



AUDITOR-GENERAL
SOUTH AFRICA



20 March 2018

Auditing to build public confidence

***Briefing to the Portfolio Committee of Department of Trade and
Industry (DTI)
Review of the draft DTI 2018/19 APP***

Reputation promise/mission

The Auditor-General of South Africa 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**.

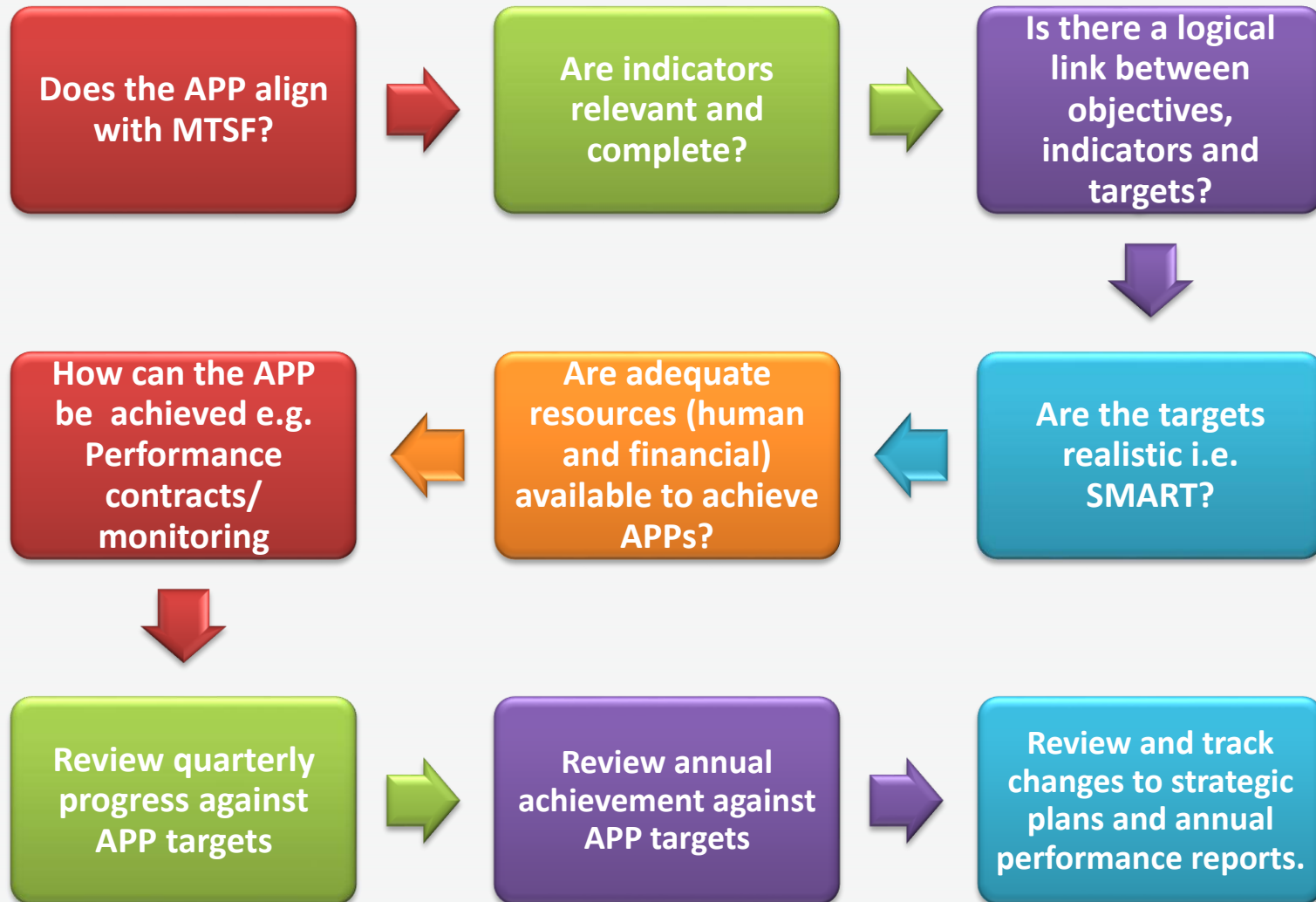


Purpose of the briefing

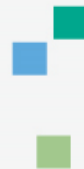
To provide the Chairperson of the Portfolio Committee (PC) with the audit insights on the interim review of the DTI's draft 2018-19 annual performance plan (APP) in order to add value to oversight.



