AGRICULTURAL RESEARCH COUNCIL

Update on ARC Implementation Plan Progress on Audit Outcomes for 2016/17

05 June 2018

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ARC MANDATE, VISION & MISSION

MANDATE

The Agricultural Research Council (ARC) is mandated to promote the agricultural and related sectors through:

- ***Research***: *the furtherance, accumulation and improvement of knowledge in the agricultural and related sciences through original and other investigations and methods of a scientific nature with the advancement of agriculture as its object;*
- ***Development***: as activities by which knowledge acquired through research is utilized; and
- ***Technology Transfer***: *transfer of knowledge, techniques & processes for application thereof.*

VISION

Excellence in agricultural research and development

MISSION

The Agricultural Research Council is a premier science institution that conducts research with partners, develops human capital and fosters innovation to support and develop the agriculture sector.

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ARC ALIGNMENT TO NATIONAL PRIORITIES AND POLICIES

New Growth Path (NGP)

MTSF (2014-2019) of Outcomes

National Development Plan (NDP)

Outcome 4 - Decent Employment through inclusive growth

6 Job Drivers

Outcome 7 - Comprehensive rural development and food security

Outcome 10 - Environmental assets and natural resources protected and continually enhanced

Agriculture Productive Sector Forum

Infrastr. Pres. Infra. Co. Comm. (PICC)

Mining (Mining Policy Action Plan)

Manufacturing Industrial Policy Action Plan (IPAP)

Tourism

Green Economy

IGDP (Policy Framework)

Agric Policy Action Plan (APAP 5 yr iterative plan)

SIP 11

10 year Innovation Plan

Bio-Economy Strategy

CRDP

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SCIENCE IN ARC FOR THE AGRICULTURE ECONOMY

SCIENCE COUNCIL

- Innovation in science
- Basic/fundamental research
- Applied research (technologies)
- Intellectual assets
- Skilled scientists & engineers
- Volume & quality publications
- Scientist ratings
- Number of PhDs
- Number of doctoral fellows
- Number of postdoc fellows
- Scientific awards

AGRICULTURE DEVELOPMENT

- Economic link to Innovation
- Applied research
- Technology Transfer/dissemination
- Intellectual Asset Use
- Agricultural Production & productivity
- Food Security – hunger
- Environmental Sustainability
- Import Substitution
- Export Promotion
- Agrarian Transformation
- New products (vaccines, cultivars etc.)

ARC AUDIT IMPROVEMENT PLAN

1. Overview and nature of ARC Audit Improvement Plan
2. Progress made on ARC Audit Improvement Plan
3. Constraints and challenges
4. Way forward

OVERVIEW AND NATURE OF AUDIT IMPROVEMENT PLAN

1. An Audit Improvement Plan (AIP) was devised in consultation with ARC Internal Audit and the Auditor General of South Africa (AGSA);

2. AIP was approved by ARC Audit & Risk Committee and ARC Council in September 2017;

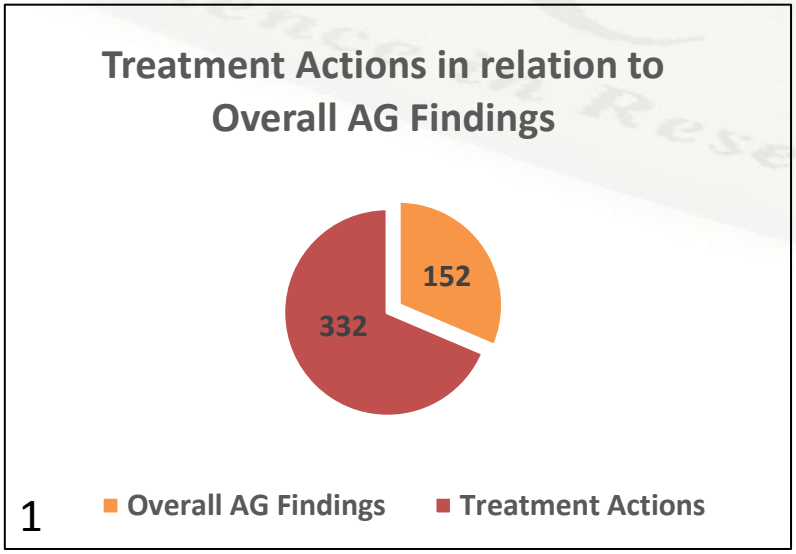
3. Due to nature and composition of AIP the audit scope of Internal Audit was reviewed to ensure alignment to AIP focus areas. Internal Audit focus now incorporates testing of control adequacy and effectiveness in combination with a substantive testing approach;

