

**Additional information to briefing presentation to the Portfolio Committee: Higher Education and Training**

**Audit outcomes of the portfolio**

Initial briefing: 12 September 2017

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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**

To provide additional detail in support of the slides detailing the audit outcomes for the Higher Education and Training portfolio for 2016/17 period.

1. **Audit opinion history**

**Overview**

The portfolio’s overall outcomes have improved over the past few years with a noticeable increase in clean audits. There were 4 entities where the audit outcomes improved and 3 entities where a regression was noted.

Eight SETAs achieved clean audits in the 2016/17 financial year. Sustainability of clean audits remains a challenge. FASSET, SERVICES SETA and CATTSETA regressed from an unqualified opinion with no findings to an unqualified opinion with findings. MQA, PSETA and W&RSETA improved from a qualified opinion to unqualified with findings.

The table below represents the audit opinions of the department and its public entities / institutions over the past five years:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **DESCRIPTION** | **12-13** | **13-14** | **14-15** | **15-16** | **16-17** | **Movement in audit outcomes** |
| **Audit opinions** |  |  |  |  |  |  |
| Department of Higher Education and Training |  |  |  |  |  |  |
| Agriculture Sector Education and Training Authority (AGRISETA) |  |  |  |  |  |  |
| Banking Sector Education and Training Authority (BANKSETA) |  |  |  |  |  |  |
| Construction Sector Education and Training Authority (CETA) |  |  |  |  |  |  |
| Chemical Industries Education and Training Authority (CHIETA) |  |  |  |  |  |  |
| Energy and Water Sector Education and Training Authority (EWSETA) |  |  |  |  |  |  |
| Education, Training and Development practices (ETDPSETA) |  |  |  |  |  |  |
| Financial and Accounting Services Sector Education and Training Authority (FASSET) |  |  |  |  |  |  |
| Fibre Processing and Manufacturing Sector Education and Training Authority (FP&MSETA) |  |  |  |  |  |  |
| Food and Beverages Sector Education and Training Authority (FOODBEV) |  |  |  |  |  |  |
| Health and Welfare Sector Education and Training Authority (HWSETA) |  |  |  |  |  |  |
| Media, Information and Communication Technologies SETA (MICTSETA) |  |  |  |  |  |  |
| Insurance Sector Education and Training Authority (INSETA) |  |  |  |  |  |  |
| Local Government Sector Education and Training Authority (LGSETA) |  |  |  |  |  |  |
| Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA) |  |  |  |  |  |  |
| Mining Qualifications Authority (MQA) |  |  |  |  |  |  |
| Public Services Sector Education and Training Authority (PSETA) |  |  |  |  |  |  |
| Safety and Security Education and Training Authority (SASSETA) |  |  |  |  |  |  |
| Services Sector Education and Training Authority (SERVICES SETA) |  |  |  |  |  |  |
| Transport Education and Training Authority (TETA) |  |  |  |  |  |  |
| Culture, Arts Tourism, Hospitality and Sport Education and Training Authority (CATHSSETA) |  |  |  |  |  |  |
| Wholesale and Retail Sector Education and Training Authority (W&R SETA) |  |  |  |  |  |  |
| National Skills Funds (NSF) |  |  |  |  |  |  |
| National Student Financial Aid Scheme (NSFAS) |  |  |  |  |  |  |
| National Institute for the Humanities and Social Sciences (NIHSS) | N/A: Institute not established | |  |  |  |  |
| Council on Higher Education (CHE) |  |  |  |  |  |  |
| Qualification Council for Trades and Occupations (QCTO) |  |  |  |  |  |  |
| South African Qualifications Authority (SAQA) |  |  |  |  |  |  |

|  |  |
| --- | --- |
| **AUDIT OPINION LEGEND** | |
|  | **CLEAN AUDIT**: No findings on predetermined objectives and compliance |
|  | U**NQUALIFIED** **WITH FINIDNGS** on predetermined objectives and /or compliance |
|  | **QUALIFIED** AUDIT OPINION (with/without findings on predetermined objectives and/or compliance) |
|  | **DISCLAIMER/ADVERSE** AUDIT OPINION |
|  | **AUDIT OUTSTANDING** (not concluded by 31 July 2017) |

**MOVEMENT IN AUDIT OUTCOMES**

|  |  |
| --- | --- |
|  | Improvement in audit outcome for 2016/17 when compared to previous year |
|  | No change in audit outcome for 2016/17 when compared to previous year |
|  | Regression in audit outcome for 2016/17 when compared to previous year |

1. **Detailed outcomes per entity**

**Name of entity: Department of Higher Education and Training (DHET)**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | * Sufficient controls were not in place to ensure supporting evidence for employee cost expenditure was readily available for audit purposes as result of the function shift . * Control weaknesses were identified in various components of the annual financial statements resulting in a similar number of findings reported as per the previous year. | * Request for information of compensation of employee for Technical vocational education and Training colleges (TVET) and Continuing education and Training colleges (CET) were not clearly communicated to employees in those colleges as well as employees at the department on a timely basis as a result delays were encountered in performing our audit procedures. * Sufficient controls over employee costs and some disclosure notes are not implemented throughout the year to ensure that information fairly represents the financial affairs of the department in accordance with the modified cash standard of accounting on a regular basis. The following key control deficiencies were identified: * Controls were not in place to ensure that accruals are completely recorded by monitoring the extent of goods and/or services received not yet paid at regular intervals. * Reconciliations were not performed between manual leave records and PERSAL to ensure accuracy and completeness of leave records resulting in misstatements in leave accrual disclosure note in the financial statements. * Management did not implement monitoring controls over prepayments to ensure prepayments are derecognised when goods and/or services was rendered. * Management did not perform effective reviews and reconciliations of the asset register to ensure that it contains valid and accurate information. | * Management should ensure that all employee related information is readily available and agree on timelines for submission of information from provincial offices, TVET colleges and CET centres. Staff at regional offices should be held accountable to deliver information within agreed timelines. * Management should consider the use of electronic document management systems to ensure employee cost information is readily available and easily accessible. * Standard processes and systems should be developed relating to compensation of employees. * The department should implement controls in relation to the disclosure notes throughout the year. * Staff should be held accountable for the timely development of adequate action plans and monitoring of effective implementation of action plans. Internal audit should provide assurance on the effective implementation of action plans. |
| **Performance report** | **Programme 4 and 6:**   * The department did not implement the documented verification procedures as per the 2016/17 Standard Operating Procedures (SoP) for collecting, collating, verifying and storing information for reporting on predetermined objectives for programme 4 and 6 impact indicators (eg: certification and throughput rates) to ensure the reliability of information. This resulted in limitations during the audit for some indicators resulting in a qualified audit opinion for programme 4 and 6.   **Programme 5:**   * In performing the completeness testing for artisans we selected records from the raw reports/data submitted by Indlela and the SETAs and traced them to the supporting listings used to report on work based learning opportunities (WIL) achievements. We were unable to trace students selected from the raw data to the reported achievements, indicating that the reported achievements are not complete resulting in the indicator being materially misstated. | * The action plan developed by management was not sufficient,timely and effective to address all prior year reported internal control deficiencies. Verification controls implemented by management over performance reporting were not fully effective to ensure reported information is valid, accurate and complete and supporting listings are accurate. This is as a result of: * Lack of reporting regulations in place that requires TVET and CET colleges to report on headcount enrolments. * Management did not perform necessary and proper reviews to ensure reported achievements agree to supporting listings. * There was inadequate consequence management by the director-general and deputy directors-general where action plans were not implemented to address previously reported internal control deficiencies by external and internal audit. | * The department should ensure that all reported performance achievements can be easily linked to the relevant documentation. Where the department relies on information from other institutions for the achievements reported on, the department should implement and/or enhance verification checks to ensure that the information supplied by the relevant institutions is valid, accurate and complete. Standard operating procedures should address the verification processes in place, especially with regards to outcome indicators. * The department should evaluate and address capacity requirements to enable proper validation of performance information, in line with available funding. * Reviews of reported information against supporting information should be enhanced. * Development of reporting regulations for TVET colleges that require reporting on predetermined objectives should be fast-tracked, including the need for independent verification. * Staff should be held accountable for the timely development of adequate action plans and monitoring of effective implementation of action plans. Internal audit should provide assurance on the effective implementation of action plans |
| **Compliance with legislation** | * Reasons for deviations are not always sufficient to support that it is an urgent / emergency case or that goods / services procured are only available from a sole supplier. As a result, reasons for deviations do not always support the underlying principles of fairness in the procurement process. | * Compliance with procurement laws and regulations were not effectively monitored, especially with regards to: * Evaluating reasons for deviations. * The necessary supporting documentation required for deviations are not maintained. * Although management developed an action plan to address prior year reported internal control deficiencies, the action plan was not implemented effectively as recurring findings were identified. * Refer to financial statements section above for root causes to address non-compliance relating to misstatements in financial statements | * The department should enhance detection controls that will assist them in identifying non-compliance with supply chain management (SCM) regulations prior to the finalisation of SCM transactions. * Management should enhance their reviews of reasons for deviations to ensure that it is consistent with supporting information and indicative of a fair, equitable, transparent, competitive and cost effective process. Implementation of a deviation checklist is encouraged. * Staff should be held accountable for the timely development of adequate action plans and monitoring of effective implementation of action plans. Internal audit should provide assurance on the effective implementation of action plans. * Refer to financial statements section above for root causes to address non-compliance relating to misstatements in financial statemetns |

