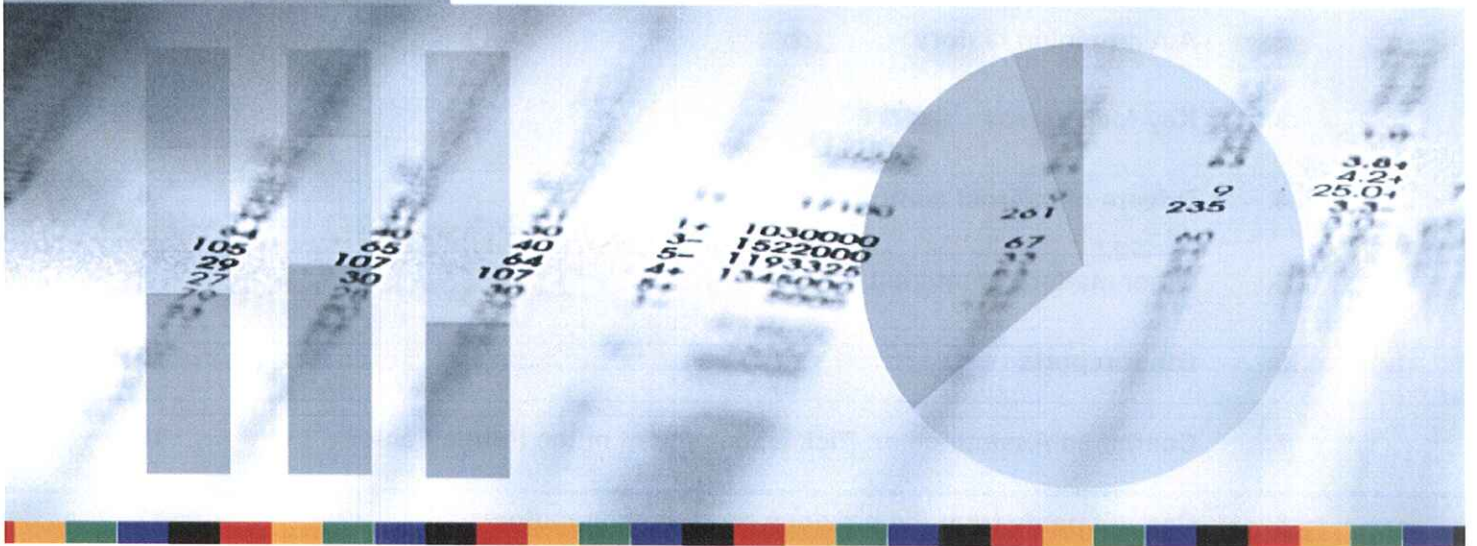


PC BRIEFING NOTE



PFMA audit outcomes of the 2013-14 financial year for the

Economic Development Department
October 2014



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

1. Introduction

1.1 Reputation promise of the Auditor-General of South Africa

The Auditor-General has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

1.2 Purpose of document

The purpose of this briefing document is for the Auditor-General of South Africa (AGSA) to provide an overview of the audit outcomes and other findings in respect of the Economic Development Department (EDD) for the 2013-14 financial year.

1.3 Overview

The Economic Development Department was established in 2009 and has assumed responsibilities relating to the creation of decent work through inclusive economic growth (outcome 4), including the implementation of the new growth path, which provides a policy package to facilitate the creation of employment.

The department is also responsible for five public entities, comprising three regulatory bodies and two development finance institutions. These are: the Competition Commission, the Competition Tribunal, the International Trade Administration Commission of South Africa, the Industrial Development Corporation of South Africa and the Small Enterprise Finance Agency.

In line with these responsibilities, the department administers the following legislation:

- the Industrial Development Act (1940)
- the Competition Act (1998)
- the International Trade Administration Act (2002).

Aim of the vote

The aim of the EDD is to promote economic development through participatory, coherent and coordinated economic policy and planning for the benefit of all South Africans.

Vision

The vision of the EDD is to creating decent work for all through meaningful economic transformation and inclusive growth.