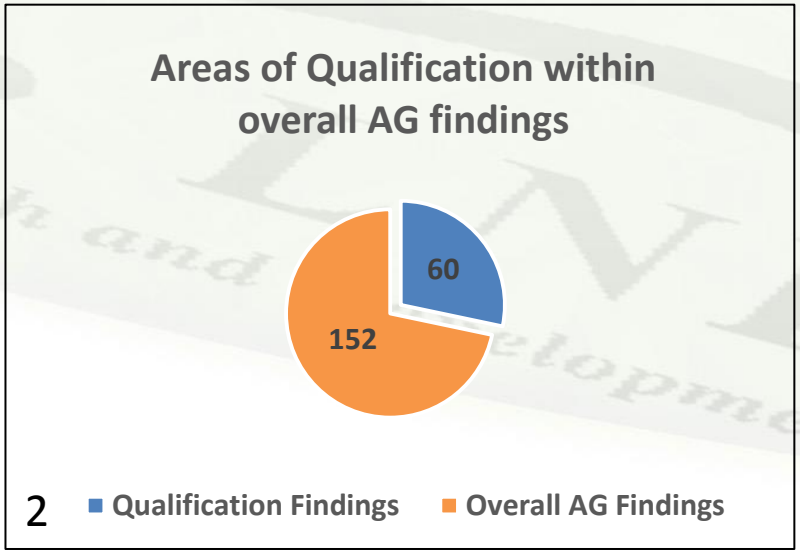
4. The AIP comprises a total of 332 treatment actions directly aligned to the total of 152 findings raised by the AGSA. The treatment actions was developed in order to deal and close out the root causes of all the findings raised;

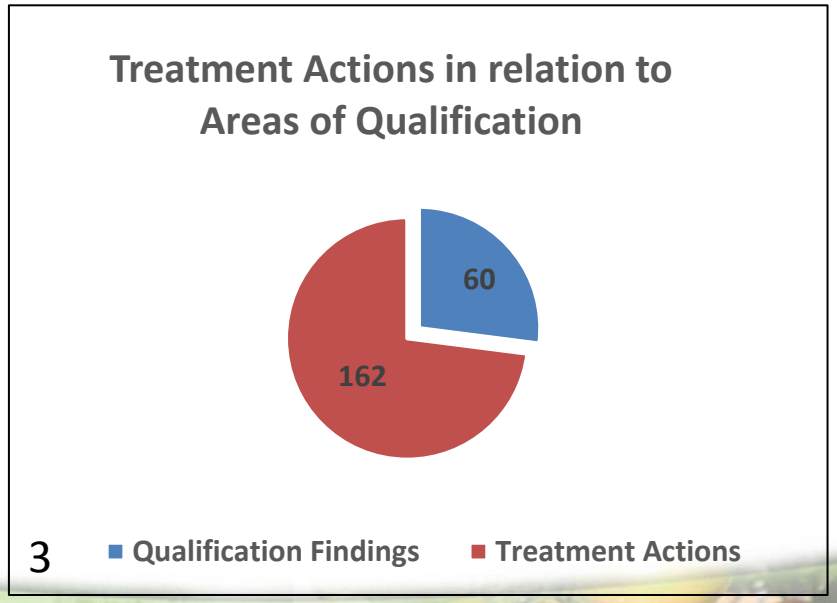
5. Of the 332 treatment actions, 162 actions are directly linked to the areas of qualification, i.e. *property plant and equipment, receivables from exchange transactions and payables from exchange transactions*, as was identified by the AGSA (see earlier extracts of presentation made the AG);

6. With respect to the qualification areas, the nature of the treatment actions (162) was to ensure, amongst others, for the correction of all prior financial year errors, i.e. 14/15, 15/16 & 16/17, the undertaking of a 100% asset verification across all 11 Campuses of ARC and the introduction of more stringent measures pertaining to the management of our debtors.

OVERVIEW AND NATURE OF AUDIT IMPROVEMENT PLAN (Graphical Display)





