AUDITOR-GENERAL
SOUTH AFRICA

Budgetary Review and Recommendations Report

Portfolio Committee on Higher Education, Science and Technology and Select Committee on Education and Technology, Sport, Arts and Culture

10 November 2021

OUR MISSION AND VISION

OUR MISSION

We have a constitutional mandate and, as the supreme audit institution of South Africa, exist to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

OUR VISION

To be recognized by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability.

Mandate for the AGSA and portfolio committees

AGSA mandate

Constitution section 188

AGSA must audit and report on accounts, financial statements and financial management of government institutions

PAA section 20(2)

- AGSA must prepare an audit report containing an opinion/ conclusion on:
  - the fair presentation of the financial statements
  - compliance with applicable legislation
  - reported performance against predetermined objectives
- Discretionary audits (including special audits, investigations and performance audits).

Section 5(1B)

- Auditor-General has the power :
  - to take an appropriate remedial action
  - where an accounting officer/authority has failed to comply with remedial action, to issue a certificate of debt, as prescribed.

Portfolio committees

National Assembly Rule 227

Portfolio committees may, amongst other things, perform the following functions:

- Deal with bills and other matters falling within their portfolio, as referred to them in terms of the constitution, legislation or rules, or by resolution of the Assembly
- Maintain oversight of their portfolios of national executive authority, including implementation of legislation
- Consult and liaise with any executive organ of state or constitutional institution
- Monitor, investigate, enquire into and make recommendations concerning any such executive organ of state, constitutional institution or other body or institution, including the legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure, staff and policies of such organ of state, institution or other body or institution
- Consult and liaise with any executive organ of state or constitutional institution

Role of the AGSA in the reporting process

Our role as the Auditor-General of South Africa (AGSA) is to reflect on the audit work performed to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the committee's objective to produce a *Budgetary review and recommendations report* (BRRR).

What we understand as the role of oversight

Use information in audit report on material irregularities for accountability and oversight purposes, insisting on timeous implementation of recommendation

Obtain reports on investigations conducted into transgressions and irregularities and effecting entity

Use reports tabled on progress with material irregularities to oversee and influence progress made by public bodies with investigations and executive authorities (for recovery of debt).

Follow up annually on previous commitments made by accounting officers

Hold executive authorities accountable for failures in control environment.

Determine if corrective steps are taken to address shortcomings in internal control environment

Follow up on actions taken against official(s) responsible for transgressions.

Enquire what training and support is given to officials to enable them to correctly execute their responsibilities

Focus

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AGSA audit outcomes

NB: Percentages in this presentation are calculated based on **completed audits of 1 department, 27 public entities, 49 TVET colleges and 26 universities**, unless indicated otherwise.

Unqualified opinion with no findings (clean audit)

Auditee:

- produced credible and reliable financial statements that are free of material misstatements
- reported in a useful and reliable manner on performance as measured against predetermined objectives in the annual performance plan (APP)
- complied with key legislation in conducting their day-to-day operations to achieve their mandate

Financially unqualified opinion with findings

Auditee produced financial statements without material misstatements or could correct the material misstatements, but struggled in one or more area to:

- align performance reports to the predetermined objectives they committed to in APPs
- set clear performance indicators and targets to measure their performance against their predetermined objectives
- report reliably on whether they achieved their performance targets
- determine the legislation that they should comply with and implement the required policies, procedures and controls to ensure compliance

Qualified opinion

Auditee:

- had the same challenges as those with unqualified opinions with findings but, in addition, they could not produce credible and reliable financial statements
- had material misstatements on specific areas in their financial statements, which could not be corrected before the financial statements were published.

Adverse opinion

Auditee:

- had the same challenges as those with qualified opinions but, in addition, they had so many material misstatements in their financial statements that we disagreed with almost all the amounts and disclosures in the financial statements

Disclaimed opinion

Auditee:

- had the same challenges as those with qualified opinions but, in addition, they could not provide us with evidence for most of the amounts and disclosures reported in the financial statements, and we were unable to conclude or express an opinion on the credibility of their financial statements

The AG's annual audits examine:

1. Fair presentation and absence of significant misstatements in **financial statements**
2. Reliable and credible **performance information** for predetermined objectives
3. **Compliance with laws and regulations** governing financial matters

Movement over the previous year is depicted as follows:

- ▲ Improved
- ▶ Unchanged
- ▼ Regressed

Portfolio outcome

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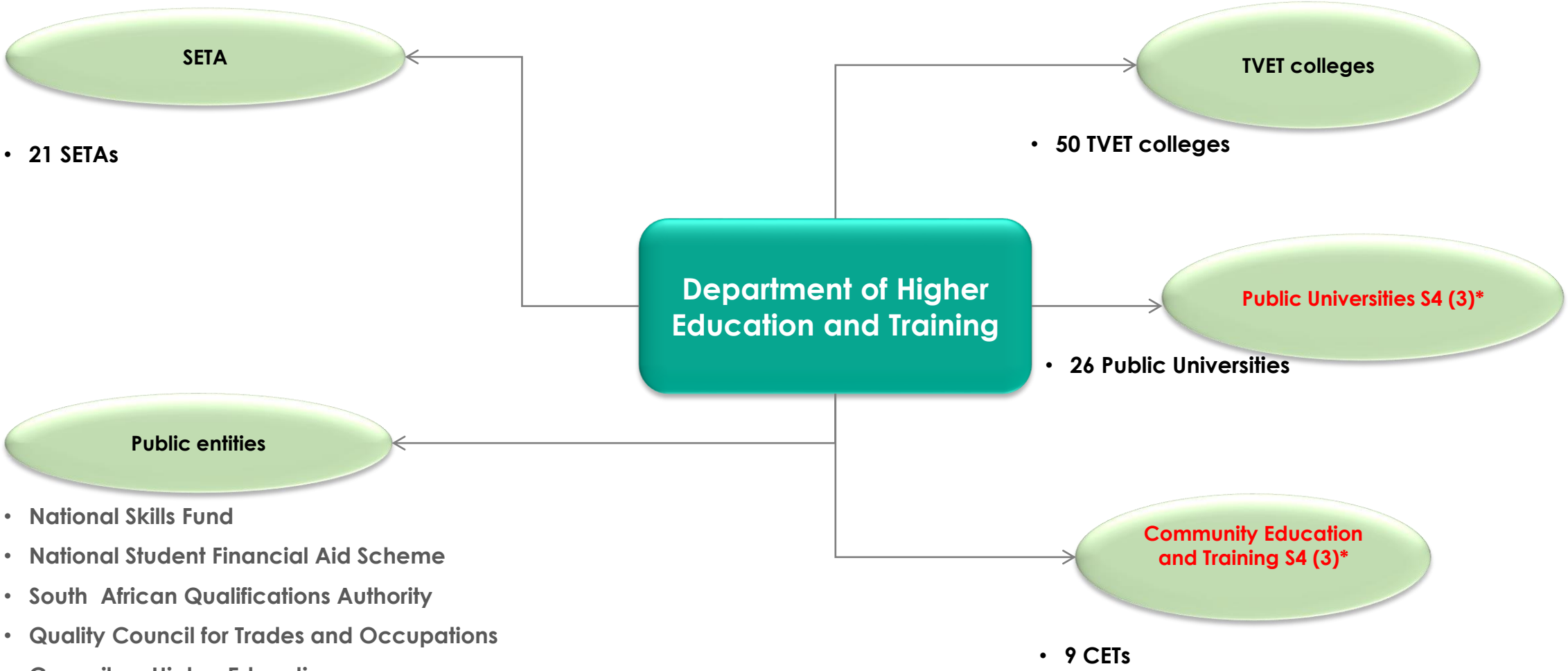
Higher Education and Training portfolio auditees



*Not audited by AGSA.

