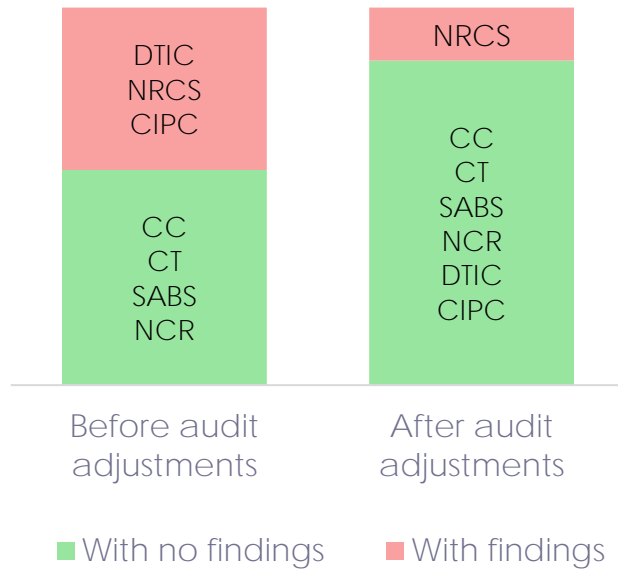
### IMPACT OF TARGETS NOT ACHIEVED:

The non-achievement of the MTSF indicators results in the government priorities not being met. The government will not be able to keep its promises of ensuring efficient service delivery and improving the lives of citizens.

It is therefore important that the department continue to fast-track the achievement of the remaining indicators



## Quality of performance reports before and after audit



### Poor quality performance indicators and targets

NRCS is the only auditee with material findings on the usefulness of performance information. The affected indicator is "Number of inspections conducted as per NRCS Risk based approach to monitor compliance to regulations with Automotive, Chemical Materials and Mechanicals, (CMM), Electro Technical and legal Metrology Sectors and 100% sanctions issued where non compliances are identified"

- The indicator is not consistent with the planned target. The indicator has two measures which is a number of inspections as well as the percentage of sanctions to be issued should the non-compliance be identified, however the target on the APP only refers to the inspections and not the sanctions, therefore the reported indicator and target not consistent when compared to planned indicator
- We also identified material misstatements in the APR submitted for auditing by DTIC and CIPC which was subsequently corrected. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

### Overall root causes

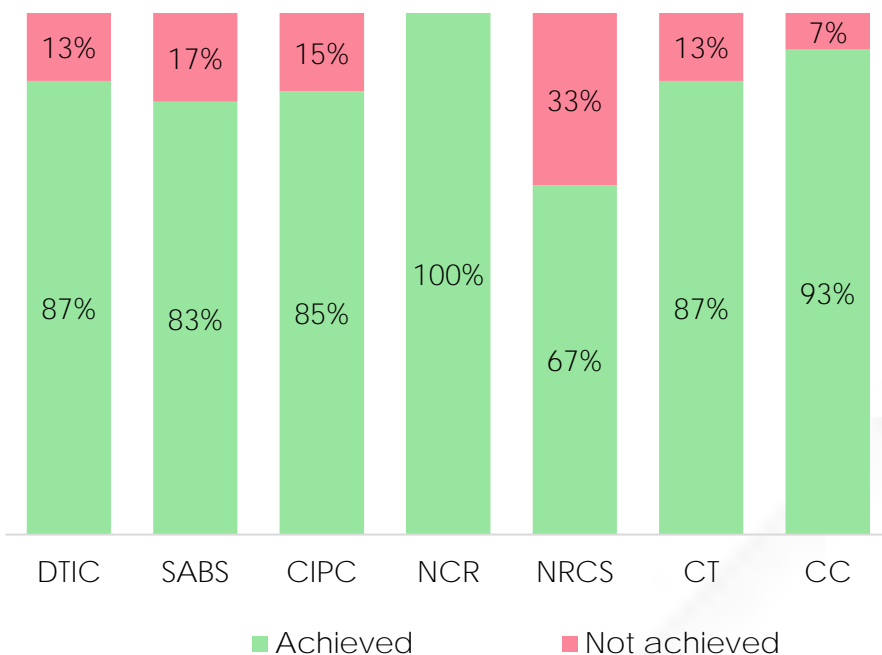
- Insufficient understanding/ appreciation of performance planning, management and reporting requirements. The target set is not consistent with the planned indicator (NRCS).
- The means of verification as per the technical indicator descriptor profile (TID) is inadequate to support collection of appropriate audit evidence. Furthermore, there is limited validation checks on third party information that supports the reported achievements (DTIC).
- Inadequate reviews of the APR submitted by management to ensure the reported achievement is accurate and supported by reliable information (NRCS). The reported achievements in the quarterly performance reports were not correctly accumulated when preparing the annual performance reports (CIPC).

