



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

CONSEQUENCE MANAGEMENT STATUS PROGRESS – AS AT FEBRUARY 2022

1. DEPARTMENT REQUESTING SUBMISSION:

Supply Chain Management

2. TITLE OF SUBMISSION:

Status progress on consequence management for the period 2018 to date

3. PURPOSE OF SUBMISSION:

The purpose of the submission is to present the progress made on consequence management as result of irregular expenditure incurred for the period 2018 to date.

4. BACKGROUND

Under the leadership and oversight of the new Board and management that were tasked with the restoration of good governance and ethical behavior going forward, while dealing with the legacy it inherited in 2018, various initiatives, mostly from a zero base, were kicked off to deal with the incurrence, identification, reporting, condonation (including consequence management) of Irregular Expenditure as of 1 April 2018...

These initiatives are also part of the turnaround plan of the Corporation. The progress of these initiatives today is visible on many fronts but is particularly substantiated by improved audit outcomes and the reduction of Irregular expenditure year on year.

Examples of some of these initiatives are the establishment of an IE register, as there was none in place as at 1 April 2018 and the SAP register in place today was only implemented in the course of 2019/20. There was no IE consequence management database, and until about 8 months ago an Excel spreadsheet was maintained. Since then, all the information is now centrally managed via one SAP database.

Notably achievements include the fact that the audit qualification areas due to the lack of a complete IE register and ad hoc consequence management processes for the 2020/21 financial year was successfully addressed and the focus has since moved to the period 1 April 2018 to 31 March 2020 to ensure the qualification from those periods are also addressed going forward.

While efforts have been focused on the period as of 1 April 2018, the intention is as soon as the project concludes those activities, and is confident in its Internal Controls measures established in the course of the past 3 years and evidenced by the AGSA confirmation, that it will engage with National Treasury with the intention to discuss an approach to the balance as at 31 March 2018 given the challenges with access to documentation and the identification of responsible parties.

It is important to note that the Corporation typically enters into 3 – 5 year contracts and that once the irregularity is confirmed, and unless the contract is declared unlawful and set aside by a court of law, that the payments made on such a contract will be reported as irregular until the contract termination date.

Identification, assessment and recording of Irregular Expenditure

In the course of 2020/21, the Supply Chain Management embarked on a strategic initiative, lead by a dedicated resource, of identifying, assessing, and recording the Irregular expenditure to ensure the completeness of the IE register and fast track the consequence management process. Due to this initiative, multiple IE data sources were consolidated in order to have a holistic view and to better manage, track irregular expenditure and the related consequence management.

As a result, the previous audit qualification area of the completeness of the IE register was addressed.

Below is a summary of IE incidents covering the period 2018 to date

In the course of the past 10 months, for the above-mentioned period under review 732 IE incidents were recorded. It should be noted that the bulk of the irregular expenditure was identified and confirmed by the SABC, SCM Governance through the continuous spend reviews as the Project Team (now a team of 3 fixed term contractors) assessed the nearly R4bn payments made by the Corporation per annum going back to 1 April 2018 . In order to fast track the IE treatment process as prescribed in the National Treasury, Irregular Framework, incidents of the similar nature were grouped resulting in 379 IE incidents. A Consequence management plan was developed to expeditiously close out the Irregular Expenditure incidents as per the processes prescribed in the Framework.

The consequence management is preceded by an investigation that determines the responsible parties. This investigation must be independent, and as such with the support from 2 Investigators (also fixed term contractors) that were appointed in late 2021 the consequence management processes are now expected to gain momentum. Particularly those in SCM itself as the Department cannot investigate itself.

Further additional resources are currently being sourced.

5. PROGRESS

As part of the prescribed process of treating irregular expenditure, once IE is identified, as indicated above preliminary investigations must follow to assess role players / parties who caused the irregular expenditure. Since the appointment of the investigators in November 2021, already there has been a significant movement in consequence management processes. Noting again that the role and authority of these investigators needed to be designed and established from zero base and relevant procedures were thus designed. The team is contracted for the execution of the investigations and reports within specific turnaround times for purposes of performance management.