Key considerations when reviewing the APP



AGSA Review of the draft 2018-19 APP



Review process

- Assessed the process followed by departments to prepare and submit strategic plans and APPs.
- Assessed the **measurability and relevance** of the final draft indicators and targets planned for selected programmes.

Reporting

- Findings from the review are communicated in the 2017-18 interim management report to enable changes to be made.
- Findings relevant to the interim review do not have an impact on the audit conclusion on usefulness or reliability of the selected programmes for the PFMA 2017-18 year end audit.



Criteria used to assess the draft APP

Measurability of indicators and targets

Indicators are well-defined

Well-defined = clear, unambiguous definition so that data will be collected consistently and will be easy to understand and use.

Indicators are verifiable

Verifiable = it must be possible to validate the processes and systems.

Targets are specific, measurable and time-bound.

Specific = the nature and the required level of performance can be clearly identified

Measurable = the required performance can be measured

Time bound = the time period or deadline for delivery is specified

Relevance of indicators and targets

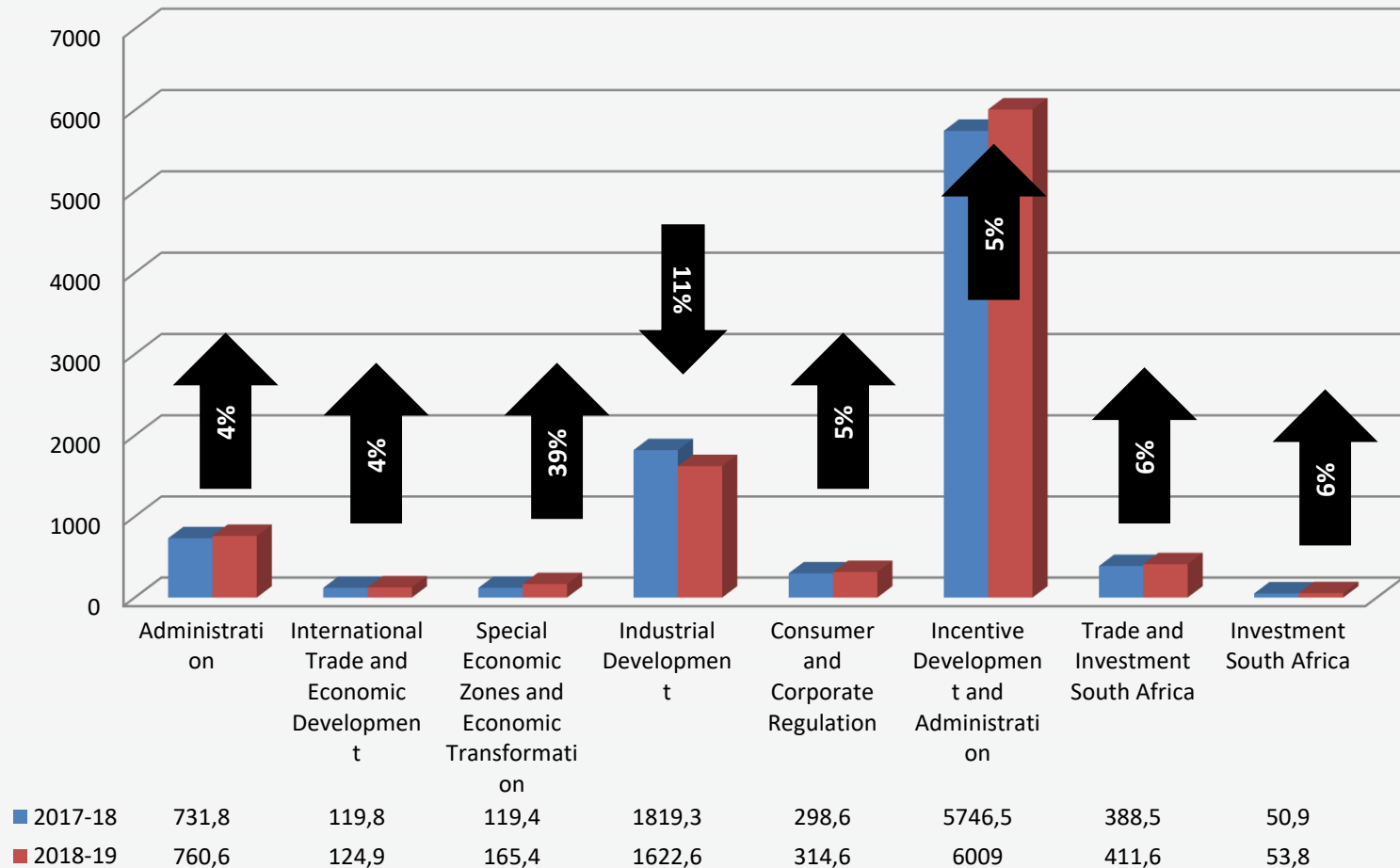
Indicators and targets are relevant to the mandate and realisation of strategic goals and objectives