### Impact

- Significant changes after audit means in-year reporting was not reliable and credible, thus hindering effective performance monitoring, evaluation and corrective actions.
- Poor quality annual performance reports submitted for auditing
- The inconsistency between planned targets and indicator results in the APR not being comparable for the users in evaluating the performance of the entity.



Achievement of annual targets as reported in annual performance report (all indicators – 2023-24)



Key targets not achieved include:

- 1 459 jobs created (Actual 68) through branch interventions
- 3 000 construction job opportunities (Actual 1 658) (part-time or temporary job opportunities created)
- 90% of approval applications finalised within the set timeframes in Automotive, Electro technical, Chemicals Materials and Mechanicals, improve ease of doing business (Actual 72%)
- Conclude 3 Memorandum of Understandings (MOUs) on data exchange with foreign jurisdictions (Actual 1) (CIPC)

Reason for targets not achieved:

- New industrial investment being supported taking time to come onstream for the number of jobs to be created through the branch interventions (
- Fewer incentive claims being received from the Critical Infrastructure Programme resulting in less construction job opportunities (DTIC)
- Critical vacancies resulting in inadequate administrative capacity within the entity (NRCS)

Impact of targets not achieved

- Lack of job opportunities lead to continued higher levels of unemployment in South Africa.
- Delays in the approval applications for the certification of goods lead to barriers in doing business in South Africa.
- Delays in concluding the MOUs for data exchange restricts crime fighting or prevention organisations from having access to the identity of shareholders and directors in foreign countries.

2023-24

DTIC, CIPC, CC, CT, NRCS, NCR

SABS



No material findings



Material findings

Movement from previous year

0



0



Movement from first year of administration

0



1



Most common areas of non-compliance	SABS
Strategic planning	X
Quality of financial statements	X
Prevention of irregular, unauthorised, and fruitless and wasteful expenditure	X

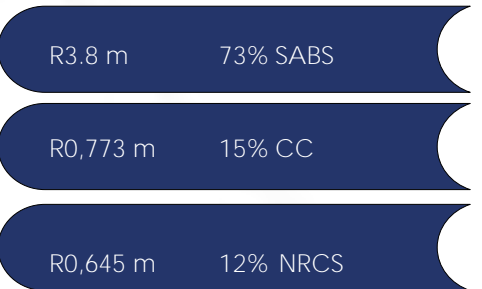




## Annual irregular expenditure



## Top contributors



Irregular expenditure is not complete

Limitation in auditing procurement = R0 m

## Impact of irregular expenditure incurred

Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive:

SABS: R3.8 m  
NRCS: R645 000  
CC: R773 251

Limitation of scope: There was no limitation of scope.

Impact not yet assessed: None identified

*\*The amount in the 2023-24 excludes NLC, which was the highest contributor in prior years*

## Annual fruitless and wasteful expenditure



## Top contributors

R23 m	83.8% NCR
R4,2 m	15,5% SABS
R0,218m	0,8% NRCS

## Impact of fruitless and wasteful expenditure incurred

### Penalties and interest:

SABS – R2.1m

NRCS – R218k

### Other:

NCR: R23 million (Supplier overcharged, operational system which crashed, flight missed and damage to rental vehicle, employee took extra leave days for paternity leave.)