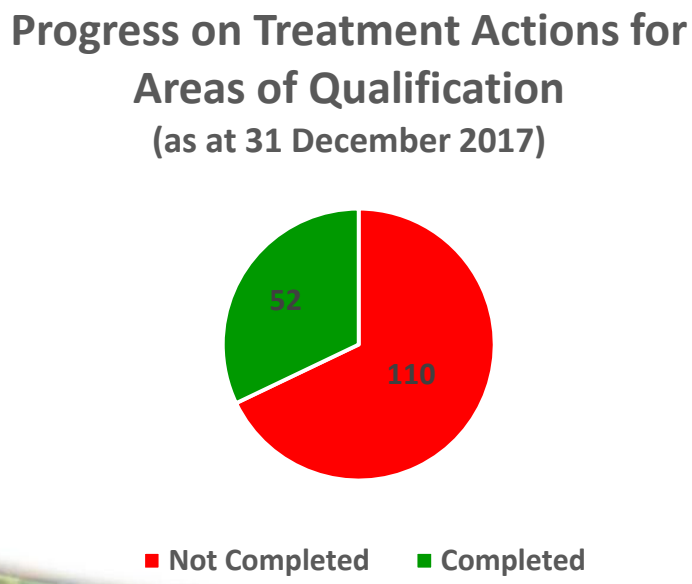


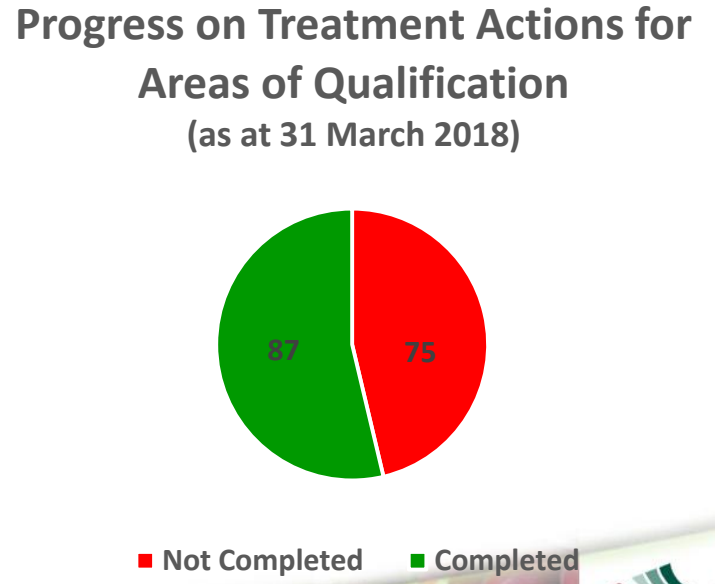
PROGRESS MADE ON AUDIT IMPROVEMENT PLAN

1. Progress updates, on the status of treatment actions, was done on a weekly basis commencing on 05 October 2017 until 12 December 2017. During this period, the ARC Internal Audit independently reviewed and verified all weekly status updates. Between the period 30 January – 31 March 2018, an additional two reviews were undertaken by Internal Audit.

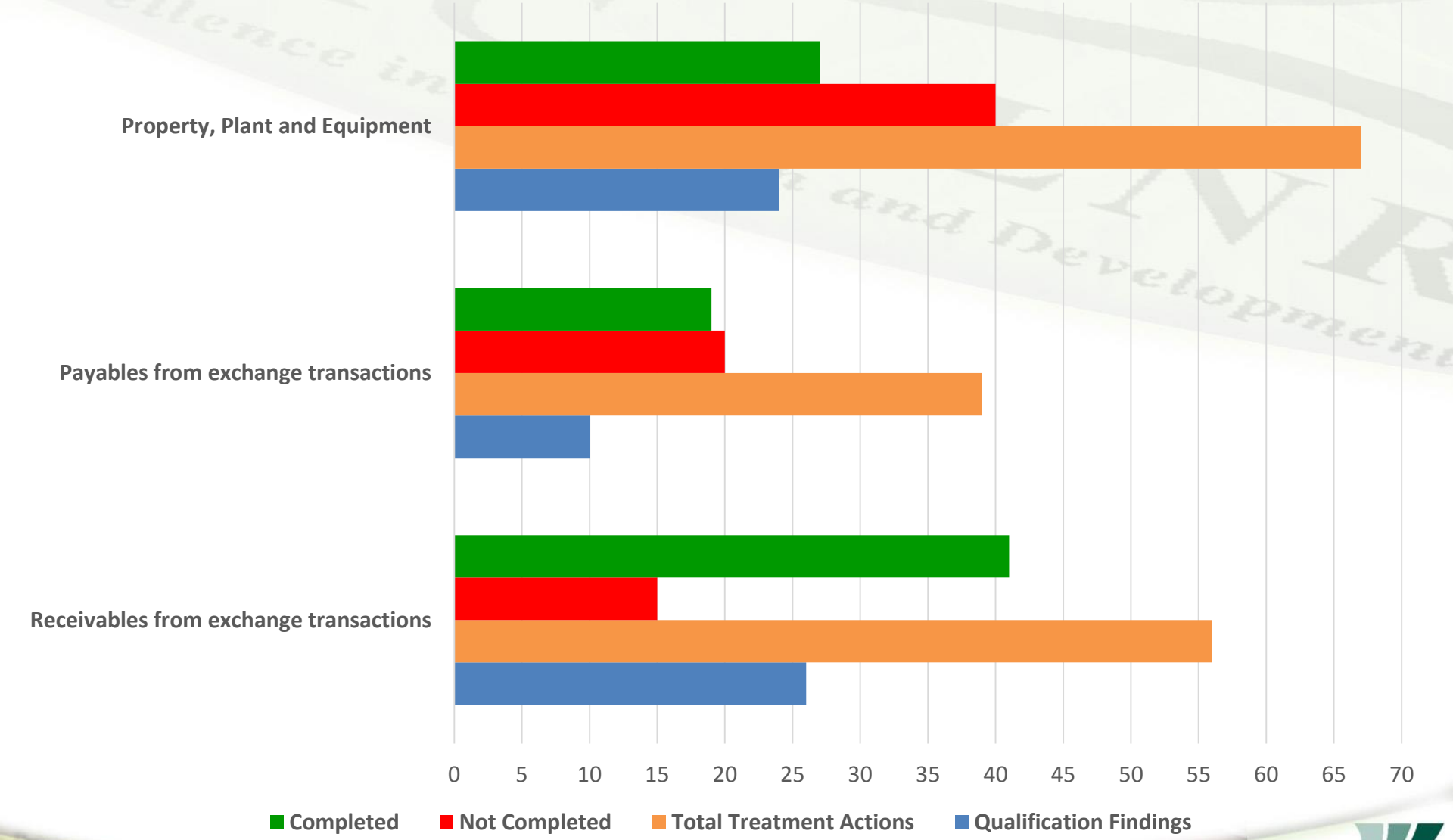
2. Status update reports were compiled and communicated to ARC President & CEO, Acting Chief Financial Officer, Council Audit & Risk Committee, ARC Council and AGSA;