The performance measure/indicator and target relates logically and directly to an aspect of the entity's mandate and the realisation of its strategic goals and objectives.



Comparison between current year and 2018-19 budget

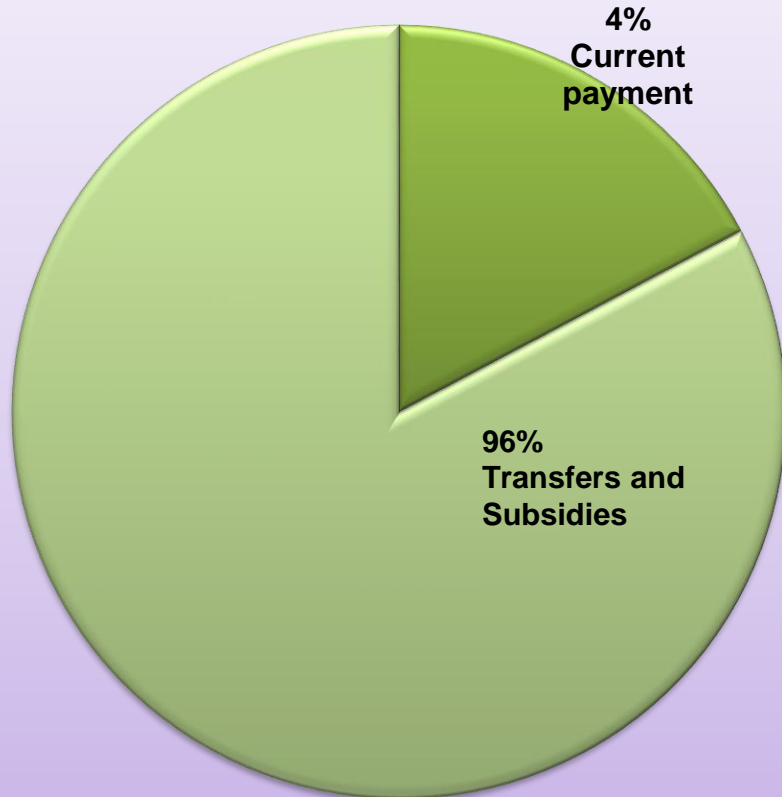
Budget Comparison: R'million



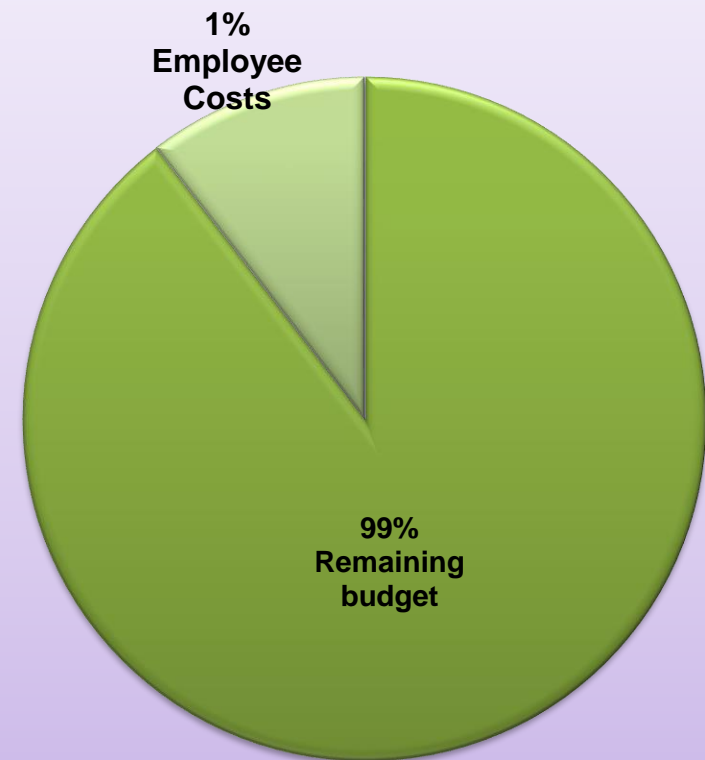
Budget analysis

Economic classification

Department of Trade and Industry

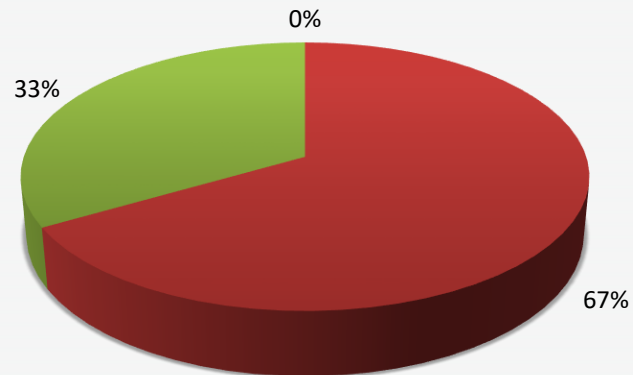