SABS – R2.1m Cost of scrapping a system in development (R1.6million), cost of early cancellation of contract for an IT system when it was discovered that the supplier cant meet the entity's needs per the contract (R330k) and payment for goods not received (R210k)

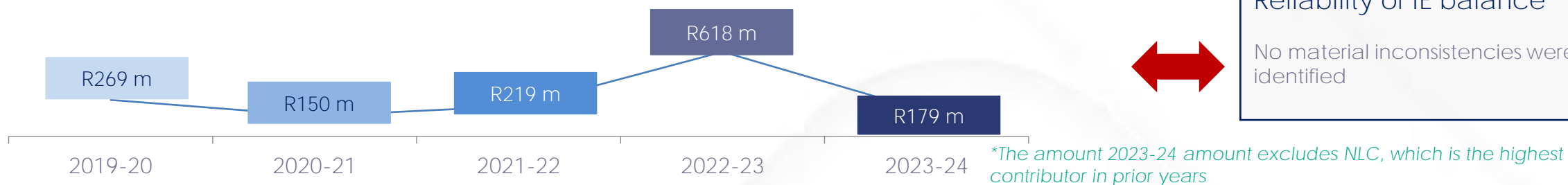
Limitation of scope: There was no limitation of scope.

Linked to MI process: None

\*The amount in the 2023-24 excludes NLC



Closing balance of irregular expenditure decreased (excluding NLC)

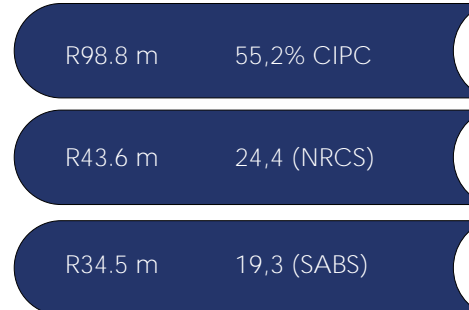
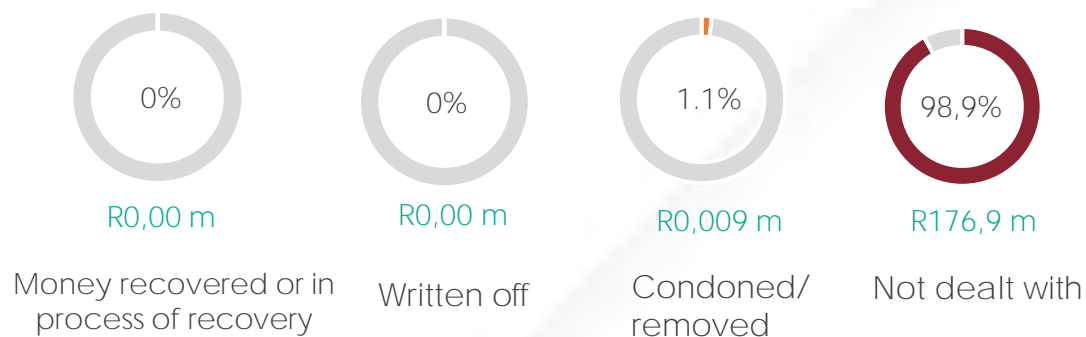


## Reliability of IE balance

No material inconsistencies were identified

Top 3 contributors (R176,9 million) to irregular expenditure not dealt with constitute 98,9% of R179 million