**Name of entity: AGRISETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | Contracts were extended for a value exceeding R15 million without prior approval of the deviation being obtained from Treasury.  Projects not approved in line with the discretionary grants policy and regulation. These instences resulted in irregular expenditure | Management did not adhere to the grant regulations as well as the discretionary grant policy to ensure that only projects that have been approved as required by the guiding regulations and policy are funded and paid | Effective monitoring processes that will detect non-compliance with the necessary regulations and policies relating to the approval of grants should be implemented. No grants should be paid before such monitoring processes confirm that all due processes were adequately complied with |
|  | Services were procured without following the competitive bidding process and no approval for the deviation was obtained. | Management did not exercise adequate oversight over compliance and related as sufficient monitoring were not in place to ensure that all non-compliances with Treasury Regulations were identified. | Processes should be in place to monitor compliance with laws and regulations to prevent irregular expenditure. |
| **Compliance with legislation** | The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. | Refer to root cause for financial statements above. | Management should prepare financial statements that are in accordance with the reporting framework and these should be reviewed before submission for audit purposes. |

**Name of entity: BANKSETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **No material findings – clean audit** | | | |

**Name of entity: CHIETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| No material findings – clean audit | | | |

**Name of entity: CETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **No material findings – clean audit** | | | |

**Name of entity: CHE**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Performance report** | Non adherance to the requirements of the National Treasury’s Framework for the managing of programme performance information FMPPI in ensuring that suitable indicators that are well-defined and verifiable for each programme are reported, which resulted in usefulness and reliability findings. | * Management did not adequately oversee compliance with National Treasury’s FMPPI to ensure that indicators are well defined and performance targets are specific in clearly identifying the nature and required level of performance for the programmes reported. * Above also resulted in the inability to verify reported achievements against targets. | * Adequate reviews of the APP to ensure compliance with National Treasury’s FMPPI and ensure that indicators are well defined with targets that are specific in identifying the nature and required level of performance. * Technical indicators should be documented in sufficient detail to ensure compliance with the relevant frameworks for preparation of annual performance plans. * Proper reviews should be conducted to ensure the accuracy and completeness of the information presented in the quarterly and annual performance reports. |

**Name of entity: CATHSSETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | Material errors in the financial statements were identified by the auditors on commitments. These were subsequently corrected by management. | Regular and detail review of annual financial statements and relevant supporting schedules was not performed by senior management. | Management should ensure that the annual financial statements including relevant supporting schedules go through various levels of reviews by the senior officials before they can be approved. |
| **Compliance with legislation** | The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. | Refer to root cause for financial statements above. | Management should prepare financial statements that are in accordance with the reporting framework and these should be reviewed before submission for audit purposes. |

**Name of entity: ETDPSETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **No material findings – clean audit** | | | |

**Name of entity: EWSETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | Material misstatement on commitments in the submitted financial statements. These were subsequently corrected by management. | * AFS was not properly reviewed before it is submitted for audit purposes. * Daily and monthly processing and reconciling of transactions did not take place throughout the year. | We recommend that management review the commitment disclosure on the financial statement, correct the incorrect disclosure in the financial statement. Management must also ensure that all commitment balances as at year end are calculated by reducing balance with the expenditure incurred during the financial year to ensure that the balance is correctly valued. |
| **Compliance with legislation nce with legislation** | The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. | Refer to root cause for financial statements above. | Management should prepare financial statements that are in accordance with the reporting framework and these should be reviewed before submission for audit purposes. |

**Name of entity: FP&M SETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **No material findings – clean audit** | | | |

**Name of entity: FASSET**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | Material misstatement in commitments on the submitted financial statements. These were subsequently corrected by management. | Management did not ensure that the commitments included in the commitments register are supported by the active contracts | * Management must implement controls to ensure that commitments included in the commitments register are supported by valid and active contracts. * Controls relating to contracts management must be improved to ensure that contracts that are about to expire are assessed to determine the need to complete extensions or addendums. If the need to complete extensions or addendums is identified, these must be timeously completed and approved at the correct level of authority before any payments are made against these contracts |
| **Predetermined objectives** | * Performance achivements not complete. * Duplications in the performance information report * No sufficient appropriate evidence that clearly defined the predetermined evidence and method of collection to be used when measuring the actual achievement for the indicator, as required by the Framework for managing programme performance information (FMPPI). | * Management did not ensure that report on targets as they have indicated in the APP * Management did not ensure that they exclude duplicates in their reported targets * Management did not ensure that performance targets are in line with the SMART principles | * Management should ensure that they report on targets as they have indicated in the APP * Management must also investigate and ensure that all the learnership that are supposed to be reported under performance information are reported * Management should review the APR and ensure that all duplications are removed as these overstate the actual performance achieved. * Management must ensure that before approval of the strategic plan and annual performance plan; the indicators and targets are in line with the SMART principles as per the National Treasury guide on Managing Programme Performance. * Management must update the final draft Strategic Plan and APP for the 2019/20 financial year before submission to the Executive Authority for approval to ensure compliance with the SMART principles   . |
| **Compliance with legislation** | * The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. * Effective steps were not taken to prevent irregular expenditure amounting to R6 million as disclosed in note 29 to the annual financial statements, in contravention of section 51(1)(b)(ii) of the PFMA. | Refer to root cause for financial statements above.   * Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1. Deviations were approved by the accounting authority even though it was not impractical to invite competitive bids, in contravention of Treasury regulation 16A6.4. * Contracts were awarded to bidders based on functionality criteria that did not include the applicable values in the tender invitation, in contravention of Preferential Procurement Regulation 4. | Management should prepare financial statements that are in accordance with the reporting framework and these should be reviewed before submission for audit purposes.   * Management must develop a process to ensure that all procurement deviations are recorded in writing and approved at the appropriate level of authority.  This should include reporting of the deviations to National Treasury and the Auditor-General.      * Reasons for all procurement deviations must comply with the requirements of all National Treasury requirements for deviations including validity of the reasons for deviations. |