% budget spend on employee remuneration



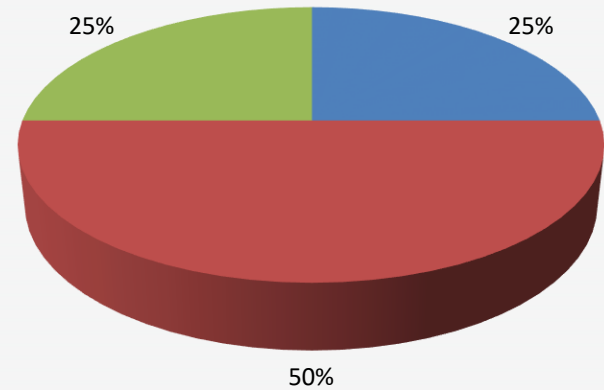
Type of targets per selected programme

Programme 2: International Trade and Economic Development



■ Annual targets ■ Bi-annual targets ■ Quarterly targets

Programme 3: Special Economic Zones and Economic Transformation

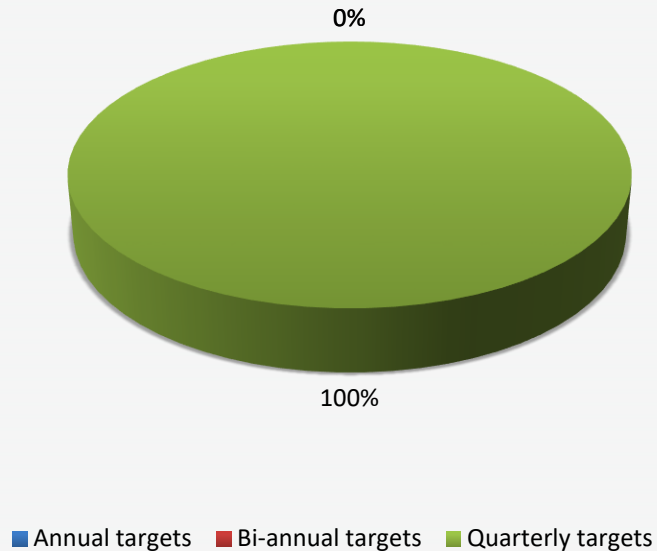


■ Annual targets ■ Biannual targets ■ Quarterly targets



Type of targets per selected programme (ctd)