Audit outcomes for DHET and public entities

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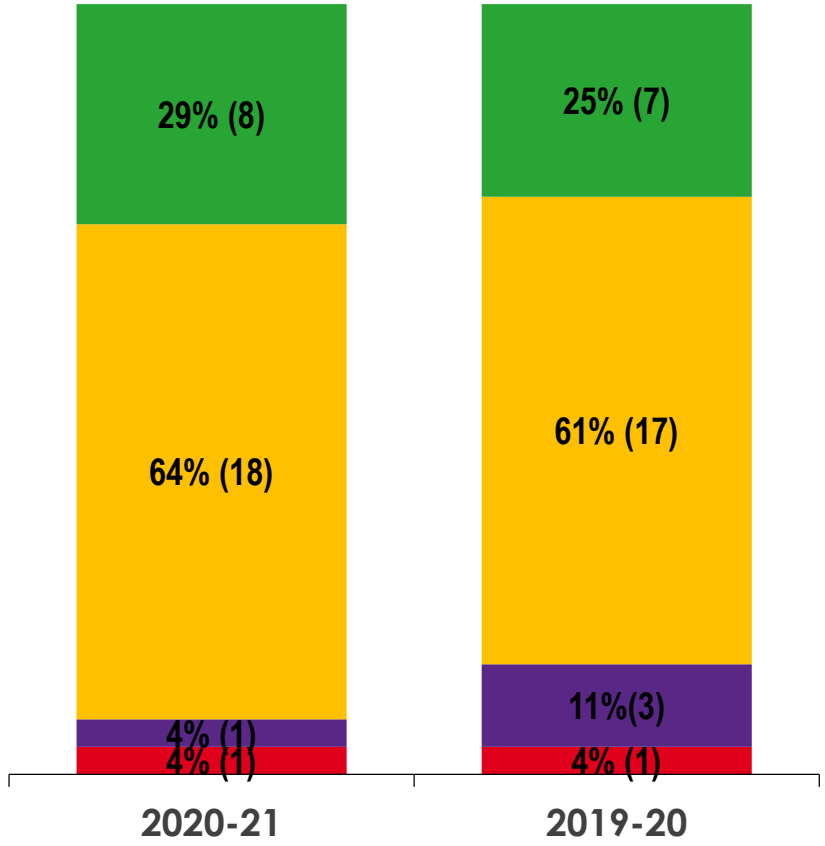
Audit outcomes of the department and its entities over two years



Audit outcomes are indicated as follows			
	Unqualified with no findings	Unqualified with findings	Qualified with findings
	Adverse with findings	Disclaimed with findings	Outstanding audits

Movement	
▲	4
▼	1
►	23

Outstanding audits
None

- Overall , there is a slight improvement in the portfolio.
- We commend **MICTS SETA** and **SASSETA** for obtaining unqualified with no findings audit opinions in the current year and the following entities that maintained the similar audit outcome, being **FPMSETA,PSETA,QCTO,SAQA,TETA,NIHSS.** Therefore, the number of entities with audit outcomes that are financially unqualified with NO findings on performance reporting and compliance with legislation has increased from the prior year. **CHE** regressed from an unqualified with no findings outcome in the prior year to an unqualified with compliance findings.
- **NSFAS** and **Construction seta**, moved from qualified audit outcomes to unqualified with findings.
- Financial statement preparation remains a concerns as material adjustments are effected to AFS submitted for audit at 19 auditees, this enabled them to obtain the unqualified audit opinion.
- **Services SETA** received a qualified audit opinion on commitments and prior period errors as we were unable to obtain sufficient audit evidence that these transactions were accounted for appropriately, the entities systems to process and maintain records relating to projects were not adequate.
- The **National Skills Fund** received a repeat disclaimer audit opinion in the 2020-21 financial year.

National Skills Fund -Disclaimer areas

Skills development funding expenditure

- The NSF did not provide the underlying supporting documentation to substantiate the expenditure incurred relating to skills development. Other accounts that were also directly impacted in the financial statements as they relate to Skills Development Funding Expenses are

  1. **Accruals from non exchange transactions**
  2. **Receivables from non exchange transactions**
  3. **Deferred expenditure related to skills development funding**

Provisions

The NSF did not recognise all provisions in accordance in accordance with GRAP 19, as the public entity did not properly recognise the amounts received from employers that are entitled to refunds over a five-year period.

TVET college infrastructure assets

The NSF did not record all additions to TVET college infrastructure assets in accordance with GRAP 17 and therefore their completed assets are incorrect. In addition, the NSF did not correctly account for the impairment for TVET college infrastructure assets in accordance with GRAP 21.

Prior period errors corrected

The NSF did not disclose some prior period errors in note 24 to the financial statements. In addition, sufficient appropriate audit evidence was not provided to substantiate some of the prior period errors disclosed.

Recommendations

- There is a need to improve the record management system to ensure that information from the different service providers is verified for reliability and relevance, and collated to support financial and performance information reported.
- In addition there is an opportunity for NSF to strengthen alignment the framework and the MOA's to ensure that there is appropriate record keeping and monitoring activities.
- Project management activities must be strengthened to ensure service providers are held accountable for learning activities contracted for.
- Compilation of the annual financial statements (AFS) must be facilitated by the key principals of the GRAP framework. The reviews of the AFS must be thorough and timeous.
- A responsive action plan should be developed, implemented and monitored to ensure that root causes are addressed. In year monitoring of this action plan is crucial to ensure prompt remedy of the control deficiencies.

Quality of financial and performance reporting

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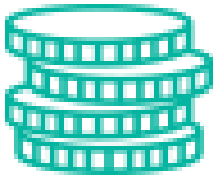
First focus area: Credible financial reporting

Financial statements



	Movement	2020-21	2019-20
Submission of financial statements by legislated date	▲	100% (28)	96% (27)
Financial statements submitted without errors	▼	36% (10)	46% (13)
Quality of final submission after audit	▲	93% (26)	86% (24)

Root cause analysis

- Material misstatements to disclosure, payables, statement of cash flow, expenditure and accruals was due to inadequate review of the financial statements.
- There were repeat findings indicating that the implementation of the action plans do not respond to the root causes.
- Inadequate contract management processes in place to determine accurately how much the SETAs have committed themselves, which will enable the SETAS to plan for future expenditure more accurately

Recommendations

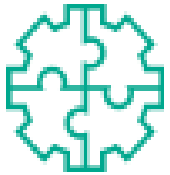
The daily and monthly controls disciplines such as reconciliations must be reviewed and improved whilst ensuring that errors are identified and corrected timeously.

Credible in-year reporting must be performed to ensure underlying supporting schedules are credible.

The developed actions plans must be thoroughly reviewed to ensure that they address the root causes, specifically for entities where errors were identified.

Second focus area: Credible performance reporting

Performance report



	Movement	2020-21	2019-20
Performance report submitted without errors	▼	36% (10)	43% (12)
Performance report adjusted for material misstatements to improve reliability		32% (9)	36% (10)

Root cause analysis

- There were findings identified with performance reports of five(5) auditees on usefulness that the indicators were not well defined (**INSETA, LGSETA, MerSETA, NSFAS & Services SETA**).
- We were unable to obtain sufficient appropriate audit evidence that systems and processes were established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. This was due to a lack of measurement definitions and processes. (**DHET)**
- The supporting evidence for the reported achievements was not always provided, and in some instances materially differed from the reported achievement for the seven (7) auditees. **(DHET, CHIETA, MERSETA, NSF, CETA, NSFAS & Services SETA).**

Recommendations

- We have noted that most of the entities' performance reports are useful.
- We recommend that standard operating procedure/policies should be designed which contain processes to record information and store supporting evidence for measuring the planned indicator was not clearly defined.
- Auditee must ensure that the reported achievements in the performance report are supported by adequate supporting evidence and thoroughly reviewed to ensure that they agree the reported achievements.