3. The pie chart below and bar graph (on next slide) provide a snap shot of progress on treatment actions that are directly linked to the areas of qualification:





Progress on Audit Qualification Areas - as at 31 March 2018



CONSTRAINTS AND CHALLENGES

The following were identified as having contributed to the delays in the completion of the treatment actions:

A) System Constraints & Challenges

- delays in the appointment of a suitable service provider, that was identified as being key in enhancing the functionality requirements of the current ERP (AX) system; and
- AX system technical errors and system bugs, which presented limitations in the finalisation and processing of multi prior and current year adjustments and the clearing of invalid commitments (more particularly on WIP).

B) HR Constraints and Challenges

- human resources void left by resignations of both CFO and Group Financial Manager and one staff member who has gone on maternity leave. ARC CO finance personnel had to continue with their normal work activities, inclusive of completing treatment actions. These voids presented challenges in the allocation of key activities, required under the AIP, and also the establishment of a new team that would be focusing on the WIP treatment action areas; and
- temporary redeployment of staff from various Campuses, to work on specific treatment actions, provided some relief but in turn caused additional work pressures at Campus level.

C) AIP Constraints and Challenges

- activities were undertaken on majority of AIP action items, some of which were completed (although “not sufficient” evidence were provided), some action items required a review / adjustment (e.g. matter of contracts requiring change of contract clauses) and some action items were of an ongoing nature (e.g. debt collection process, etc.);
- extended engagements with key external government departments and agencies, namely: National Treasury, AGSA, SARS, Companies and Intellectual Property Commission, Departments of Agriculture, Forestry and Fisheries, Rural Development and Land Reform and Environmental Affairs, etc.; and
- reviewing, calculating and confirming prior year errors and subsequent adjustments, where required, but more particularly on WIP.

WAY FORWARD

1. Huge strides have been made on the AIP, with respect to the completion of treatment action areas, despite mentioned constraints and challenges;

2. New ARC Chief Financial Officer (CFO) and Chief Internal Audit Manager appointed wef 01 May 2018;

3. Compilation, approval and submission of ARC 17/18 Annual Financial Statements to Auditor General and National Treasury, as well finalisation of the 2017/18 audit, have been set as immediate priority areas;

4. Team led by CFO to work on a plan of action to deal with People, Process and Technology issues:
   - ❑ Complete Audit Improvement Plan
   - ❑ Clean up problematic account balances:
     - Accounts Payable (WIP in particular), Account Receivable, Property Plant and Equipment
   - ❑ Improve revenue recognition and collection processes
   - ❑ Improve general control environment
   - ❑ Resolve system issues
   - ❑ Fill key vacancies

5. Devise a plan to address going concern challenges

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Comments or Questions?

Re a Leboha!

Siyabonga!

Ria Livhuwa!

Ha Khensa!

Siyathokoza!

Re a leboga

Siyabulela!

Baie Dankie!

Thank You