Programme 6: Incentive Development and Administration



Programme 7: Trade Investment South Africa



Programme 2: International Trade and Economic Development



Indicator no.	Indicator detail	Target	Auditor's comments
3	Number of status reports on Global Fora (e.g. BRICS, G20, AGOA, UK Brexit)	4 status reports produced on engagements in Global Fora	<p>The performance indicator states that status reports will be prepared on Global Fora, for example BRICS, G20, AGOA, UK Brexit. The word “e.g.” may mean that the list is not exhaustive, as there may be other fora that the department may report on in the APR that were not listed in the APP, or included in the list above.</p> <p>Therefore, the performance indicator is not well defined.</p>



Programme 3: Special Economic Zones and Economic Transformation

Indicator no.	Indicator detail	Target	Auditor comments
1	Number of SEZs submitted to Minister for designation	1	The source and collection of data in the TID refers to documents (Formal intervention to potential market; Letters signed by DDG/ CD/ D) which do not relate to the performance indicator. This makes it impossible to validate the process and systems that produce the indicator.
2	Number of implementation reports on the industrial parks submitted to Minister	2	To measure the performance target, it was stated on the TID that the calculation type will be non-cumulative. However, by having 2 reports as a target means that the reports produced during the financial year will be summed up instead on one report being updated with the information for the year. Therefore, the method of calculation is incorrect and will result in the performance target not being measurable.



Programme 3: Special Economic Zones and economic Transformation

Indicator no.	Indicator detail	Target	Auditor's comments
4	Number of interventions to support Bis in the IPAP sectors (non-financial and financial)	70 interventions to support Bis in the IPAP sectors (non-financial)	<p>The word “intervention” is defined in the TID as inclusive of, but not limited to, market access (trade missions, local market development, supplier development and enterprise development) and capacity and training. The inclusion of “inclusive of but not limited to” in the definition of intervention confirms that the list is not exhaustive and can include other types of intervention not stated in the TID. Therefore, the indicator is not well defined.</p> <p>The performance indicator speaks of both financial and non-financial support. However, the short definition (in the TID) and the performance target only speak of the non-financial support. This inconsistency may result in a conflicting message to the users of performance information.</p>



Programme 6: Incentive Development and Administration



Indicator no.	Indicator detail	Target	Auditor comments
3	Number of jobs retained from approved enterprises	20 000	We noted that the performance target changed from 2017/18 to 2018/19. In 2017/18, the target was to report on the projected number of jobs retained from approved enterprises, but in 2018/19, the target is to report on the actual jobs retained from approved enterprises. When the baseline was determined, the dti used the preliminary quarter three report for 2017/18 which is based on projected jobs, not actual jobs. Therefore, the baseline used is not reliable.
4	Number of enterprises/ projects approved for financial support across all incentives	850	In the 2018/19 APP, the performance indicator is stated as a new indicator, however, it also appears on the 2017/18 APP. Therefore to state it as a new indicator on the face of the 2018/19 APP is misleading.



Programme 7: Trade Investment South Africa



Indicator no.	Indicator detail	Target	Auditor comments
2	Number of companies assisted under EMIA in supporting value added exports	823	In the 2018/19 APP, the performance indicator is stated as a new indicator, however, it also appears on the 2017/18 APP. Therefore to state it as a new indicator on the face of the 2018/19 APP is misleading

All Programmes

Indicator no.	Indicator detail	Target	Auditor comments
	All indicators (except Programme 6: 4 and Programme 7: 2)	All targets (except Programme 6: 4 and Programme 7: 2)	Inspected the APP and TID and noted that there was no indication of whether the performance indicators are “new, significantly changed or continues without change from prior year”. This is non-compliance with the Framework for Strategic Plans and Annual Performance Plans (FSAPP) which requires such information to be included.