**Name of entity: FOODBEV SETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | Invalid discreationary contracts were included in the commitment register resulting in material errors being identified in discretionary commitments disclosure notes | Management did not comply with the prescribed financial reporting framework due to incorrect interpretation and application of accounting standards. | Management should implement adequate daily, weekly and monthly processing and reconciliation controls including proper preparation and reporting discretionary project commitments and other schedules supporting the annual financial statements. |
| **Compliance with legislation** | The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. | Refer to root cause for financial statements above. | Management should prepare financial statements that are in accordance with the reporting framework and these should be reviewed before submission for audit purposes. |

**Name of entity: HW SETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **No material findings – clean audit.** | | | |

**Name of entity: INSETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **No material findings – clean audit** | | | |

**Name of entity: LGSETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Performance report** | The public entity did not have an adequate performance management system to maintain records to enable reliable reporting on achievement of targets. Sufficient appropriate audit evidence could not be provided in some instances while in other cases the evidence provided did not agree to the recorded achievements. This resulted in a misstatement of the target achievement reported as the evidence provided indicated a different value than the value reported as achievement in the annual performance report. It was not possible to confirm the reported achievement by alternative means. Resulting in an adverse opinion on programe 4 and a qualified opinion for programe 5 | * Management did not implement sufficient and appropriate performance management controls overthe reporting of performance information to ensure fair presentation of the Annual Performance Report. * Management did not prepare listings of the total achievements for each indicator in the Annual Performance Plan prior to reporting which would enable adequate reporting of achieved targets inthe APR. | The following are recommended:   * Listing/ schedule should be prepared and submitted for audit together with the Annual performance report. * Management must ensure that the performance listing/schedule agrees with the annual report. |

**Name of entity: MERSETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | Material errors were identified on current assets, expenditure and disclosure items.These errors were subsequently corrected by management | Exercise oversight responsibility regarding financial and performance reporting and financial performance reporting and compliance and related internal controls | Management should implement proper controls to review the AFS to ensure that all the applicable GRAP standards are adhered to and all the information on the AFS is accurate |
| **Performance report** | Performance information reported could not be validated.  Indicators not well defined and the targets not specific and measurable | The accounting authority did not ensure the implementation of appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets  Accounting authority did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls. | Management should develop adequate controls including the implementation of standard performance operating procedures that will guide the entity’s employees on collection, validation and reporting of performance information.  Executive management should perform detailed reviews of the information contained in the APP to ensure that the information is useful and that the information is relevant and consistent to what the entity intends to achieve in the upcoming financial year |
| **Compliance** | Goods and services with a transaction value above R500 000 were procured without inviting open competitive bids and the reasons for deviations were also not recorded and approved by the acoounting officer.  Invitations for competitive bidding were not always advertised in at least the government tender bulletin, as required by Treasury Regulation 16A6.3(c).  Effective steps were not taken to prevent irregular expenditure incurred. | Management did not exercise adequate oversight over compliance and related as sufficient monitoring were not in place to ensure that all non-compliances with Treasury Regulations were identified. | Processes should be in place to monitor compliance with laws and regulations to prevent irregular expenditure. |

**Name of entity: MICTSETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **No material findings – clean audit.** | | | |

**Name of entity: MQA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | The entity did not have a proper record management that provides for the maintenance of information to supports grant transfers payable. This includes information that relates to supporting documentation for prior year misstatements on accruals which was only subsequently provided. Management did not have effective controls to ensure that material misstatements were not identified in line items such as current year accruals and restatement figures affecting discretionary grants payables and the commitments disclosure note. These were subsequently corrected during the audit process. | * Implementation of action plans to address internal control deficiencies reported on in the previous year was not adequately monitored. This resulted in a recurrence of material audit findings. * Management did not implement controls over commitments management on a monthly basis, which resulted in material misstatements identified in the commitments disclosure note as at year-end. | * Action plans to adress audit findings and internal control deficiencies should form part of employees’ performance contracts. * Management should implement contract management controls over commitments on a monthly basis. |
| **Compliance with legislation** | The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. | Refer to root cause for financial statements above. | Management should prepare financial statements that are in accordance with the reporting framework and these should be reviewed before submission for audit purposes. |

**Name of entity: NSF**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | Material errors were identified in the areas of cash flow statement, related party and commitments disclosure note. These errors were subsequently corrected by management. | * Daily and monthly processing and reconciling of transactions were not being performed by management. * The entity did not prepare accurate, valid and complete financial statements and performance report that are supported and evidenced by reliable schedule | * Daily and monthly processing, reconciling of transactions and review of reports should take place throughout the year. * Management should track payments on each project to ensure that payments made on each project do not exceed the contract value. The commitment schedule should be reviewed by a senior official for negative balances and reasons should be investigated. |
| **Compliance with legislation** | The accounting authority submitted financial statements for auditing that were not prepared in all material aspects in accordance with prescribed accounting framework as required by section 55(1) (b) of the PFMA. | Refer to root cause for financial statements above. | Refer to recommendation for financial statements above. |

**Name of entity: NSFAS**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | Material errors were identified in the areas of student loans receivable, its related disclosure notes and contingent liabilities These errors were subsequently corrected by management. | * Daily and monthly processing and reconciling of transactions were not being performed by management. * Reported information was not thoroughly reviewed by management. | Daily and monthly processing, reconciling of transactions and review of reports should take place throughout the year. |
| **Performance report** | **Usefulness of reported performance information**   * The method of calculation of 2 indicators was not clearly defined resulting in a qualification of Programme 2: Student centred financial aid. | * Management did not prepare regular, accurate and complete performance reports thereby ensuring that KPIs are formulated in such a way that it is well defined. | * Leadership needs to perform a thorough review of the KPIs/ targets set in the APP and ensure compliance with the guidelines set in the FMPPI and the Framework for Strategic Plans and Annual Performance Plans and to make sure that the method of calculation is clearly defined. |
| **Compliance with legislation** | * The entity did not prepare financial statements that were materially in accordance with the application of generally recognised accounting practice (GRAP), and therefore the entity has contravened the requirements of section 55(1)(b) of the PFMA. | * Management processes implemented for the review of the financial statements were inadequate as the misstatements were not detected and corrected during the preparation and finalisation of the financial statements. | * As part of the review processes, management should evaluate the financial statements for material account balances, classes of transactions and note disclosures against the requirements of the GRAP reporting framework. The National Treasury disclosure checklists for GRAP can be used to facilitate this review, and these checklists should be signed off by management as evidence of the review of the financial statements has occurred. |

