



SOUTH AFRICAN BROADCASTING CORPORATION LIMITED SOC
REGISTRATION NUMBER 2003/023915/30

1. **PROGRESS REPORT :**

The Standing Committee on Public Accounts

2. **PURPOSE OF SUBMISSION:**

The purpose of the submission is to provide an update on the status of Irregular Expenditure as at 31 August 2019.

3. **BACKGROUND**

As previously reported the SABC has been receiving Audit Qualifications in Supply Chain Management for the past 5 fiscals due to the incompleteness of the Irregular Expenditure register. The Audit Finding has remained as a qualification area in the unaudited Financial results of 2018/19 which is to be finalized during September 2019

4. **PROJECT IMPACT ON IRREGULAR EXPENDITURE NOTE:**

The team has been continuing working to complete Condonation Reports to reduce the opening balances of the IE Register.

The following challenges were experienced during the past month:

- There was numerous incorrect interpretations of IE which was included in the register
- The team had to assess the IE disclosed by Sekela Xabiso in order to draft condonation reports as there was no hand over report
- There has been a very cautious approach in assessments due to fear of making errors/interpretations.
- The team was not aware of Legal opinions/ Previous AG Management Letters/ Internal Audit/Forensic Reports etc.

- Therefore condonation reports that were sent to the Head of SCM for review required reworking due to the missing information.
- There were many exchange of emails which was counterproductive as queries were not satisfactorily addressed
 - This resulted in confusion and caused the team to work in committees
 - The Head of SCM continued to dispute transgressions/noncompliance and this would result in a lot of wasted effort.
- The team spent a lot of time each month trying to compile the IE Register since it remained a manual manipulation process

The following interventions were implemented to increase productivity to produce the condonation reports:

- The team has focussed more time on completion of Condonation Reports and the tracking thereof.
- The team has reduced the exchange of emails and have adopted to hold shorter one on one meetings to resolve queries
- The Project Manager has worked closely with the team to draft the condonation reports and pointed to them where and how to extract relevant information from approved PWC's, legal opinions, PFMA, AG reports etc.
- The team held more frequent meetings with the Head of SCM to collectively review condonation reports so that they can quickly finalize
- The Head of SCM met with the team to review all Vendors on the IE Register to identify Vendors that require condonation, non-compliance or was incorrectly disclosed.
 - It was decided that no transaction will be removed from the IE Register until approved by the CFO.
 - Therefore, a motivation will be compiled for the CFO to approve removal of incorrect disclosures and errors

The SAP CCC Team has developed a system based solution to identify the irregular expenditure from the entire population of transactions. The SAP CCC team has tested the system and completed the UAT and Training Manual. The data for the 2019/2020 fiscal has been migrated and the relevant Line Managers sent items to work on to verify Irregular Expenditure.

This system will strengthen the internal control of verifying and testing for irregular expenditure on the entire population of expense transactions.

The note below is the project's impact on the organization's overall irregular expenditure as at 31 August 2019.

Disclosure in the Annual Financial Statements on monthly:

	August 2019 R'000	March 2019 R'000
Opening balance	5,210,079	4,977,300
Less: Expenditure previously incorrectly disclosed as irregular		(107,534)
Add: Irregular expenditure - identified in the current year relating to the prior years		4,028
Restated Opening Balance	5,210,079	4,873,794
Add: Irregular Expenditure - current year	42,349	336,285
Less:		
Irregular Expenditure awaiting condonation subject to further investigation	5,252,428	5,210,079
Details of irregular expenditure		
Payments without contracts	11,192	88,743
Deviations	3,180	19,311
Procurement policy/process not followed	17,730	176,548
Minimum number of quotations not obtained	32	26,147
Incorrect evaluation criteria applied to bids	17,582	85,378
Bids advertised for less than minimum number days		53,267
Irregular awards due to lack of planning	117	11,756
Procurement through quotation process versus competitive		6,087
Schedule All	9,144	28,215
Variation order in excess of 15%	645	14,493
DAF contravened		0
Awards to suppliers without Valid Tax Clearance	458	2,810
Unfair Procurement Process		61
Non-compliance to CIDB		0
Procurement through operational advance		17
Total	42,349	336,285

THE BELOW TABLES REFLECTS THE STATUS OF THE COMPLETED CONDONATION REPORTS:

CONDONATION REPORTS SENT TO NATIONAL TREASURY:

SUPPLIER NAME	TOTAL AMOUNT TO BE CONDONED	APPROVED BY THE CFO	STATUS	DATE
Lorna Vision	R 71,985,975.47	Approved	Sent to National Treasury	19 July 2019
Tax Clearance Certificate	R 2 ,543, 536, 683.22	Approved	Sent to National Treasury	19 July 2019
Umhlanga Resources	R33,639,102.93	Approved	Sent to National Treasury 019	19 July 2019
Audio Auditing International (Pty) Ltd	R10,596,711.34	Approved	Sent to National Treasury	19 July 2019
Gekkonomix (Pty) Ltd (trading as Infonomix),	R5,187,000.00	Approved	Sent to National Treasury	19 July 2019
Sidas Security Services(Pty) Ltd	R24,991,002.73	Approved	Sent to National Treasury	19 July 2019
Total of Pending Condonation	R2,689,936,475.69			

CONDONATION REPORTS SENT TO THE EXECUTIVE DIRECTORS

SUPPLIER NAME	TOTAL AMOUNT TO BE CONDONED	STATUS	APPROVED	DATE
Venus Security Services-Aucklandpark	R 28,082,195.79	With GCEO		12 September 2019
Vision View	R 53,264,500.72	With CFO		12 September 2019
Media Credit Co-ordinators and CoreXalance	R 3,307,386.58	With CFO		6 September 2019
Total of Pending Condonation	R 151,106,343.80			

CONDONATION REPORTS SENT TO THE HEAD OF SCM

SUPPLIER NAME	TOTAL AMOUNT TO BE CONDONED	STATUS	APPROVED	DATE
Asante Sana	R 19,803,822.80	With SCM Governance		3 September 2019
Internet Solutions	R 100,128,653.60	With Acting Head: SCM		6 September 2019
ICAS	R 26,538,105.92	With CFO		5 September 2019
Bokwa Incorporation	R 5,476,180.43	With CFO		12 September 2019
Legal Panel	R 35,984,596.98	With CFO		12 September 2019
Total of Pending Condonation	R 187,931,359.60			

Once the replies from National Treasury are received the appropriate actions will be implemented and the relevant committees will be notified.