

SABS Responses to questions from Parliament's Portfolio Committee of the dti regarding Q1 Report.

1) Consolidated AG SABS response

Response from AG's is attached.

SABS is in agreement with the attached AG letter and accepts that the AG made an error in their presentation as acknowledged in the attached letter. The AG confirms that SABS was not on GRAP and that the regression in audit opinion is not due to a change in accounting framework. The AG explicitly state that the reason for the SABS regression is due to material misstatement identified by the auditors on revenue from group services, other income, other expenditure and related party transactions disclosure between group companies.

2) Audit Action Plan

Group Transactions

- The material misstatements errors identified that resulted in the regression in the audit opinion was corrected in the annual financial statements and system adjustments were made to ensure accuracy of intercompany and interdivisional transactions and disclosures going forward.
- In addition group cost allocations will be reviewed for validity, accuracy, completeness and for VAT implications

Performance Information

- The revenue target was split in the Annual Financial Statements to comply with FMIPP.
- The Shareholders Compact was adjusted to include KPI's
- Deviations have been requested from National Treasury on required disclosures that could impact competitive advantage of the SABS.

Supply Chain Matters

- Preferential Points System to be utilised was not indicated on RFQ. Additional quality control has been implemented and templates standardised.
- Policies and Procedures are being updated for instruction notes issued and revised PPPFA.
- Training will be provided to relevant officials for all the changes in PPPFA and policy amendments.

Fruitless and Wasteful Expenditure

- R38,000 in fruitless and wasteful expenditure related to penalties on late payments. Adherence to payment terms is being enforced and municipal accounts payments are being closely monitored.

3) What plans are in place to generate revenue &

4) Two new service lines- how will this increase revenue

- We centralised the sales function with a dedicated focus to grow the revenue and increased the sales team to take a sector-focussed approach with very clear revenue targets per person that includes all existing and new products and services.
- A sale pipeline is developed to bridge the revenue gap over the next 2 financial years.
- Online daily financial performance tracking capability is developed to enable the business to make informed decisions.
- A monthly operational review meeting with General Managers responsible for revenue generation is established with standardised reporting templates.
- We are increasing our laboratory capacity through partnerships to speed up the recognition of revenue and reduce delays in our laboratories.
- Our business transformation program, enabled through technology is on track to facilitate online customer engagements and ease of doing business with SABS.

5) Revised Business Plan- to show revenue growth

Revenue growth is a strategic objective of the SABS Business Plan which will be achieved through the plans cited in response to questions 4 and 5 above.