Compliance with legislation

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Third focus area: Compliance with legislation

Top non-compliance areas

Financial statements

- Material misstatement or limitations in submitted AFS **(NSF, NSFAS, Services SETA AGRISETA, CATHSSETA, CETA, CHIETA, ETDPSETA, EWSETA, FASSET, FoodBev, HWSETA, INSETA, LGSETA, MERSETA, MQA,W&R SETA & CHE)**

Expenditure management

- Irregular expenditure and fruitless and wasteful expenditure not prevented **(BANKSETA,CATHSSETA,CETA, EWSETA, LGSETA, MERSETA, NSF, Services SETA& W&R SETA)**

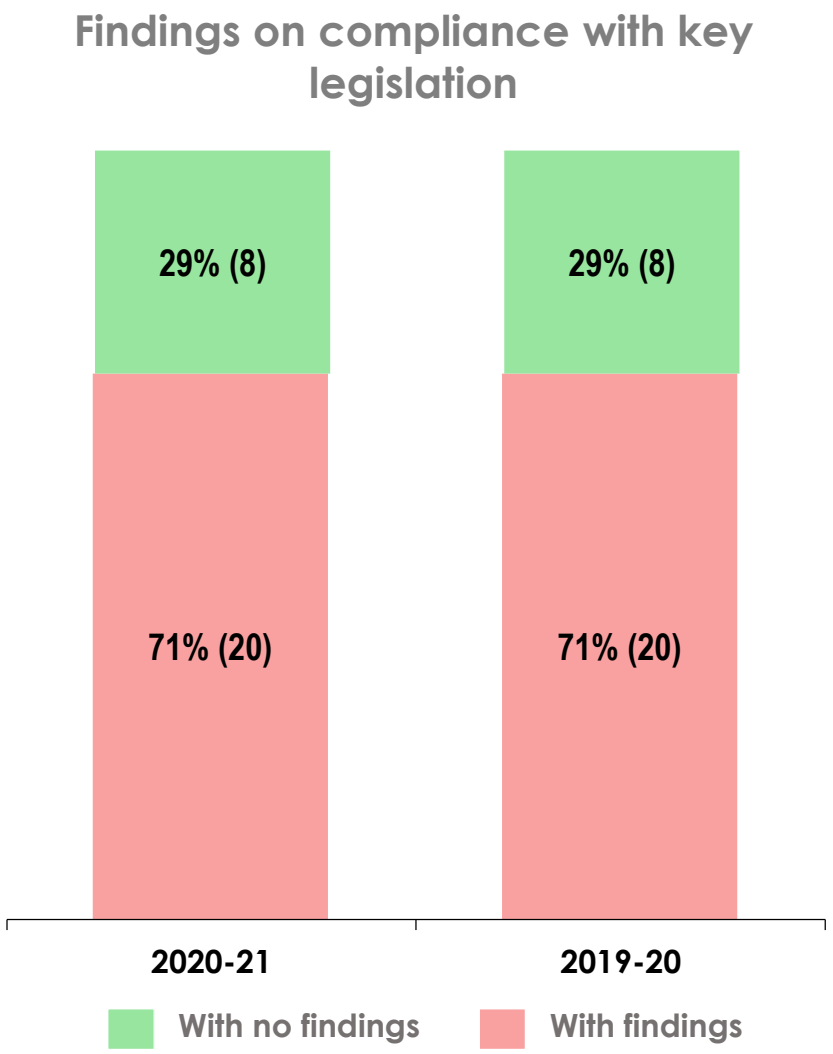
Procurement and contract management

- Participation in contract not complying with TR 16A6,6 **(CETA)**
- Contracts modified by incorrect delegation **(W&R SETA)**
- Declarations not submitted **(EWSETA)**
- Purchases of PPE not in line with the Treasury instruction note 8 of 2020-21, relating to the prices for PPE. **(EWSETA)**
- Competitive bidding process not followed **(DHET)**

Consequence management

- Lack of evidence that consequence management was implemented against individuals who committed irregular expenditure and fruitless and wasteful expenditure **(NSF, Services SETA& W&R SETA)**

We will further unpack the matters relating to compliance in three (3) sections, i.e. **expenditure management**, **procurement & contract management** and **consequence management.**



Irregular expenditure over 2 years

Definition *Expenditure incurred in contravention of key legislation; goods may have been delivered but prescribed processes not followed*

Irregular expenditure incurred by entities in portfolio

- *R35.7 billion represents non-compliance in 2020-21.*
- *R45.5 billion represents non-compliance in 2019-20.*
- *Irregular expenditure has decreased by 22% when compared to the prior year.*

Nature of the irregular expenditure

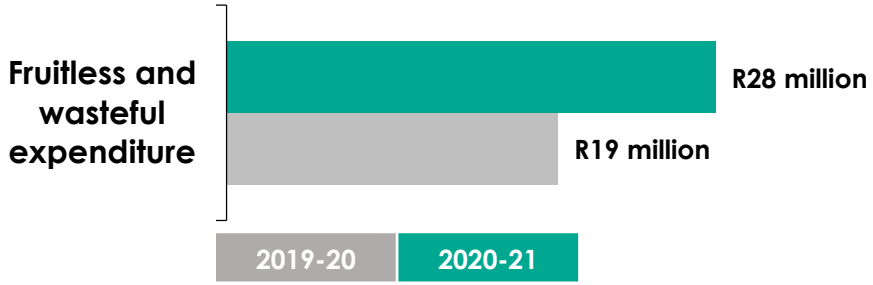
The highest contributor to irregular expenditure in the portfolio:

- Non-compliance with the NSFAS Act (Non-compliance with laws and regulations pertaining to NSFAS Act; NSFAS/DHET did not gazette funding rules and guidelines, concurrence with the Minister of Finance not obtained for the salaries of the Administrator and his advisors and shifting of earmarked historic debt funds to general student funding without approval by National Treasury (2020-21 R33 billion)

Fruitless and wasteful expenditure over 2 years

Definition	*Expenditure incurred in vain and could have been avoided if reasonable steps had been taken. No value for money!*

Fruitless and wasteful expenditure incurred by entities in portfolio



- *R28 million represents non-compliance in the 2020-21 financial year.*
- *R19 million represents non-compliance in 2019-20 financial year.*
- *Fruitless and wasteful expenditure has increased by 55% when compared to the prior year.*

Nature of the fruitless and wasteful expenditure

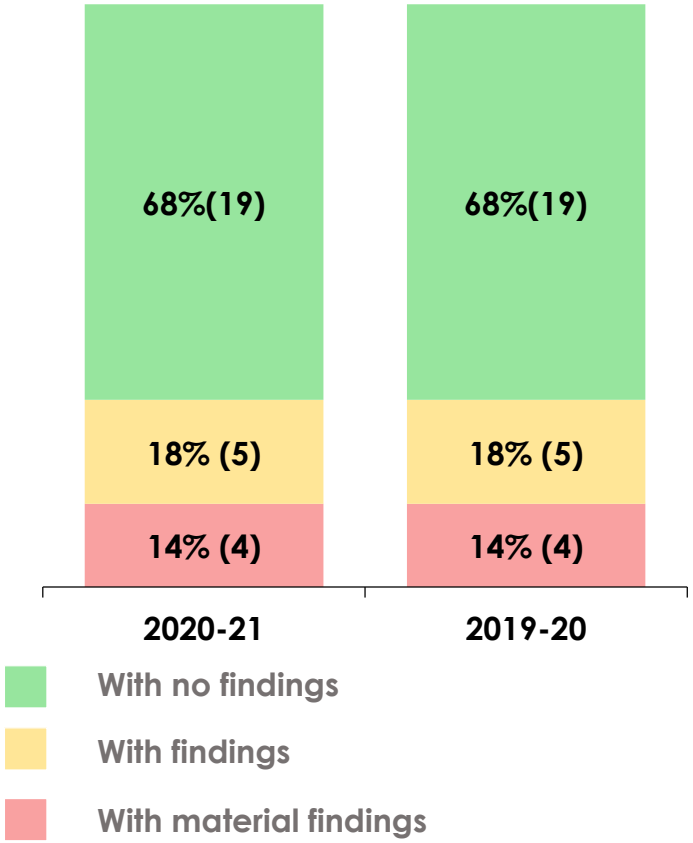
The highest contributor to the fruitless and wasteful expenditure in the portfolio:

- R10.36 million of the fruitless and wasteful expenditure relates CETA and mainly relate to incorrect rate used in paying a service provider and payments to a service provider for the re-performance of work.
- R12.3 million of the fruitless and wasteful expenditure relates to Services seta and mainly relates to payments made by Services seta for penalties and interests relating to litigations and claims (R10,7 million relates to the prior year).

