the dtic
Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 5740

Ms S I Nkosi (MK) to ask the Minister of Trade, Industry and Competition:

Whether, following the 2025-26 audit outcome of his department, including the achievement of 62% of its annual performance targets, expenditure of approximately 98% of its budget, and the material irregularity involving approximately R50,8 million associated with the Capital Projects Feasibility Programme, he has assessed the effectiveness of the Internal Audit Unit and Audit Committee of his department in identifying, escalating and preventing the control failures concerned; if not, why not; if so, (a)(i) which of the control weaknesses relating to beneficiary verification, supporting documentation, approval processes and payment controls had previously been identified by internal audit and (ii) on what dates were the specified weaknesses reported to management, (b) what specific recommendations were issued by internal audit and the Audit Committee in respect of the weaknesses, (c) what are the reasons that the existing control and oversight mechanisms fail to prevent the reported financial loss, (d) what is the current status of the investigation and recovery of the approximately R50,8 million and (e) what disciplinary and/or other consequence management processes arose from the material irregularity? NW6222E

REPLY:

The Audit Committee annually evaluates the effectiveness of the Internal Audit (IA) function, informed by the Internal Audit control opinion on **the dtic**'s control environment.

The IA function also undergoes the External Quality Assessment (EQA) every 5 years to evaluate its effectiveness in terms of the Global IA Standards. The IA Unit underwent its 4th

EQA in the 2025/26 Year. The assessment of the Audit Committee itself is carried out yearly through a survey questionnaire.

(a)(i) Which control weaknesses relating to beneficiary verification, supporting documentation, approval processes and payment controls had previously been identified by Internal Audit?

Previously identified control weaknesses included inadequate beneficiary and banking detail verification, insufficient supporting documentation, non-compliance with procedures, ineffective approval processes.

(a)(ii) On what dates were the specified weaknesses reported to management?

In October 2018 and March 2020, respectively.

(b) What specific recommendations were issued by Internal Audit and the Audit Committee in respect of the weaknesses?

The recommendations issued included - removing the fraudulent ABSA banking details from the Basic Accounting System (BAS), strengthening procedures for changing beneficiaries' banking details, and improving the retention of Safety Net verification records. Further actions included initiating disciplinary proceedings against the officials implicated in the control weaknesses, recalculating the claim and correcting any shortfall or overpayment, and engaging the Companies and Intellectual Property Commission (CIPC) to strengthen controls against company hijacking.

(c) What are the reasons that the existing control and oversight mechanisms failed to prevent the reported financial loss?

The reported financial loss was attributable to the bypassing or inconsistent application of established controls and oversight mechanisms. These included the failure to consistently comply with prescribed Standard Operating Procedures, inadequate verification of

supporting documentation and claims, and insufficient confirmation that project milestones and programme requirements had been met before claims were approved. These weaknesses were compounded by inadequate staffing, overlapping responsibilities that weakened segregation of duties, and insufficient independent oversight and monitoring. Consequently, the existing controls were not consistently enforced during the verification and approval processes, allowing irregularities and potentially fraudulent, incomplete or unsupported claims to proceed to payment without being detected.

In addition, the Internal Audit rotates its auditing cycles and given that this programme was not audited, it was therefore not picked up at the time. However, going forward, the Incentive Programmes will be prioritised.

(d) What is the current status of the investigation and recovery of the approximately R50,8 million?

The current status is that the forensic investigation remains ongoing. Letters of demand have been issued to the nine beneficiaries identified in the 2024/25 forensic report, and recovery proceedings are underway. Beneficiary payments were suspended in early July 2026, and the criminal case initially opened with the South African Police Service (SAPS) has been transferred to the Directorate for Priority Crime Investigation (the Hawks). As alluded to in the AG's presentation, as of 20 October 2026 subpoenas were being prepared for the magistrate's signature. Disciplinary proceedings against the four officials identified in the forensic report are also ongoing. No funds have yet been recovered, and the final recoverable amount and timeframe for recovery remain unconfirmed.

(e) What disciplinary and/or other consequence-management processes arose from the material irregularity?

Disciplinary proceedings against the four officials identified in the forensic investigation are underway. A criminal case was opened with the South African Police Service (SAPS) and subsequently transferred to the Directorate for Priority Crime Investigation (the Hawks) for further investigation. In addition, payments to the beneficiaries were suspended in early July

2026, and letters of demand were issued to the nine beneficiaries identified in the 2024/25 forensic report to pursue the recovery of the approximately R50.8 million in financial loss. The disciplinary and recovery processes remain ongoing, with the final recoverable amount and timeframe for recovery yet to be confirmed.

In conclusion, **the dtic** acknowledges that shortcomings in the control and oversight mechanisms contributed to the reported financial loss. The Department is committed to addressing these weaknesses. The Department is also prioritising the auditing of incentive programmes to improve the early identification of control weaknesses and reduce the risk of recurrence. These measures, together with the ongoing investigation, recovery efforts and consequence-management processes, are intended to strengthen internal controls, safeguard public funds and promote accountability.

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