**Name of entity: PSETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | Discreationary grants commitments opening balance was prepared on a cash basis instead of the accrual basis of accounting as per the GRAP Framework which resulted in the following material misstatements on the register submitted for audit:  Payments made in prior years were not correctly accounted for in the movement of the commitments opening balance as at 1 April 2016.  Project expenses with invoices relating to the 2015/16 financial period were not accounted as per the date on the invoice instead they were accounted for on the date of payment during 2016/17 financial period.  The errors noted above were subsequently corrected during the audit process.  Contracts were not dated with the date they were signed by the service provider which resulted in the auditors being unable to determine which financial period the contract relates to. | Management did not adequately review the commitment register for accuracy and integrity of information prior to utilising it to prepare the disclosure note to the annual financial statements.  Lack of detailed review of financial statements to ensure it agreed to the commitments register. | Management should review the entire commitments disclosure note in the financial statements for misstatements  Management should ensure that the financial statements are thoroughly reviewed for accuracy, completeness and integrity of the information presented and disclosed. |
| **Compliance with legislation** | The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. | Refer to root cause for financial statements above. | Management should prepare financial statements that are in accordance with the reporting framework and these should be reviewed before submission for audit purposes. |

**Name of entity: QCTO**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **No material findings – clean audit** | | | |

**Name of entity: SASSETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | Material misstatements were identified in the discretionary grant commitments disclosure and provisions.These were subsequently corrected by management resulting in the annual financial statements receiving and unqualified audit opinion | * There is a lack of communication between finance and the projects department in assessing the progress of the contracts to ensure that only valid commitments are disclosed in the financial statements * Lack of adequate reviews of the commitments register to ensure on valid contractual commitments are included in the commitment balance * Management did not implement controls to ensure that R500k levy provision has been reviewed to ensure accuracy and completeness | Management must:   1. Implement controls to ensure that the commitments register is adequately reviewed, for example performing reconciliations between the agreement amounts on the commitments register and the project approval schedules 2. Review the commitment schedule to identify all expired contracts and adjust the commitment balance by the value of the expired contracts. 3. Identify expired contracts for which the projects are still running and extend contracts through addendums and for those that are not running, assess whether the projects have closed and whether such amounts may constitute accruals at year end or write-back the commitment. 4. Develop preventative measures for early identification of expiring contracts and extend contracts 5. Ensure that on a monthly basis the finance section together with the projects section review and reconcile the register to ensure the validity and accuracy of the commitments register  * Management must re-perform the calculation of the below levy threshold provision based on available levy information from the download files, and resubmit for audit purposes, as well as the adjusting journal entries |
| **Compliance with legislation** | * Material adjustments to AFS. * Irregular expenditure was incurred. | * Refer to root cause for financial statements above. * Management did not adequately plan to ensure that the requirement relating to adverting of tenders for a minimum of 21 days is adhered to. * Management did not adequately review the decision taken to award the tender based interviews for compliance with regulations. | * Refer to recommendation for financial statements above. * Management should: * consider implementing adequate contract management process which includes proper planning processes in relation to tender processes to ensure adherence to all regulation requirements. * Irregular expenditure should be disclosed in the financial statements and the process initiate process of condoning the irregular expenditure incurred in relation to these tenders by the relevant authority. * Management should: * Disclose all expenditure incurred in relation to these tender as irregular * Initiate process of condoning the irregular expenditure incurred in relation to these tenders. |

**Name of entity: Services SETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Performance report** | Sufficient appropriate audit evidence could not be provided to support actual performance reported for programme 4, this resulted in material findings for two indicators. | Management did not implement sufficient and appropriate performance management controls over the reporting of performance information to ensure fair presentation of the Annual Performance Report. | The following are recommended:  The review and verification of perfomrance information throughtout the year and before the information is presented for audit, to support the achievements for the year relating to these specific targets, should be improved. |

**Name of entity: SAQA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Compliance with legislation** | Sufficient appropriate audit evidence could not be obtained that contracts were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding, as required by Preferential Procurement Regulation 4. | Non-compliance with supply chain management regulations relating to the non-inclusion of applicable values in the original invitation for tender could have been prevented has compliance with procurement and contract management been properly reviewed and monitored by supply chain management. | Applicable values to be used in scoring and evaluation of bids should be included in the invitation for tenders. |

**Name of entity: TETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Performance report** | Programme 4- Youth development and progression for further access and workplace training and experience:  2 indicators within programme 4 were not well defined and these reported indicators in the Annual Performance Report were not consistent with the planned indicator per Annual Performance Plan. | * The planned indicators are not well defined and that TID’s are not documented in a manner that the reported performance is clearly identifiable. * As a result of the above in order for the SETA to report on these indicators that was not clearly defined in the APP they had to be combined in the Annual Performance Report which means that it was not consistent with information in the Annual Performance Plan. | Management should ensure that the definitions in the TID’s clearly stipulate the requirements for the supporting evidence that would enable the SETA to clearly identify the reported achievement. |

**Name of entity: W&RSETA**

| **Area of reporting** | **Key findings** | **Root causes** | **Recommendations** |
| --- | --- | --- | --- |
| **Financial statements** | Expired discreationary grants contracts were included in the commitment register as at 31 March 2017.  The error noted above were subsequently corrected during the audit process. | Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting related to contract management.  Management did not establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities. | **Management should ensure:**   * There are supporting documents for the regularised contracts such as the acceptance letter, and that these are on the same length and for the same amount. * That the definition of a commitment is applied to each and every contract entered into the commitments register |
| **Performance report** | Sufficient appropriate audit evidence could not be provided in some instances while in other cases the evidence provided did not agree to the recorded achievements, It was not possible to confirm the reported achievement by alternative means. Resulting in an adverse opinion on programe 5, disclaimer of opinion for programme 2 and disclaimer of opinion for programme 3. | Management did not exercise adequate oversight in monitoring compliance with the National Treasury’s Framework for managing programme performance information (FMPPI) to ensure that indicators are well performance targets are specific | Management at programme level and PME should ensure T.I.D explicitly describes the nature of the input or output, the activities, the desired outcomes and impacts, and all relevant definitions and standards used in the field.  Management at programme level and PME should develop a T.I.D aimed at clarifying processes for identifying; collecting; collating; verifying and storing information covering all indicators of the Seta.  Internal audit should also focus on the internal controls in place over planning, monitoring and reporting on performance information during their review processes and monitor that management implements their recommendations. |
| **Compliance with legislation** | 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)(a) and (b) of the Public Finance Management Act. Material misstatements of the prior period error disclosure note, identified by the auditors in the submitted financial statements were subsequently corrected. Effective steps were not taken to prevent irregular expenditure amounting to R 272 239 000, identified in the current years as disclosed in note 37 of the financial statements, as required by section 51(1)(b)(ii) of the Public Finance Management Act. Mandatory Grant payments were made without being approved by the delegated authority. | Inadequate monitoring procedures to ensure adherence to National Treasury practice notes. All the documents as required by the practice note for unsolicited bids were not obtained for bidders. | Ensure complience with section 51(1)(b)(ii) of the Public Finance Management Act. Ensure the W&R Seta only grants extensions for the late submission of Annexure 2 documents only after receipt of a request for extension from the individual employers, and treat each submission on an individual basis, as required by the cited Regulatio. |