Supply chain management

Overall SCM non - compliance remained stagnant

SCM findings should be fully investigated



Most common findings on supply chain management	Recommendations
• Participation in contract not complying with TR 16A6,6 **(CETA)** • Contracts modified by incorrect delegation **(W&R SETA)** • Declarations not submitted **(EWSETA)** • Purchases of PPE not in line with the Treasury instruction note 8 of 2020-21, relating to the prices for PPE. **(EWSETA)** • Competitive bidding process not followed **(DHET)**	• Preventative controls should be implemented to ensure no irregular/ fruitless and wasteful expenditure is not incurred. • Close monitoring of supply chain processes will serve as a deterrent for non-compliance while ensuring that all role players discharge their responsibilities.

Compliance with legislation

Consequence management

Consequence management findings were identified at the following entities:

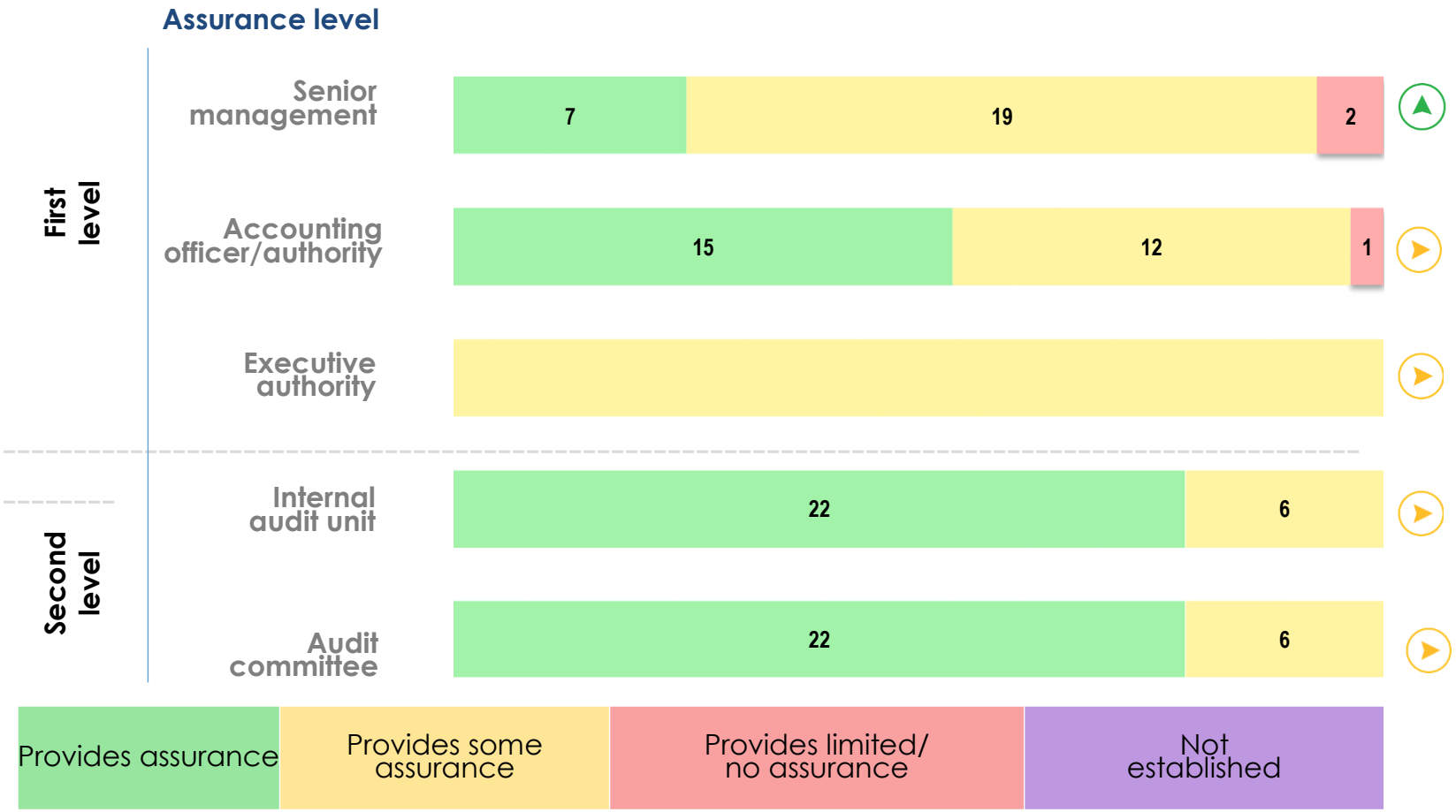
- **NSF**
- **Services SETA**
- **W&R SETA**

This was mainly due to lack of evidence that consequence management was implemented against individuals who committed irregular and fruitless and wasteful expenditure.

Recommendations

- In line with the requirements of the PFMA, the should be disciplinary actions taken against those found responsible for irregular and fruitless and wasteful expenditure.
- Furthermore, where necessary recover any losses incurred. Accounting officers/ authorities need to ensure that disciplinary actions are taken against staff that transgressed procurement regulations.

Assurance provided



Governance and internal controls

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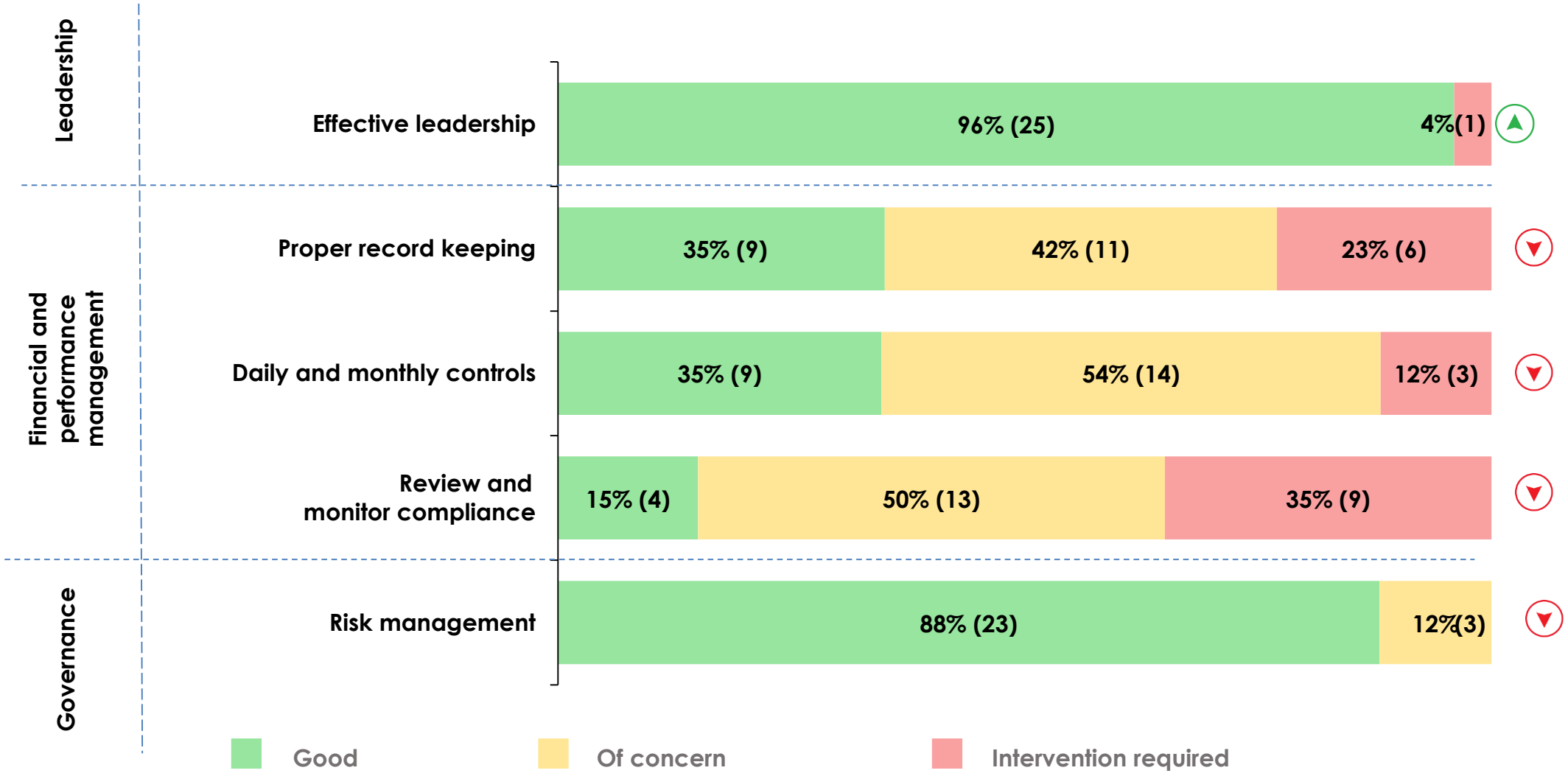
Status of internal control