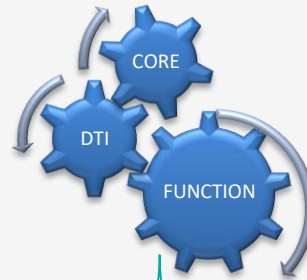


National Development Plan (Chapter 3)

Economy and Employment - The unemployment rate should fall from 24.9 percent in June 2012 to 14 percent by 2020 and to 6 percent by 2030.



MTSF 2014 - 2019: (Outcome 04)
Decent employment through inclusive economic growth



Sub-outcome 1: The productive sectors account for a growing share of production and employment

Sub-outcome 2: Elimination of unnecessary regulatory burdens and lower price increases for key inputs fosters investment and employment

Programme 3: Special Economic Zones and Economic Transformation

Programme 4: Industrial Development

Programme 6: Incentive Development and Administration

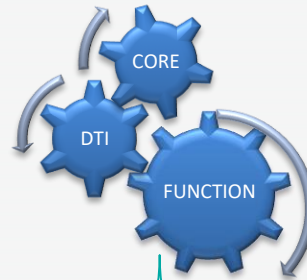


National Development Plan (Chapter 3)

Economy and Employment - The unemployment rate should fall from 24.9 percent in June 2012 to 14 percent by 2020 and to 6 percent by 2030.



MTSF 2014 - 2019: (Outcome 07)
Vibrant, equitable, sustainable rural communities
contributing towards food security for all



Sub-outcome 6: Growth of sustainable rural enterprises and industries
– resulting in job creation

Programme 6: Incentive Development and Administration

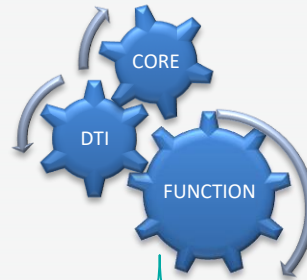


National Development Plan (Chapter 3)

Economy and Employment - The unemployment rate should fall from 24.9 percent in June 2012 to 14 percent by 2020 and to 6 percent by 2030.



MTSF 2014 - 2019: (Outcome 11)
Create a better South Africa, contribute to a better
and safer Africa in a better world



Sub-outcome 1: SA's
national priorities
advanced in bilateral
engagement

Sub-outcome 2: An
economically
integrated Southern
Africa

Sub-outcome 5: A
sustainable
developed and
economically
integrated Africa

Sub-outcome 7:
Strong, mutually
beneficial South
– South
cooperation

Sub-outcome
8: Beneficial
relations with
strategic formations
of the North

Programme 2: International
Trade and Economic
Development

Programme 4: Industrial
Development

Programme 7: Trade and
Investment South Africa

Programme 8: Investment
South Africa



Key objectives per ENE vs Targets – DTI (APP 2018/19)

Programme 2: International Trade and Economic Development

Key Objective per ENE	Target included in APP 2018-19	Comment/Observation
Advancing development integration in the Southern African Customs Union and the Southern African Development Community free-trade area through the Africa regional development programme, to be implemented over the medium term	2 status reports on implementation of the SADC-EU EPA	Included in the 2018/19 APP
Finalising negotiations on the tripartite free-trade area involving the Southern African Development Community, the East African Community and the Common Market for Eastern and Southern Africa regions over the medium term	2 status reports produced on progress towards conclusion of T-FTA and CFTA trade negotiations	Included in the 2018/19 APP
Advancing South Africa's trade, industrial policy and economic development objectives through cooperation with key economies to address tariff and non-tariff barriers that inhibit South African value-added exports over the medium term.	4 status reports produced on engagements in Global fora	Included in the 2018/19 APP



Key objectives per ENE vs Targets – DTI (APP 2018/19)