1. **Other matters of interest**
2. Irregular expenditure: Expenditure incurred in contravention of key legislation

| **Department/ Entity** | | **Irregular expenditure** | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| **Movement** | **Amount incurred R 2016/17** | **Amount incurred R 2015/16** | **Root cause / nature** | **Recommendation** |
|  | DHET |  | R 63 817 000 | R31 300 000 | Correct procurement procedures were not followed with regards to:   * reasons for deviation not always adequately supported and the reasons thereof not backed up with sufficient audit trail.   The root cause of the lack of effective prevention and detection are the lack of proper evaluation performed to ensure reasons provided for deviations from required procurement processes are valid and justifiable.. | * The department should implement detection controls that will assist them in identiying non-compliance with SCM regulations prior to the finalisation of SCM transactions. * Management should carefully evaluate and document appropriate reasons for deviations from required procurement processes and ensure adequate documentatoin is available to support the deviations. * Action plans should address root causes and implementation thereof monitored to ensure prior year reported deficiencies are addressed. |
|  | AGRISETA |  | R30 948 000 | R 0 | Management did not adhere to the grant regulations as well as the discretionary grant policy to ensure that only projects that have been approved as required by the guiding regulations and policy are funded and paid | Effective monitoring processes that will detect noncompliance with the necessary regulations and policies relating to the approval of grants should be implemented. No grants should be paid before such monitoring processes confirm that all due processes were adequately complied with |
|  | BANKSETA |  | R 100 000 | R 126 000 | CY: Deviations that were not classified as sole supplier or emergency that did not have prior written National Treasury approval  PY: Management did not ensure compliance with cost containment regulations as required from National Treasury | N/A |
|  | CATHSSETA |  | R 43 487 000 | R 35 145 000 | **PY**   * Officials responsible for supply chain management do not understand the processes that need to be followed to meet the requirements of National Treasury regulations. * Action plans to address internal control deficiencies identified by internal and external auditors could not be effectively implemented due high staff turnover.   **CY**  Current year expenditure was identified by management | * Management should ensure that key management positions are filled with individuals who have appropriate and sufficient skills. * Key officials responsible for supply chain management should keep abreast of changes and new developments relating to National Treasury regulations. Training on these changes should be rolled out to all staff members responsible for supply chain management. |

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|  | ETDPSETA |  | R1 348000 | R 0 | CY: Lack of effective prevention and detection are inadequate monitoring of compliance with laws and regulations. | Management has not adequately reviewed and monitored compliance with regards to ensuring that deviations approvals are for suppliers with valid tax clearance certificates. |
|  | EWSETA |  | R290 000 000 | R29 693 000 | CY: Exceeding quotation threshold  PY: Overspending on the 10.5% administration expenditure as per the Skills Development Regulations. | Management should monitor processes and controls currently in place to ensure that the spending on administration expense is being monitored in order to avoid irregular expenditure being incurred. |
|  | FP&M SETA |  | R 1 204 000 | R 818 000 | Non-compliance with SCM processes. Management did not adhere to all procurement and National Treasury Regulations when procuring goods and services. | Management should implement monitoring controls to ensure that SCM processes have been adhered to prior to concluding the procurement. |
|  | FASSET |  | R 6 300 000 | R 7 500 000 | CY:Management did not review and monitor compliance with applicable laws and regulations.  PY: Misinterpretation and application of supply chain management processes by FASSET SCM structures. | CY: Management should ensure that they monitor the budget on contracts to avoid incidence of overpayment  PY:This was an isolated incident and was identified by management. Management should carefully consider SCM processes in line with legislative requirements. |
|  | FOODBEV SETA |  | R 2 035 000 | R 7 567 000 | Non-compliance with SCM processes. Management did not adhere to all procurement and National Treasury Regulations when procuring goods and services. | Management should implement monitoring controls to ensure that SCM processes have been adhered to prior to concluding the procurement. |

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| --- | --- | --- | --- | --- | --- | --- |
|  | INSETA |  | R 0 | R12 000 | N/A for current year.  PY: Management did not execute oversight responsibility by ensuring that effective controls are in place to prevent non-compliance with the Guideline on Cost Containment Measures: National Treasury Instruction 01 of 2013/14. | PY: Management should implement a checklist for the procurement of goods and services to ensure compliance with applicable laws and regulations. |
|  | MERSETA |  | R 4 838 000 | R999 000 | Non-compliance with SCM processes. | Management should implement monitoring controls to ensure that SCM processes have been adhered to prior to concluding the procurement. |
|  | MQA |  | R 15 569 000 | R 15 976 000 | Non-compliance with SCM processes. Management did not adhere to all procurement and National Treasury Regulations when procuring goods and services. | Management should implement monitoring controls to ensure that SCM processes have been adhered to prior to concluding the procurement. |
|  | NSF |  | R170 694 000 | R196 663 000 | * There is a lack of controls by DHET to ensure that the tender specifications for contractors comply with the CIDB prescripts. * Irregular expenditure was also incurred during appointment of a consultant to render communication and marketing services via deviation which was not properly motivated. * Irregular expenditure amounting to R189 000 was identified in the current year however related to expenditure incurred in the prior year. | * Before contracts are awarded to other recommended bidders on this tender, the bidders’ CIDB grading should be reviewed. Where the CIDB grading is not sufficient and the provisions of CIDB regulation 25 are not satisfied, the tender should be cancelled and re-advertised. The CIDB grading should be adjusted to 9 to ensure that contractors have sufficient capacity and experience to successfully complete the building of the campuses. * Controls should be implemented to ensure deviations from SCM are properly motivated, in line with Treasury Regulation requirements. |
|  | NSFAS |  | R74 000 | R 3 591 000 | Three quotations not obtained. | Development of a SCM checklist. Appointment of a compliance officer. |
|  | PSETA |  | R 80 498 000 | R 113 000 | R56 865 000 was due to Non adherence with the evaluation process on the allocation of discretionary grants and R23 813 000 was as a result of the excess administration expenditure incurred due to non-compliance with the Skills Development Act and the Department of Public Service and Administration (DPSA) directive on the revenue received through a vote. | Management should implement and effectively monitor the evaluation process on the allocation of discretionary grants.  Management should implement controls to prevent excess expenditure on revenue received through a vote and thereby ensure compliance with the DPSA directive. |
|  | QCTO |  | R0 | R 187 000 | N/A for the current year | N/A |
|  | SASSETA |  | R 798 000 | R 138 904 000 | CY: Non-compliance to TR16A6(c) and 16A3.2  PY: Non-adherence to SCM processes. Discretionary contracts were awarded by the Board and management without complying with the discretionary grants policy as required by the Grant Regulations to the Skills Development Act. This irregular expenditure was incurred prior to the SETA being placed under administration but were identified during the administration period. | CY: Implementing adequate contract management process which includes proper planning processes in relation to tender processes to ensure adherence to all regulation requirements.  PY: Review the discretionary grant policy to ensure that key legislative and financial management principles and critical financial functions are adequately addressed and incorporated into the policy and business processes during revision of the discretionary grant policy for 2015-16 before the discretionary grant policy is approved. |
|  | Services SETA |  | R 80 169 000 | R 32 532 000 | Exceeding the 10.5% admin cost limit as per the grant regulations due to a building project. (R79 467 000)  Payments made in contravention of supply chain management regulations (R702 000). | The SETA needs to consider developing processes to ensure that the projects are monitored so that the admin allocations are not exceeded.  Management should implement monitoring 0controls to ensure that SCM processes have been adhered to prior to concluding the procurement. |