Audit outcomes for TVET colleges

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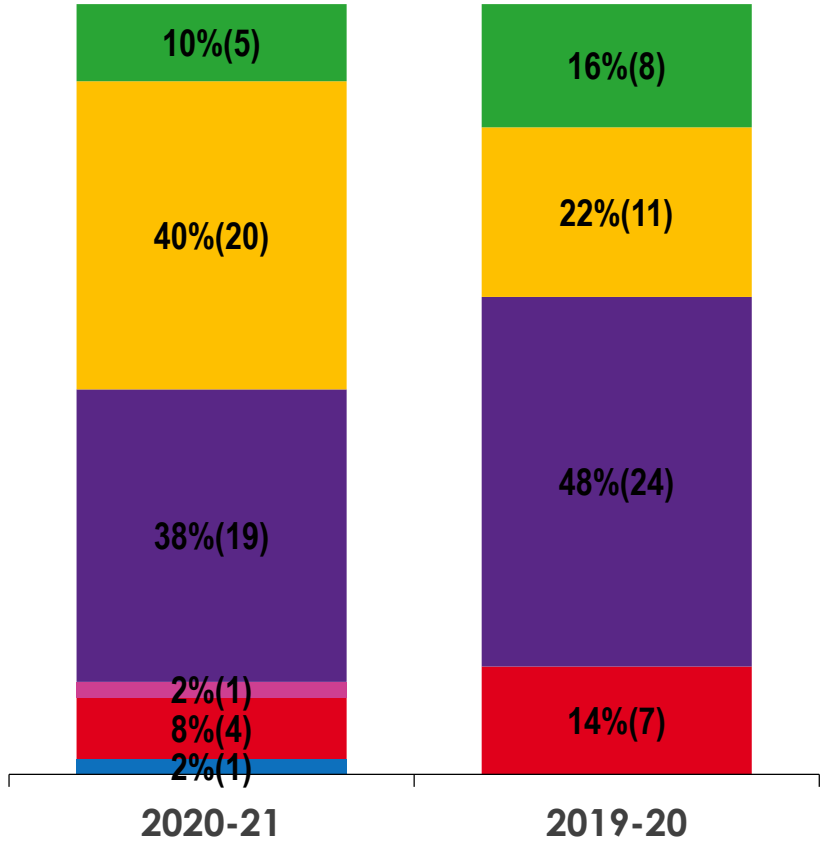
Audit outcomes of the TVET colleges over two years



Audit outcomes are indicated as follows			
	Unqualified with no findings	Unqualified with findings	Qualified with findings
	Adverse with findings	Disclaimed with findings	Outstanding audits

Movement	
▲	10
▼	5
►	34

Outstanding audits
One (Coastal TVET college)

- The overall outcomes have improved when compared to the prior year with most of the Tvets managing to obtain unqualified with findings outcomes. Mainly due to addressing the qualification areas identified in the prior years.
- However, there is still undue over reliance on auditors to identify errors in the financial statements. This remains a threat to a sustainable financial management processes.
- It is crucial for the finance divisions to be strengthened in order stabilise credible financial reporting to ensure compliance with the accounting framework.
- We commend Boland, Esayidi, False Bay, Northlink and South Cape for achieving and maintaining their unqualified with no findings status in the current year.
- Coastal Tvet college only submitted their financial statements on 19 October 2021 and therefore the audit is still in progress.

Quality of financial reporting for TVET colleges

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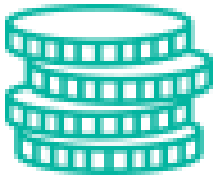
First focus area: Credible financial reporting



Financial statements	Movement	2020-21	2019-20
Submission of financial statements by legislated date	▼	82% (40)	96% (48)
Financial statements submitted without errors	▼	10% (5)	16% (8)
Quality of final submission after audit	▲	51% (25)	38% (19)

- 10% (5) auditees submitted financial statements that did not contain material misstatements and we wish to commend these entities **(Boland, Esayidi, False Bay, Northlink and South Cape).**
- Forty four(44) of the auditees submitted financial statements that contained material misstatements. Twenty (20) were able to correct the misstatements after they were detected through the audit process.
- Acknowledging a bit of improvement in the finalised financial statements. The Tvets will benefit greatly from capacitated finance units, with streamlined reporting and compliance processes.
- As indicated on the coming slide 31, there are colleges that did not have internal audit and audit committees for part of the financial year.

Root cause analysis

- Material misstatements to Property, infrastructure, plant and equipment, Payables, accruals and borrowings, Receivables, expenditure and disclosure notes were due to inadequate review of financial statements by the assurance providers.
- Most of the findings raised are recurring indicating that the preventative controls are not always established.

Recommendations

- Adherence to daily and monthly controls must be implemented within the colleges. Whilst leveraging on the recommendations of the audit committees.
- Adequate reviews of financial statements must be performed over financial records and there should not be an undue over reliance on the audit process to identify errors.
- A process to ensure records keeping must be developed and implemented.
- There is a need for internal audit and audit committees to be further strengthened.

Compliance with legislation

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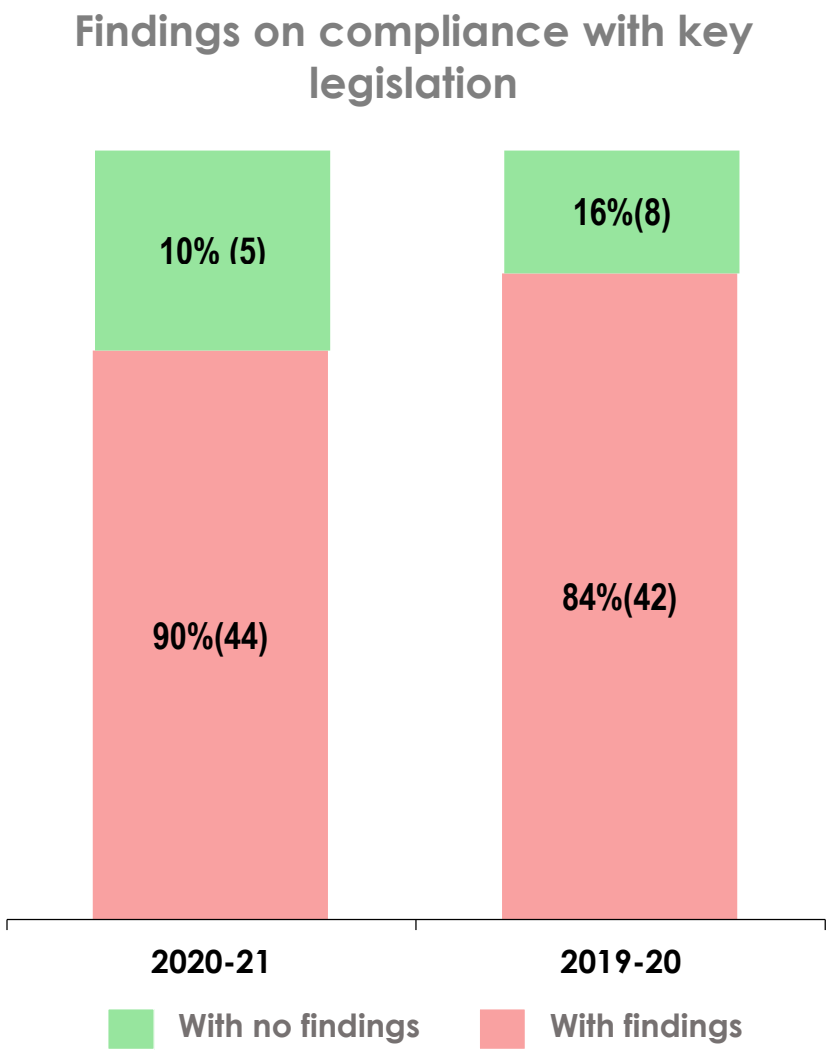
Third focus area: Compliance with legislation