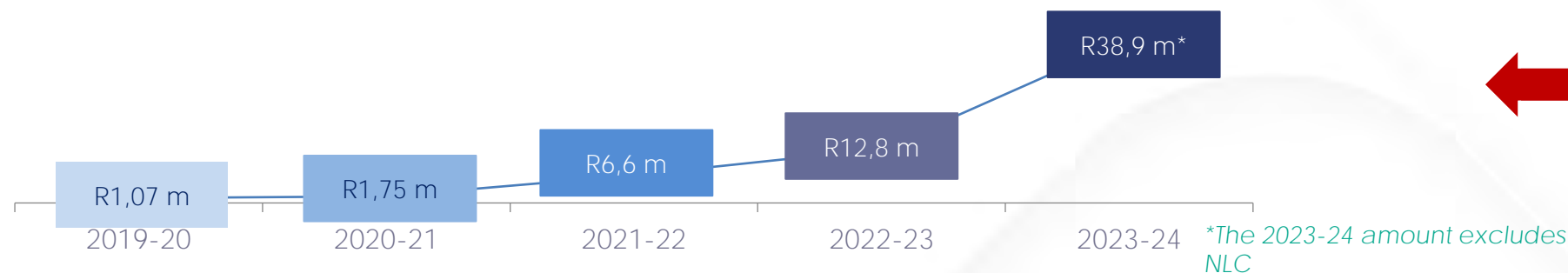
How have auditees dealt with irregular expenditure



## Reasons for IE not dealt with

- Investigated and awaiting condonement
  - CIPC – PY IE
  - NRCS – PY IE
  - SABS – PY IE
- Investigation in progress
  - None
- Not yet investigated
  - None

Closing balance of fruitless and wasteful expenditure continues to increase



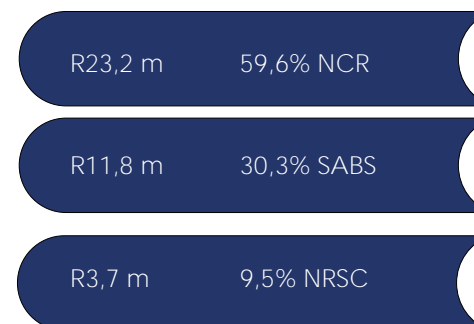
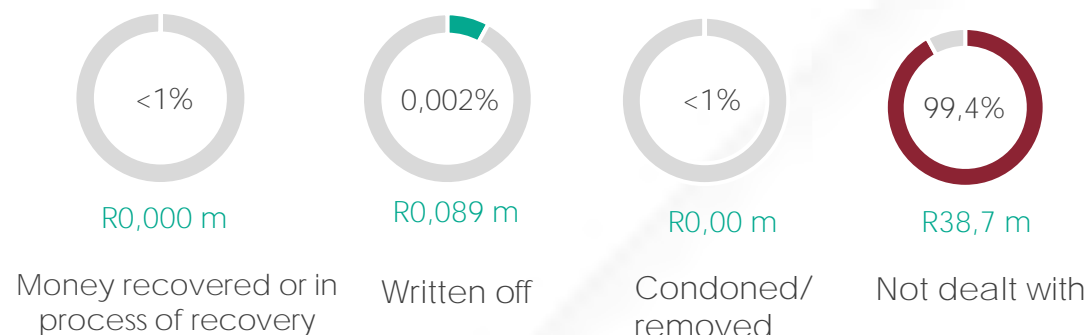
## Reliability of FWE balance

No material inconsistencies were identified



How have auditees dealt with fruitless and wasteful expenditure

Top 3 contributors (R38,7 million) to fruitless and wasteful expenditure not dealt with constitute 99,4% of R38,9



## Reasons for FWE not dealt with

1. Investigated and awaiting condonement/recovery

- NCR: R23,2m
- SABS: R11,8m
- NRCS: R3,7m

Leadership stability and slow pace of filling in critical positions is concerning within the portfolio.

