

DoC Budget Review and Recommendations Report (ANNEXURE 1)

THIRD REPORT OF THE COMMITTEE ON PUBLIC ACCOUNTS ON THE REPORT OF AUDITOR-GENERAL ON THE ANNUAL REPORTS AND FINANCIAL STATEMENTS OF INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA (ICASA) 2011/12 FINANCIAL YEAR, DATED 20 AUGUST 2013.

1. Introduction

The Standing Committee on Public Accounts (SCOPA) heard evidence on and considered the contents of the Annual Report and the Report of the Auditor-General (A-G) on the 2011/12 financial statements of the Independent Communications Authority of South Africa (ICASA). The Committee noted the qualified opinion, highlighted areas which require the urgent attention of the Accounting Authority, and reports as follows:

2. Irregular expenditure

The Auditor-General identified the following:-

- a) An amount of R538 433 in irregular expenditure was incurred as a result of contravening Supply Chain Management (SCM) legislation; and
- b) Implementation of controls through regular monitoring to ensure compliance of purchases with Treasury Regulations and the Preferential Procurement Framework (PPF) was not enforced by management.

The Committee recommends that the Accounting Authority ensures that:-

- a) Officials comply with the SCM legislation and those who fail to do so are held accountable;
- b) Management implements systems that incorporate frequent reviews of compliance with laws and regulations relating to procurement; and
- c) Management complies with the PPF legislation.

3. National Revenue Fund receivable and National Revenue Fund payable

The Auditor-General identified the following:-

- a) Sufficient and appropriate audit evidence to confirm the National Revenue Fund receivable and resulting payable balances amounting to R792 969 029 (2011: R898 483 250) and R801 163 475 (2011: R905 416 558), respectively due to the lack of controls over the invoicing and collection of licence fee revenue could not be obtained; and

- b) The requirement for any adjustments to the financial instrument disclosure note 29 to the annual financial statements could not be confirmed.

The Committee recommends that the Accounting Authority ensures that:-

The CEO monitors action plans, designs and implements adequate controls over the collection and invoicing of license fees.

4. Strategic planning and performance management

The Auditor-General identified that:-

Procedures for quarterly reporting of performance to the executive authority to facilitate effective performance monitoring evaluation and correction as required by Treasury Regulations and the PFMA were not established and followed.

The Committee recommends that the Accounting Authority ensures that:-

The CEO implements proper controls and ensures that regular reviews are done so that the presentation of the annual performance report complies with the Framework for Performance of Programme Information Guidelines of the National Treasury.

5. Annual financial statements

The Auditor-General identified that:-

Financial statements submitted for auditing did not comply with certain sections of the PFMA.

The Committee recommends that the Accounting Authority ensures that:-

- a) The CFO implements adequate controls to ensure that the Spectrum system uploads onto JD Edwards (JDE) timeously; and
- b) The responsible officer performs and completes reconciliation between the two systems before the preparation of the annual financial statements.

6. Expenditure management

The Auditor-General identified that:-

Effective steps to prevent irregular, fruitless and wasteful expenditure as required by the PFMA and Treasury Regulations were not taken by the accounting officer.

The Committee recommends that the Accounting Authority ensures that:-

- a) Steps and systems are in place to prevent irregular expenditure; and
- b) Officials are held accountable for non compliance.

Conclusion

The Committee notes that the audit outcomes of the entity have not improved over the past three years. The Committee recommends that the entity works closely with the Office of the Auditor-General, the National Treasury and the Department of Communications in order to correct all issues resulting in qualified audit outcomes.

The Committee recommends that the Executive Authority submits a progress report on the implementation of the above recommendations to the National Assembly within 60 days after the adoption of this report by the House.

The Committee further recommends that the Accounting Authority submits quarterly reports on all the above-mentioned recommendations.

Report to be considered.