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| --- | --- | --- | --- | --- | --- | --- |
|  | SAQA |  | R 99 148 | R 710 000 | Sufficient appropriate audit evidence could not be obtained that contracts were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding, as required by Preferential Procurement Regulation 4. | Applicable values to be used in scoring and evaluation of bids should be included in the invitation for tenders. |
|  | TETA |  | R 70 000 | R 34 000 | CY: Management did not review and monitor procurement of training to ensure that all supply chain laws and regulations have been complied with  PY: Preference points were incorrectly calculated resulting in the award being allocated to the incorrect service provider. This was due to an isolated system error. | CY: Management should develop a proper training plan to determine when training is required to enable proper procurement planning and compliance with the procurement processes. Deviations from official procurement processes must only be approved in cases where it is impractical or impossible to follow the official procurement process and approved by the relevant authority  PY: Management should ensure through proper reviews that for all procurement, the correct point system and evaluation criteria is used before any procurement contract is awarded. |
|  | W&R SETA |  | R114 735 000 | R 57 349 000 | Contracts signed outside delegation of authority and non-compliance with supply chain management requirements  PY: Inadequate monitoring procedures to ensure that delegation of authority is adhered to when contracts are entered into. | Management should adhere to the approved delegation of authority and should also implement monitoring controls to ensure that SCM processes have been adhered to prior to concluding the procurement |

*Fruitless and wasteful expenditure:* Expenditure that should not have been incurred (incurred in vain which could have been avoided, with no value for money received)

| **Department/ Entity** | | **Fruitless and Wasteful expenditure** | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| **Movement** | **Amount incurred R 2016/17** | **Amount incurred R 2015/16** | **Root cause** | **Recommendation** |
|  | BANKSETA |  | R 5 000 | R 6 000 | CY: R2800 – Advertising cost of tenders cancelled and R2200 – Reprinting of invoices to clear prior year travel reconciliations.  PY: Interest on late payment due to disputes with service providers. | N/A as still under investigation. |
|  | CHE |  | R6 316 | R 32 079 | Inadequate controls to ensure timeous payment of invoices including payments to suppliers where services have not been received. | Implement controls to ensure that invoices are received and paid on time and that payments are made for services received. |
|  | CATHSSETA |  | R 0 | R 90 00 0 | N/A for current year.  PY: Costs incurred on flight tickets on scheduled training not attended by TVET staff  PY: Costs incurred for cancellation of tender services due to change in terms of reference. | N/A |
|  | ETDPSETA |  | R 577 000 | R 58 000 | CY: During the year it was confirmed that certain modules on the MIS system were incomplete and not functional. The amount has been disclosed as fruitless and wasteful pending discussions with the service provider.  PY: Costs incurred for training where not all staff attended. | Management should implement controls in order to ensure that payments that could have been avoided are recovered from the responsible parties. |
|  | EWSETA |  | R 33 000 | R 127 000 | CY: R12 000 was incurred as a result of missed flights, R21 000 interest on late payment.  PY: Interest as a result of late payment to SARS. | Management should monitor processes and controls currently in place to ensure all payment is made on time to avoid interest and penalties being charged. |
|  | FASSET |  | R 22 000 000 | R0 | Fasset received a grant from a stakeholder and transferred it to an approved training provider. Subsequently, Fasset made another payment to the same training provider for the same project resulting in a duplicate payment. | Al payments should be reviewed stringently to ensure that no duplicate payments are made. |
|  | FOODBEV SETA |  | R 14 000 | R 38 000 | Payment made for incorrect advertisement  PY: Internal audit tender was advertised and cancelled after publishing wrong terms of reference. Non- compliance to Section 51 of PFMA and TR 9.1.1 Costs incurred for cancellation of tender services due to change in terms of reference. | Proper procurement needs analysis should be undertaken prior advertisements been published. |
|  | HWSETA |  | R 0 | R 7 000 | N/A for current year.  PY: Interest charges on late payment of invoices due to management oversight (current and prior year). | None |
|  | INSETA |  | R 0 | R1 140 000 | CY: N/A for current year  PY: Interest occurred due to late payment of invoices for telephone accounts. | PY: This was an isolated incidence for 2015/16 as we did not identify any similar exceptions during the audit. INSETA has improved its payment turnaround times. |

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| --- | --- | --- | --- | --- | --- | --- |
|  | LGSETA |  | R 0 | R 161 000 | N/A for current year.  PY: This was mainly due to staff members not fully understanding or ignoring requirements of PFMA and supply chain management on procurement of goods and services. | None |
|  | MICTSETA |  | R 0 | R 249 000 | N/A for current year.  PY: Resulted from late payment of IRP 5 in early 2000 which the entity was disputing and finally paid to SARS. | None |
|  | PSETA |  | 95 000 | R18 000 | Expenditure incurred on interest and penalties for late payments of invoices  PY: Inadequate asset management as majority of costs related to costs for excess due to accidents. | Management should implement controls to ensure that payments are paid within the time frames stipulated on the contracts between the SETA and the service provider  Management should implement controls in order to ensure that payments that could have been avoided are recovered from the responsible parties. |
|  | SASSETA |  | R 2 200 000 | R 596 000 | * Late payment of suppliers resulting in interest * Lack of monitoring of service providers / consultant to ensure value for money is derived * Salary overpayments and medical aid, Loss due to fraud on travel card and travel cost. | * Strengthen internal controls to ensure the receipt of goods and services is properly monitored before payment is made and to ensure that value for money has been obtained * Ensure timeous payment of suppliers |
|  | W&R SETA |  | R 0 | R 270 000 | N/A for current year.  PY: Interest paid on late submission of prior year SARS EMP 201 by W&W SETA | None |

1. **Information technology**

**IT governance**

IT governance is the responsibility of executive management. It is an integral part of organisational governance and consists of leadership, organisational structures and processes that ensure that the organisation’s IT resources will sustain its strategies and objectives. IT governance allows the organisation to manage IT risks and derive value from IT investments and it supports the achievement of business objectives that are dependent on IT systems.

*Risk:*

If IT governance controls are not adequately designed and implemented, IT governance processes may not be effectively undertaken, IT risks might not be managed appropriately and the IT function may not adequately support the business objectives.

**Security management**

Security management ensures that security controls are implemented to prevent unauthorised access to the network and information systems that generate the information used to prepare the financial statements.

*Risk:*

Inadequately designed and implemented security management controls could increase the risk of systems being insecurely configured and vulnerable to being compromised. This could result in unauthorised access to the network and systems as well as possibly compromising the integrity and availability of systems.

**User access management**

User access control is the systematic process of managing the access of users to an application. The process includes the creation, review, disabling and removal of user accounts.

*Risk:*

The lack of adequately designed and implemented user access management policies and procedures could lead to users having unauthorised or inappropriate access rights on systems that may be used to perform transactions.

**IT service continuity**

IT service continuity is the process of managing the availability of hardware, system software, application software and data to enable an organisation to recover/re-establish information systems services in the event of a disaster. The process includes IT continuity planning, disaster recovery plans and backups.

*Risk:*

Inadequately designed and implemented IT service continuity controls could result in key IT systems and IT infrastructure not being available for some time in the event of a disaster or major processing interruption, thus negatively affecting normal business processes and functions.