- The DTIC initiated a comprehensive Fit-for-Purpose organizational review with the assistance of GTAC. The review has resulted in senior management positions such as the Director General and several DDG posts 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.
- One of the contributors for the regressed audit outcome for NRCS include a key vacancy at the CEO level. The right candidate should be appointed to ensure there is stability going forward.
- Standards Act 8 of 2008 is the enabling legislation of the SABS that include specific governance requirements. The Board was appointed on 1 December 2022 and since appointment, they did not ensure adherence to the requirements of the Act in relation to establishing an advisory forum and governance consultative forum. The Board did not fill the vacancy of the CEO timeously and has now had acting CEOs since the Board was established. It is encouraging that the Board has completed the recruitment process of the CEO and awaiting concurrence from the Minister.
- To increase flow of foreign direct investment, strong trade relations with other countries are very important. The significant number of vacancies in the Foreign Economic Offices (FEOs) is a concern.
- The executive authority should monitor 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 positive audit outcomes and focus on its key service delivery mandate. Furthermore, oversee the capacitation of the entities by its respective accounting authorities.





## Information technology

In the **prior year**, a recommendation was raised for action plans to 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. On **23 February 2024** CIPC experienced a **cyber-attack** on their QRS system where the threat actors demanded a **ransom** in bitcoin. The entity responded to this threat by appointing a forensic investigator as well as reporting this to all the relevant parties such as the Information Regulator, Police, State Security etc.. The compromised QRS system has since been switched off as the vulnerability resides in the design of the application. The contract for the system has also lapsed and CIPC is now seeking a replacement through the tender process.

Despite the experienced cyber-attack, the entity continues to have **challenges with internal controls in the IT governance controls, security management controls, user access management controls, change management controls as well as IT service continuity management controls**. To improve the IT control environment, recommendations from auditors should be prioritized. **Failure to address** these significant findings may **prevent** the entity from **achieving its strategic objectives to regulate and oversee company and intellectual property registration and compliance**.

## Expenditure management

**SABS** continued to make purchases and payments **without having followed the required procurement processes per SCM policy and legislation** resulting in Irregular expenditure. Furthermore, the entity continued to incur interest and penalties due to **late payment of taxes to SARS** resulting in fruitless and wasteful expenditure. Material non-compliance paragraph on Expenditure management was included on the audit report.

**NCR** disclosed fruitless and wasteful expenditure in respect of the NCR Bytes operational system not used which was discovered in 2020 financial year. Previously this amount was reported at R2 900 000 but has been restated by management in the current financial year, referring to the 2020 year in the annual report, to be a loss of an amount of **R18 691 856**. This was after investigations of the operational system were performed.

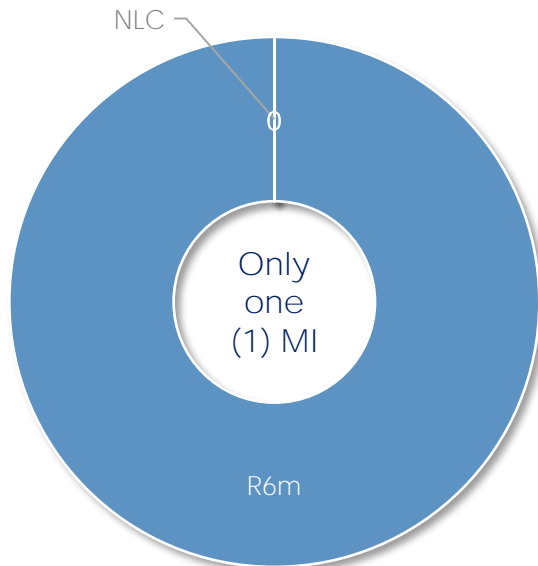
## Financial health

The **financial health** of entities in the portfolio have been assessed individually and **material uncertainty** relating to going concern was identified for **NRCS** as they realised a **deficit of R110 million**, and the **current liabilities exceeded its total current assets by R5 million**. **NRCS** is struggling with revenue collection where the clients are unable to make payments due to a declining economic trading environment. The financial health worsened due to budget cuts experienced during the 2023-24 financial year.