Mission

The EDD aim to:

- Coordinate the contributions of government departments, State entities and civil society to effect economic development;
- Improve alignment between economic policies, plans of the State, its agencies, government's political and economic objectives and mandate; and
- Promote government's goal of advancing economic development via the creation of decent work opportunities.

2. Audit opinion history

AUDIT OPINIONS	09-10	10-11	11-12	12-13	13-14
• <i>Economic Development Department</i>	N/A				
• <i>Competition Commission</i>					
• <i>Competition Tribunal</i>					
• <i>International Trade Administration Commission</i>					
• <i>Small Enterprise Finance Agency</i>	N/A	N/A	N/A		
• <i>Industrial Development Corporation of SA Ltd</i>					
OTHER MATTERS	09-10	10-11	11-12	12-13	13-14
<i>Predetermined objectives</i>					
• <i>Economic Development Department</i>					
• <i>Competition Commission</i>	✓				
• <i>Competition Tribunal</i>	✓				
• <i>International Trade Administration Commission</i>	✓	✓	✓		✓
• <i>Small Enterprise Finance Agency</i>				✓	✓
<i>Compliance with laws and regulations</i>					
• <i>Economic Development Department</i>		✓	✓	✓	✓
• <i>Competition Commission</i>		✓	✓	✓	✓
• <i>Competition Tribunal</i>		✓	✓	✓	
• <i>International Trade Administration Commission</i>		✓	✓		✓

AUDIT OPINION LEGEND

	CLEAN AUDIT OPINION: No findings on PDO and Compliance
	UNQUALIFIED with findings on PDO and Compliance
	QUALIFIED AUDIT OPINION (with/without findings)
	DISCLAIMER/ADVERSE AUDIT OPINION
N/A	New entity

Qualification paragraphs

No qualification paragraphs were included in the departments or public entities in the department's portfolio for the last four financial years.

Entity	Finding	Root cause	Recommendation
Commission	and wasteful expenditure, as required by section 51(1)(b)(ii) of the Public Finance Management Act.	management policies and procedures.	required by SCM prescripts.

3.2 Predetermined objectives

Entity	Finding	Root cause	Recommendation
Economic Development Departement	Material misstatements were identified in the annual performance report submitted for auditing on the reported performance information for Economic Policy Development, Economic Planning and Coordination and Socio Economic Development and Social Dialogue. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.	Lack of review to ensure that actual achievements of targets reported agrees to relevant supporting documentation.	We recommend that proper review processes are implemented to ensure that the annual performance report is supported by reliable, accurate and complete information.
International Trade and Administration Commission	Material misstatements were identified in the annual performance report submitted for auditing on the reported performance information for trade remedies and tariff investigations. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.	Lack of review to ensure that actual achievements of targets reported agrees to relevant supporting documentation.	We recommend that proper review processes are implemented to ensure that the annual performance report is supported by reliable, accurate and complete information.

Entity	Finding	Root cause	Recommendation
International Trade and Administration Commission	The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(b) of the Public Finance Management Act. Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records provided, resulting in the financial statements receiving an unqualified audit opinion.	The entity has not established the daily and monthly controls to ensure complete and accurate financial statements.	<p>Management should ensure that annual financial statements are prepared regularly. It is critical that a full and proper set of financial statements (including all disclosure notes) are prepared on a monthly basis.</p> <p>These annual financial statements should be reviewed by the governance structures i.e management, internal audit and audit committee.</p> <p>The annual financial statements prepared should be adequately supported by substantiating evidence to corroborate validity, accuracy and completeness thereof.</p> <p>annual financial statements which are submitted must be the final set approved by the leadership and supported as referred to above.</p>

3.6 Financial health status

There were no matters to report on the financial health status.

(c) Irregular expenditure:

Auditee		Irregular expenditure		
		Movement	Amount R 2014	Amount R 2013
1	Economic Development Department	↑	R592 000	R61 000
2	Competition Commission	↓	R6 763 000	R53 058 000
3	Competition Tribunal	↓	R0	R269 000
4	International Trade Administration Commission	↑	R206 000	R194 000

6. Other AGSA reports

Investigations

- No investigations are currently underway by the AGSA.

Performance audits

- No performance audits are currently underway by the AGSA.

7. Combined Assurance on Risk Management in the Public Sector