- In the current year there has been a regression in the compliance with legislation.
- Forty four (44) out of the forty nine (49) auditees have received findings on compliance with legislation, auditees continue to struggle with the compliance with legislation.
- The non-compliance identified is similar to those reported in the prior year. Forty four auditees did not implement effective action plans to address significant internal control deficiencies relating compliance with legislation. This is also indicative of the compliance disciplines not being institutionalised.

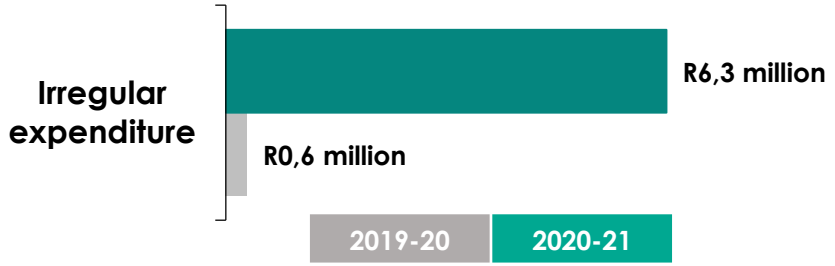


Irregular expenditure and fruitless and wasteful expenditure over 2 years

Definition

Expenditure incurred in contravention of key legislation; goods may have been delivered but prescribed processes not followed.

Irregular expenditure incurred by TVETs in portfolio



Nature of the irregular expenditure

The highest contributor to irregular expenditure in Gert Sibande TVET *(R6 million)* as a result of deviation from Supply Chain Management policies and procedure (Approval of contracts and other expenditure by officials other than those as designated in the Delegation of Authority of The College).

Definition

Expenditure incurred in vain and could have been avoided if reasonable steps had been taken. No value for money.

Fruitless and wasteful expenditure incurred by TVETs in portfolio

The closing balance of fruitless and wasteful expenditure for all the TVET colleges is R1,4 million and the biggest contributor is South cape TVET college.

Governance and internal controls

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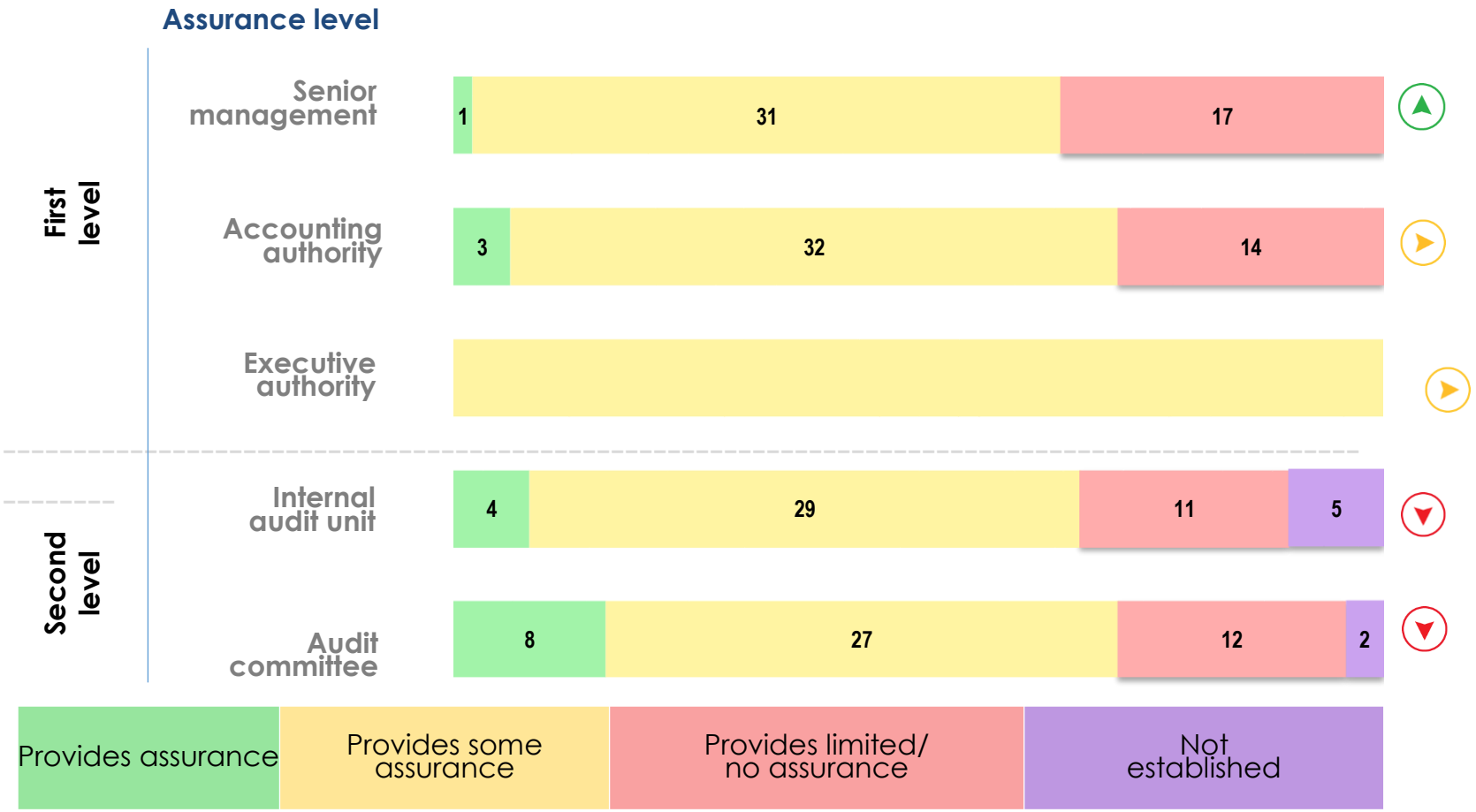
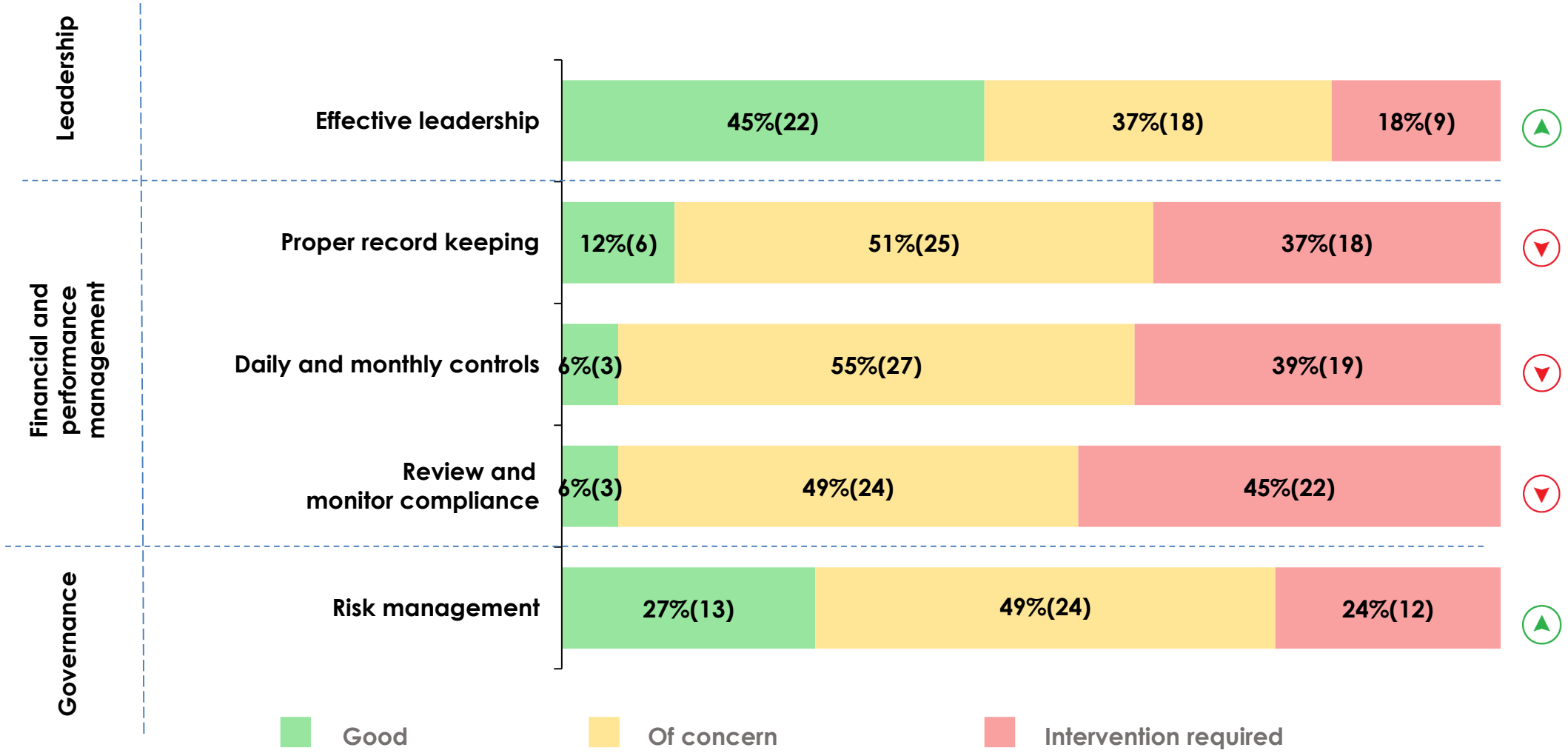
Assurance provided