**Key outcomes:**

At the National Department, most IT controls over the financial systems (transversal systems (PERSAL, BAS, LOGIS)) were adequate and operating effectively. Some weaknesses were identified on the other systems and the network environment resulting in findings under the security management, user access management and IT service continuity focus areas. Some of these findings were also previously reported.

**Highlights:**

The National Department’s internal audit function is performing some information system audits at the National Department and most of the SETAs’ internal audit functions are performing some information system audits at the SETAs to ensure that all risks are covered in the IT environment to assist with following the combined assurance approach.

**Challenges:**

At the National Department, challenges were still experienced with the adequacy of controls regarding information technology service continuity due to the lack of a comprehensive and tested business continuity plan and disaster recovery plan.

1. **Drivers of internal control**

| **Drivers of internal control** | | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Department & Entities** | **Leadership** | | | | | | **Financial & performance management** | | | | | **Governance** | | |
| **Effective leadership culture** | **Oversight responsibility** | **HR management** | **Policies and procedures** | **Action plans** | **IT governance** | **Proper record keeping** | **Processing and reconciling controls** | **Reporting** | **Compliance** | **IT systems controls** | **Risk management** | **Internal audit** | **Audit committee** |
| Higher Education and Training (DHET) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Agricultural Sector Education and Training (AGRISETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Banking Sector Education and Training Authority (BANKSETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Chemical Industries Education and Training Authority (CHIETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Construction Education and Training Authority (CETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Council for Higher Education (CHE) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Culture, Arts, Tourism, Hospitality and Sports Education and Training Authority (CATHSETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Education, Training and Development Practices Sector Education and Training Authority (ETDP) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Energy and Water Sector Education and Training Authority (EWSETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fibre Processing Manufacturing Sector Education and Training Authority (FP&M) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Finance and Accounting Services Sector Education Training Authority (FASSET) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Food and Beverages Manufacturing Industry Sector Education Training Authority (FoodBev) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Health and Welfare Sector Education and Training Authority (HWSETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Insurance Sector Education and Training Authority (INSETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Local Government Education and Training Authority (LGSeta) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Manufacturing Engineering & Related Services Education and Training Authority (MERSETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Media, Information and Communication Technologies Sector Education and Training Authority (MICTS) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Mining Qualifications SETA (MQA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| National Skills Fund (NSF) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| National Student Financial Aid Scheme (NSFAS) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Public Service Sector Education and Training Authority (PSETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Quality Council for Trades and Occupations (QCTO) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Safety and Security Sector Education and Training Authority (SASSETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Services Sector Education and Training Authority (Services SETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| South African Qualifications Authority (SAQA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Transport Education and Training Authority (TETA) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Wholesale & Retail Sector Education and Training Authority (W&R) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**LEGEND**

|  |
| --- |
| **Preventative or detective controls are in place and are functioning effectively** |
| **Progress was made with the implementation of controls but further improvement is required where actions taken are not sustainable** |
| **Internal controls are not in place and intervention is required to design and implement appropriate controls** |

1. **TVET colleges audited by AGSA**
2. TVET colleges audited by the AGSA in 2016

| **College** | **Financial opinion 2016** | **Financial opinion 2015** | **Financial opinion 2014** | | **Financial opinion 2013** |
| --- | --- | --- | --- | --- | --- |
| Central Johannesburg\* | Unqualified with findings | Qualified | Qualified | | Qualified |
| East Cape Midlands\* | Not yet finalised | Not yet finalised | Disclaimer | | Disclaimer |
| Esayidi\* | Unqualfied with no findings | Unqualified with findings | Qualified | | Qualified |
| Ikhala\* | Disclaimer | Disclaimer | Adverse | | Disclaimer |
| King Hintsa\* | Qualified | Disclaimer | Disclaimer | | Disclaimer |
| Letaba\* | Qualified | Disclaimer | Disclaimer | | Disclaimer |
| Lovedale\* | Unqualified with findings | Qualified | Qualified | | Disclaimer |
| Maluti\* | Unqualified with findings | Unqualified with findings | Qualified | | Disclaimer |
| Mnambithi\* | Unqualified with findings | Unqualified with findings | Unqualified with findings | | Unqualified with findings |
| Northern Cape Urban\* | Unqualified with findings | Unqualified with findings | Qualified | | Qualified |
| Northlink\* | Qualified | Qualified | Adverse | | Qualified |
| Orbit\* | Unqualified with findings | Unqualfied with no findings | Qualified | | Qualified |
| South West Gauteng\* | Disclaimer | Qualified | Unqualified with findings | | Qualified |
| Tshwane South\* | Not yet finalised | Disclaimer | Disclaimer | | Disclaimer |
| Western College\* | Qualified | Disclaimer | Disclaimer | | Disclaimer |
| Coastal\*\* | Qualified | Qualified | | Unqualfied with no findings | Unqualfied with no findings |
| Ekurhuleni East\*\* | Unqualfied with no findings | Unqualfied with no findings | | Unqualfied with no findings | Qualified |
| Goldfields\*\* | Qualified | Disclaimer | | Qualified | Qualified |
| Ingwe\*\* | Qualified | Disclaimer | | Qualified | Qualified |
| King Sabatha Dalindyebo\*\* | Qualified | Disclaimer | | Disclaimer | Disclaimer |
| Lephalale\*\* | Adverse | Adverse | | Unqualfied with findings | Unqualfied with no findings |
| Motheo\*\* | Disclaimer | Disclaimer | | Disclaimer | Disclaimer |
| Mthashana\*\* | Unqualfied with findings | Unqualfied with findings | | Qualified | Unqualfied with no findings |
| Port Elizabeth\*\* | Unqualfied with no findings | Qualified | | Qualified | Unqualfied with findings |
| Sedibeng\*\* | Not yet finalised | Disclaimer | | Unqualified with findings | Qualified |
| Sekhukhune\*\* | Adverse | Disclaimer | | Qualified | Qualified |
| South Cape\*\* | Unqualfied with findings | Unqualfied with findings | | Unqualfied with no findings | Unqualfied with no findings |
| Taletso\*\* | Disclaimer | Disclaimer | | Disclaimer | Qualified |
| Vuselela\*\* | Disclaimer | Disclaimer | | Disclaimer | Unqualfied with findings |
| West Coast\*\* | Unqualfied with findings | Qualified | | Unqualfied with no findings | Unqualfied with no findings |

\*Audited by the AGSA since 2013

\*\*Audited by the AGSA since 2015

**Comments**

The audit outcomes for TVET colleges that were audited by the AGSA in the previous year (2015) have shown a considerable improvement during the current year (2016). From the 27 completed audits, twelve (44%) of the colleges audited by the AGSA in the previous year have achieved in improvement in audit outcome during the current year. From the 27 completed audits 12 (44%) colleges achieved an unmodified opinion, which compares favourably to the 7 (24%) colleges from 29 completed audits that achieved an unmodified opinion in the previous year. From the 27 completed audits 5 (19%) colleges received disclaimers of audit opinion, which compares favourably to the 13 (45%) of 29 colleges from completed audits that received a disclaimer of audit opinion. The 2015 and 2016 audits of East Cape Midlands are not yet completed, and in addition the 2016 audits of Sedibeng and Tshwane South TVET colleges are not yet completed. The non-completion is due to late submission of financial statements for audit.