Programme 3: Special Economic Zones and Economic Transformation

Key Objective per ENE	Target included in APP 2018-19	Comment/Observation
Facilitate broad-based economic participation by implementing the Broad-Based Black Economic Empowerment Amendment Act (2013)	2 reports on implementation of the B-BBEE Amendment Act and Regulations submitted to the Minister	Included in the 2018/19 APP
Implementing the black industrialists framework and action plan by March 2020	70 interventions to support BIs in the IPAP sectors	Included in the 2018/19 APP
Facilitating the revitalisation of 13 industrial parks by March 2020	2 implementation reports on the Industrial Parks submitted to Minister)	Included in the 2018/19 APP
Developing and implementing a strategy for special economic zones by March 2020.	2 SEZs submitted to Minister for designation	Included in the 2018/19 APP



Key objectives per ENE vs Targets – DTI (APP 2018/19)



Programme 6: Incentive Development and Administration

Key Objective per ENE	Target included in APP 2018-19	Comment/Observation
Providing effective and accessible incentive measures that support national priorities, in accordance with government's 2014 - 2019 medium-term strategic framework, over the medium term.	R15 billion enterprises/ projects approved for financial support across all incentives	Included in 2018/19 APP
Providing financial support in labour-intensive sectors on an ongoing basis.	850 enterprises/ projects approved for financial support across all incentives	Included in 2018/19 APP
Administering the Special Economic Zones Fund through the provision of incentives for industrial infrastructure development to: <ul style="list-style-type: none">– attract foreign direct investment– develop growth-oriented domestic businesses, leading to increased employment, exports and regional development.	850 enterprises approved for financial support across all incentives	Included in 2018/19 APP



Key objectives per ENE vs Targets – DTI (APP 2018/19)

Programme 7: Trade and Investment South Africa

Key Objective per ENE	Target included in APP 2018-19	Comment/Observation
Implementation of the integrated national export strategy and the market and product diversification strategy by participating in 17 national pavilions and 22 trade missions by March 2019	R4 billion export sales generated	Included in 2018/19 APP
Promoting export and investment projects in high-yield targeted countries such as the Brazil-Russia-India-China-South Africa group of countries, African countries, and other developing countries on an ongoing basis.	823 (number of companies assisted under EMIA in supporting value added exports)	Included in 2018/19 APP
Enhance the ongoing promotion of exports and investment by placing 48 foreign economic representatives in foreign economic missions to promote South Africa's comparative advantage in goods and services internationally over the medium term.	-	Not included in 2018/19 APP. However, this can be linked to Programme 2 (International Trade and Economic Development), where the dti negotiates trade agreements with BRICS, G20, AGOA, UK Brexit and SADC countries.
Develop new and existing South African export capabilities to grow manufactured exports by providing appropriate information, financial support and practical assistance to sustain organic growth in traditional markets, and penetrate new high-growth markets on an ongoing basis.	823 (number of companies assisted under EMIA in supporting value added exports)	Included in 2018/19 APP
Manage and administer the foreign office network effectively through a highly experienced team that has a close partnership with the Department of International Relations and Cooperation on an ongoing basis.	-	Not included in 2018/19 APP. However, the dti has employees in foreign missions, and work in partnership with DIRCO.



Status of records review



Area of concern	Issue
Performance management	<p>Issues were raised by the internal audit unit relating to reliability of performance information for quarter 1 and 2 (Programmes 4, 6 and 8). The department may report on information that is not reliable in the APR.</p> <p>Due to a number of issues raised in the interim review of the 2018/19 APP, there is a risk that the performance information assurance process is not adequate to detect and correct misstatements which may occur.</p>
Oversight and monitoring, Procurement and contract management	<p>Some policies (including supply chain management policy) were not reviewed and/or updated regularly as required by the specific policy or through changes in legislation. This could lead to material non-compliance with applicable legislation.</p>
Human resource management, Financial management	<p>The acting Chief Information Officer has acted for an uninterrupted period of more than 12 months. This is a contravention of the PSR 2016, which may result in irregular expenditure.</p>