Status of internal control



** Coastal is not included in the assessment of internal controls is not performed as the audit is still outstanding.*

Entities not audited by AGSA

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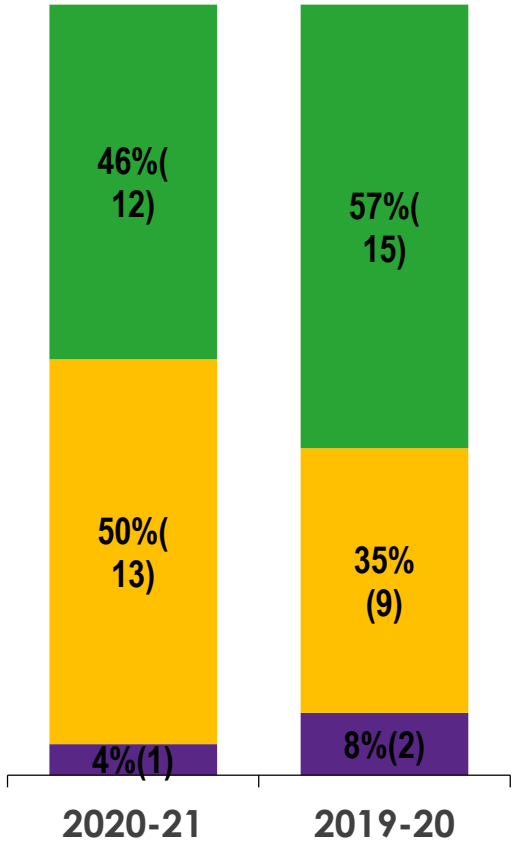
Audit outcomes for Universities

Section 4(3) of the PAA category

The universities are not audited by the AGSA, additional information required can be obtained from the department on higher education and training.

Audit outcomes of the Universities over two years



Movement	
▲	2
▼	5
▶	19

Overall

- The overall outcomes in the portfolio has regressed when compared to the prior year, as more auditees had findings on either compliance or predetermined objectives.
- We commend the 10 Universities that achieved and maintained their clean audits status in the current year.

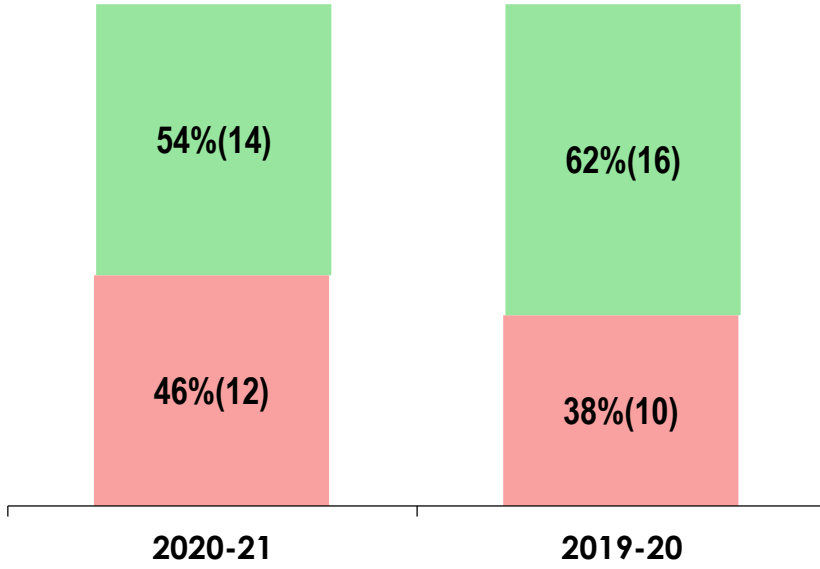
Quality of submitted financial statements

- 46% (12) auditees submitted financial statements that did not contain material misstatements and we wish to commend these entities (**University of Western Cape, Mangosuthu University of Technology, Central University of Technology, University of Pretoria, University of Johannesburg, University of the Witwatersrand, University of Mpumalanga, University of Zululand, University of Cape Town, University of North West, Rhodes University, Stellenbosch University**).
- Twenty (20) of the auditees submitted financial statements that did not contain material misstatements. Six (6) submitted financial statements that contained material misstatements, and five (5) were able to correct the misstatements after it was detected through the audit process. **University of Fort Hare** received a qualified audit opinion, due to a material misstatement in the financial statements.

Performance reporting

- Twenty three (23) of the auditees submitted performance reports that was supported by reliable supporting evidence. **Tshwane University of Technology, University of Fort Hare, and Sol Plaatje University** had findings on predetermined objectives as some of the reported achievements were not supported by accurate and reliable information, or the reported achievements were not aligned to what was initially planned.

Findings on compliance with key legislation



- In the current year there has been a regression in the compliance with legislation.
- Twelve (12) out of the twenty six (26) auditees have received findings on compliance with legislation, auditees continue to struggle with the compliance with legislation.
- The non-compliances identified are similar to those reported in the prior year, which relates to strategic planning and material misstatements identified in the financial statements submitted for audit.