The improvement in audit outcomes is attributable to the following factors:

* Strengthening of the oversight exercised by councils over the operations of the colleges
* Improving adherence to policies and procedures
* Better design and implementation of action plans to address previously reported findings
* Improving processing and reconcilling controls over transactions and balances
* Improving reporting practices

Further improvement in audit outcomes can be achieved by attending to the following matters that hamper some of the colleges:

* Slow response by management in implementing the necessary actions at some colleges
* Vacant positions and appropriately skilled personnel
* Poor consequence management in holding staff accountable for implementation of the necessary actions in their areas responsibility
* Weaknesses in the governance of the information technology environment and system controls
* Poor record keeping
* Inadequate processing and reconciling controls
* Lack of regular financial reporting
* Inadequate risk management
* Weak internal audit functions

1. **TVET colleges audited by AGSA for the first time in 2016**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Boland\*\*\* | Unqualfied with no findings | Unqualfied with no findings | Unqualfied with no findings | Unqualfied with no findings |
| Buffalo City\*\*\* | Unqualfied with no findings | Unqualfied with no findings | Unqualfied with no findings | Unqualfied with no findings |
| Capricorn\*\*\* | Adverse | Unqualfied with no findings | Unqualfied with no findings | Unqualfied with findings |
| College of Cape Town\*\*\* | Qualified | Unqualfied with no findings | Unqualfied with no findings | Unqualfied with no findings |
| Ehlanzeni\*\*\* | Disclaimer | Disclaimer | Qualified | Unqualified with findings |
| Ekurhuleni West\*\*\* | Unqualfied with no findings | Unqualfied with no findings | Unqualfied with no findings | Unqualfied with findings |
| Elangeni\*\*\* | Unqualfied with findings | Unqualfied with findings | Qualified | Unqualfied with no findings |
| False Bay\*\*\* | Unqualfied with no findings | Unqualfied with no findings | Unqualfied with no findings | Unqualfied with no findings |
| Flavius Mareka\*\*\* | Unqualfied with findings | Unqualfied with findings | Unqualfied with findings | Unqualfied with no findings |
| Gert Sibande\*\*\* | Unqualfied with findings | Unqualfied with findings | Disclaimer | Unqualfied with no findings |
| Majuba\*\*\* | Unqualfied with no findings | Unqualfied with findings | Unqualfied with findings | Unqualfied with no findings |
| Mopani South East\*\*\* | Qualified | Qualified | Unqualfied with no findings | Unqualfied with no findings |
| Nkangala\*\*\* | Unqualfied with no findings | Disclaimer | Unqualfied with findings | Unqualfied with findings |
| Northern Cape Rural\*\*\* | Not yet finalised | Unqualfied with findings | Unqualfied with no findings | Unqualfied with findings |
| Thekwini\*\*\* | Qualified | Unqualfied with findings | Unqualfied with findings | Unqualfied with no findings |
| Tshwane North\*\*\* | Not yet finalised | Not yet finalised | Not yet finalised | Not yet finalised |
| Umfolozi\*\*\* | Qualified | Qualified | Unqualfied with no findings | Unqualfied with no findings |
| Umgungundlovu\*\*\* | Qualified | Unqualfied with findings | Unqualfied with no findings | Unqualfied with findings |
| Vhembe\*\*\* | Qualified | Unqualfied with no findings | Qualified | Not received |
| Waterberg\*\*\* | Adverse | Unqualfied with no findings | Unqualfied with findings | Unqualfied with no findings |

\*\*\*Audited by the AGSA for the 1st time in 2016

**Comments**

Twenty colleges were audited for the first by the AGSA for the 2016 financial year. In keeping with trends observed in previous years when colleges were audited for the first time by the AGSA, there was an overall regression in audit outcomes. From the 18 completed audits, there was a regression in the audit outcomes of 6 (33%) colleges, an improvement in 2 (11%) colleges and no change in 10 (56%) colleges. The audits for Northern Cape Rural and Tshwane North TVET colleges are not yet completed. This is due to the late submission of financial statements.

The following are the main areas of improvement that were identified at these colleges:

* Oversight responsibility exercised by councils
* Record keeping
* Controls over the processing and reconciliation of transactions and balances
* Regular financial reporting
* Review and monitoring of compliance with legislation and policies and procedures
* Weaknesses in the governance of the information technology environment and system controls
* Lack of or inadequate risk management practices

|  |  |
| --- | --- |
| **AUDIT OPINION LEGEND** | |
|  | **CLEAN AUDIT**: No findings on predetermined objectives and compliance |
|  | U**NQUALIFIED** **WITH FINIDNGS** on predetermined objectives and /or compliance |
|  | **QUALIFIED** AUDIT OPINION (with/without findings on predetermined objectives and/or compliance) |
|  | **DISCLAIMER/ADVERSE** AUDIT OPINION |
|  | **AUDIT OUTSTANDING** (not concluded by 31 July 2016) |

1. **Overall comment on financial statements**

The financial statements of the colleges that received an adverse opinion, a disclaimer or a qualified opinion included the following material misstatements:

* Property, plant and equipment (PPE) – seventeen (38%) colleges had qualifications on the balance of PPE. The majority of these qualifications arose from the colleges not having adequate records to support the balance in the financial statements. Furthermore, the auditors could not physically verify selected PPE items at some of the colleges, and in some colleges the useful lives and residual values of assets were not reviewed as required by the accounting framework.
* Current assets – 22 (49%) colleges had qualifications on current assets. This mainly from the colleges not being able to provide sufficient and appropriate documentation to support the amounts in the financial statements
* Liabilities – sixteen (36%) colleges had qualifications on liabilities. These qualifications were mainly as a result of colleges not being able to provide the necessary documentation to substantiate the recorded balances.
* Revenue – Fourteen (31%) colleges had qualifications on revenue. These qualifications were mainly as a result of the colleges not being able to provide the necessary documentation to substantiate the recorded revenue.
* Expenditure – Thirteen (29%) colleges had qualifications on expenditure. These qualifications were mainly as a result of colleges not being able to provide the necessary documentation to substantiate the recorded expenditure and/or not meeting the requirements of the applicable standards in accounting for the expenditure.

1. **Annual performance report**

The Continuing Education and Training Act does not require the TVET colleges to report on achievements against the strategic plans of the colleges. As a result, there were no annual performance reports to audit. The minister still has to indicate when the colleges will be required to produce annual performance reports on performance against predetermined objectives.

1. **Compliance with legislation**

Thirty six (80%) of the colleges had findings on material non-compliance with legislation. This primarily related to the failure to keep complete accounting records as required the Continuing Education and Training Act.

1. **Universities (not audited by the AGSA)**

The overall audit outcomes of the universities for the year ended 31 December 2016 are largely unchanged.

* Fourteen universities received an unqualified opinion with no findings on the annual performance report or compliance with legislation. This includes the Sol Plaatjie University that addressed past material findings on its compliance with legislation, and UNISA that addressed past material findings on its financial statements.
* Three universities (Central University of Technology, University of Kwazulu Natal, and University of Mpumalanga) received unqualified opinions with findings on compliance with legislation. The compliance findings largely related to inadequate controls relating to declarations of conflict of interest
* Two universities (UFH and WSU) received qualified opinions as in the previous year. Both qualifications are in the area of non-current assets.
* The audit outcomes of the Durban University of Technology, Mangosuthu University of Technology, North West University, University of Limpopo, University of Pretoria and Sefako Makgatho Health Sciences University have not yet been received.