We do recommend that the portfolio committee and executive authority closely monitor the financial health of **DTIC, CC, SABS, CT** and **NRCS** as there were **adverse key financial ratios** identified.



## Material irregularities



## MI Description

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

- Procurement and payment
- Resource management
- Revenue management
- Interest and penalties
- Fraud and compliance
- Harm to general public
- Harm to public sector institution
- Misuse of material public resources



## 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

## 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 Executive authority:

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





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# Site visits



# Reflection on the projects visited

22

- We have performed 40 site inspections for the 2023/24 audit to verify that the incentive payments were used for their intended purpose by the claimant.
- We have also noted management has controls in place to ensure money paid to beneficiaries is used in accordance with its intended purposes, we therefore encourage management to continue closely monitor the usage of the payments.

East London Industrial Development Zone (Incentive payment: R37 175 201)

- We applaud management on the completion of the East London Industrial Development Zone where an automotive and Manufacturing Incubation centre was completed. This will offer a hub of creativity and opportunity nestled in the vibrant landscape of East London. This demonstrates the result of the continued efforts of the DTIC in collaboration with SEZs to realize socio-economic benefits that assist in job creation.

We have identified two sites (i.e. Special Economic Zone (SEZ) and Industrial Development Zone (IDZ)) that may require the DTIC to monitor closely until completion of the planned projects to ensure funds are utilised for its intended purpose. Those two sites are:

The Tshwane Automotive SEZ and Saldanha IDZ.

Tshwane Automotive SEZ (Incentive payment: R516 054 131)

- The Tshwane project has experienced delays, with construction now revised to commence in August 2024. It is important for management to closely monitor the progress of the project.

Saldanha IDZ (Incentive payment: R471 541 080)

- The current agreement does not have clear project milestones before the incentive payment was made.

*Image: East London Industrial Development Zone (ELIDZ)*



*Image: Mini warehouse plot of land/site where the building will be built & SEZ site plan.*



*Image: Hybrid EV Plant for Ford site*





## Root causes and recommendations to the accounting officer/authority (AO/AA)

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

- Vacancies in key positions (i.e. CEOs, DG) (SABS, NRCS, DTIC)
- Inadequate review of the Annual Performance Plan (NRCS)
- Inadequate review and monitoring process to ensure compliance with applicable legislation (SABS)
- Payments made by DTIC to SEZ beneficiaries are not based on clear milestones resulting in payments made where projects are significantly delayed (DTIC)
- New industrial investments being supported take time to come onstream and there were also fewer incentive claims received from Critical Infrastructure Programme (CIP) resulting in underperformance in job creation (DTIC)

### Key recommendations to AO/AA

- Strengthen the controls over the preparation and review of financial statements to ensure compliance with the financial reporting framework (SABS, CIPC, NRCS, CC)
- 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 (NRCS, DTIC, SABS, CIPC, CC) and must also include actions to address the non-achievement of key targets
- Filling of key executive positions with skilled and experienced personnel (SABS, NRCS, DTIC)
- Consistent monitoring of the performance of the Portfolio including implementation of key incentive projects to ensure there is accountability, that funds are used for intended purposes and greater impact on the lives of the ordinary citizens. (ALL)





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# Recommendations to the Honourable Minister

1

Continue to monitor the filling of key vacancies to ensure stability of leadership.

2

Continue to oversee progress with audit action plans put in place by the department and entities to improve audit outcomes.

3

Exercise oversight through consistent monitoring of the performance of the Portfolio including implementation of key incentive projects to ensure there is accountability, that funds are used for intended purposes and greater impact on the lives of the ordinary citizens.

4

Monitor the progress of MTSF targets not yet achieved and ensure that there are adequate plans to fast-track the performance of the department and its entities.

# THANK YOU

Stay in touch with the AGSA



Auditor-General South Africa



[www.agsa.co.za](http://www.agsa.co.za)