PAA - Amendment

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At the center of the PAA amendments – material irregularity

What is a material irregularity?

Material irregularity

Irregularity

*any **non-compliance** with, or contravention of, legislation, **fraud, theft or a breach of a fiduciary duty***

*identified during an audit performed under this Act that **resulted in or is likely** to result in …*

Impact

*a **material financial loss,** the **misuse or loss of a material public resource,** or **substantial harm to a public sector institution or the general public.***

To allow for establishing capacity and processes, we will follow a **phased-in approach** for identifying MIs in 2020-21 based on:

1. the type of material irregularity to be identified and reported
2. the auditees where it will be implemented

Selection criteria

Any non-compliance in line with the definition stated above.

The MI process is implemented at selected auditees audited by the AGSA that represent **a significant portion of the expenditure budget and the irregular expenditure** of national, provincial and local government, including state-owned entities. The selection is also focused on auditees that are key contributors to **government priorities. For 2021, the Department, NSF and NSFAS were selected for MI implementation in the higher education and training portfolio.**

For 2021-22- we will be implementing at some of the SETAS , this will be communicated before commencement of the audit.

Implementation of expanded mandate in 2020-21

Status of MIs in progress

National Skills Fund

Payments made for duplicate unit standards

- The National Skills Fund (NSF) entered into a project funding agreement with a skills development service provider. The objective of the project was to benefit 1000 leaners by enrolling them for a Security Officer Learnership programme (NQF level 3).
- NSF approved and paid for the following 3 credits that are already included in the original modules as additional modules which resulted into additional costs with no additional benefit:

  a. HIV and Aids awareness at R875 per student

  b. First Aid at R1350 per student

  c. Occupational Health and Safety at R750 per student

- This is a non-compliance with section 57(b) of the PFMA due to the entity paying for the same modules twice which amounts to an inefficient and uneconomical use of the entity's resources.

MI status:

The notification was issued to the accounting authority .

The accounting authority indicated that internal audit has been appointed to investigate:

- The root causes that led to the transgression,
- Identify the employees responsible for the MI, determine the necessary actions to be implemented.
- Determine whether NSF suffered a loss and what process must be undertake to recover the loss.

This material irregularity is still being further evaluated.

Implementation of expanded mandate in 2020-21

Status of MIs in progress

NSFAS

Disbursements in excess of contract amount

- The entity disbursed tuition fees and allowances to students above the maximum amounts stipulated in written agreements with the respective students. In some cases this was due to the written agreements being incorrectly generated with erroneously low amounts, while in other cases this was because the entity disbursed more than the total cost of study for the students.
- The over-disbursements occurred in the 2017-18 financial year and continued until the 2020-21 financial year.
- Irregularity: Non-compliance with section 51(1)(a)(i) of the PFMA
- Impact: Material financial loss of R808 million

MI status:

- The Accounting Authority enlisted an external service provider to assist with the full investigation in order to quantify all errors and to assist with the resolution of all scenarios where over-disbursements occurred.
- By 2021, the entity had quantified the cumulative over-disbursements as at 31 March 2021 and was awaiting board approval to proceed with resolving each scenario. Proposed plans of action include issuing revised student contracts and recovering disbursements above student cost of study from institutions. Planned date to finalise the action is March 2022.

Interest not charged on student loan accounts

- According to the entity's policy on interest, interest on student loans must be charged one year after students graduate or exit their respective tertiary institutions. The entity did not have up-to-date information for students who have graduated or exited institutions of higher learning. As a result, such students were flagged as students for many years, without interest being charged.
- Irregularity: Non-compliance with 51(1)(b)(i) of the PFMA
- Impact: Material financial loss of R1,028 billion.

MI status:

- The accounting authority enlisted an external service provider to investigate the root causes, calculate the estimated interest loss and carry out a phased-in approach to correct the affected records. This process is currently in progress.
- The accounting authority is planning to incorporate the interest correction into the loan book system and communicate the updated statements to those debtors who have had additional interest added to their accounts. Thereafter, normal existing recovery procedures will apply to the additional interest. Planned date to finalise the action is March 2022.

Implementation of expanded mandate in 2020-21

Status of MIs in progress

NSFAS (continued)

Collection of money owed by tertiary institutions

- The entity is owed moneys by tertiary institutions (universities and TVET colleges) for moneys not used by students due to students deregistering or being awarded bursaries from other donors, or due to disbursements exceeding the student's total cost of study. In such circumstances, the funds disbursed by the NSFAS to the tertiary institution must be repaid to the NSFAS.
- In the past, the institutions have declared the amounts as owing to the NSFAS through a process referred to as 'final reporting'. This process has not materialised for the vast majority of institutions for at least the past four financial reporting periods. The moneys were not declared by the respective institutions and were thus not recorded in the accounting records and collected by the NSFAS.
- Irregularity: Non-compliance with section 51(1)(b)(i) of the PFMA
- Impact: Financial loss to be quantified by the Accounting Authority

MI status:

- Actions undertaken by the Accounting Authority:
- An external service provider to assist with the reconciliation process between the NSFAS data and institutions' data at a student level for the 2017, 2018, 2019 and 2020 academic years (the close-out project) was appointed. Anticipated completion date is September 2021.
- Debtors' circularisation process, to confirm the amounts owed by institutions, as recorded by the institutions themselves, was completed by August 2021.
- Recoveries from will commence after completion of the close-out project.
- Planned date to finalise the action is March 2022.

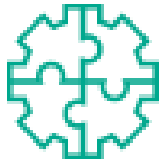
Portfolio snapshot

AUDITOR-GENERAL
SOUTH AFRICA

Portfolio snapshot 2020-21

Unqualified with no findings: 13
(2019 - 20: 15)

Financially unqualified financial statements: 51
(2019-20: 43)



No findings on performance reports: 19
(2019-20: 22)

No findings on compliance with legislation: 13
(2019-20: 16)

Irregular expenditure: R35,7 billion
(2019-20: R45,5 billion)

Summary of 3 key root causes

Entities did not implement effective preventative controls over preparation of financial statements and annual performance report

Action plans were not always effective to address the root causes for the deficiencies in internal control environment.

Entities did not put in place adequate controls to prevent non-compliance with procurement legislation

Overall message and recommendations to the portfolio

- Action plans developed must address preventative controls rather than only focusing of the audit finding raised. An adequate analysis must be performed to determine the root cause, and the action designed must prevent the reoccurrence of an internal control breakdown.
- Due to the current economical circumstances the SETAs should further tighten spending disciplines to be able to intensify skills interventions with the available funds as the Covid-19 pandemic is still impacting companies, therefore the skills levy contributions.
- It is critical that the SETAS ensure that an adequate contract management process is in place to determine accurately how much the SETA has committed itself, this will enable the SETAS to plan for future expenditure more accurately.
- Urgent attention is required to address all the control deficiencies identified around the skills development grant spending at the NSF. Slow response in addressing the high vacancy rate. The vacancies significantly contribute to the absence of critical layers of internal control to support the operations of the entity. (NSF)
- Adequate review and monitoring controls over the preparation of the financial statements and performance reports must be implemented.
- Effective monitoring of the implementation of action plans that address the root causes as well as adherence to laws and regulation. in addition.
- Ensure synergy between financial reporting divisions and other operating divisions.
- The Tvets will benefit from continuous close monitoring and support, with key attention to the finance units.
- Performance management processes should be strengthened to ensure all role players discharge their responsibilities.

Recommendations to the committee

Monitoring and regular follow up with the executive authority and the accounting officer/authority on:

- Progress on audit action plans put in place by the department, entities and colleges.
- Follow up with entities that incurred irregular, fruitless and wasteful expenditure to ensure that remedial actions aswell as consequence management processes are implemented.
- Follow up on the commitments made by the accounting authorities on addressing the material irregularities reported to the entities
- Implementation of the preventative and detective controls.

The **culture** of **consequence management** should be enforced in the portfolio.

THANK YOU

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