Until this point the focus had been on the IE identified by the AGSA and Group Internal Audit for the financial years 2018/19 and 2019/20.

The table 1 below shows the performance on IE consequence management and depicts the status of consequence management as per the Line Manager updates in SAP system. SCM governance has not been furnished with completed disciplinary sanctions for all transactions though, and this would be verified during determination tests.

Table 1

Total Number of IE incidents: Consolidated	Total Value	Consequence Management Completed	Consequence Management outstanding
Consolidated to 379	R843m	36	343
Rand Value		R216m	R627m
% Completion Rate in numbers		9.4%	90.6%
% Completion Rate in R Value		25.6%	74.4%

Work in progress: Submissions ready to be submitted to the Board

- Three (3) IE submissions as listed in table 2 below, to the total R99,213,625.04 (Ninety-Nine million, two hundred and thirteen Thousand, two hundred and thirty-five rands and four cents) which accounts for 11.6% of the total irregular expenditure value, are due to be tabled in the next Board Meeting scheduled for March 2022 for write off in line with s44(c) of the National Treasury Instruction Note 02 of 2019/2020, Annexure A of the Irregular Expenditure Framework.

Table 2

No.	Supplier Name	Total IE Value (Incl. Vat)
1.	Mafoko Security Patrols	R12,644,696.02
2.	Servest (Pty) Ltd	R68,583,932.39
3.	Vhughi Protection Services cc	R17,884,996.53

- The following three (3) more transactions are on enroute for submission to National Treasury for condonation

Table 3

No.	Supplier Name	Total IE Value (Incl. Vat)
1.	Angarhela Trading and Projects (Pty) Ltd	R8 282 196.72
2.	IBM	R12 150 839,05

3.	SAPO	R1 167 579.12
Total		R21 600 614,89

- The investigation team is currently working on 18 (Eighteen) irregular expenditure transactions to the total value of R172 509 745,70 (20% of the total IE value) which is anticipated to be finalized by 15 March 2022. Once finalized, the consequence management process will commence.

The total of the above amount to a further nearly R300m of the balance of R 843m for which major progress is planned for in the next few months.

6. CHALLENGES

- Limited resources, there are currently only three fixed term resources assigned to the IE project. Recruitment process for additional resources is underway to capacitate the team
- Limitation of scope in investigations remains a challenge. In dealing with historic IE O/B, there are challenges in acquiring supporting documentation. In some instances, the responsible personnel who were part of the IE transactions are no longer in the employ of SABC.

7. MEASURES PUT IN PLACE TO ADDRESS SLOW CONSEQUENCE MANAGEMENT

More than 60% of the Irregular Expenditure relates to Supply Chain Management. To that end several initiatives were implemented to improve the SCM internal control environment. The outcome of the recently conducted internal audit has proved that the current controls are effective with less audit findings. Below are some of the initiatives put in place.

- a) Standard Operating Procedure for the Prevention, Detection and Management of IE has been developed, socialised and is currently in implementation.
- b) Engagements with Executives where IE instances have been identified are also ongoing to ensure consequence management are implemented based on the Guidelines and the Disciplinary Code in the Corporation.
- c) A Consequence management Action plan is in place as of January 2022, and it is tracked and reported on separately to oversight committees of the Board. It is envisaged that by the end March 2022, (NB: Once transgressors have been identified in the course of the investigation process) where possible, all cases relevant to a transgressor may be dealt at once to avoid multiple consequence management sessions. In an event where the transgressors are no longer employed by SABC, a written preliminary investigation report will be forwarded to Governance to proceed with the condonation process.
- d) The consolidation of the IE incidents per transgression type effectively assists in dealing with multiple incidents at once
- e) Consequence management for IE incidents with high value and impact on the overall IE value is prioritized.

8. OTHER INITIATIVES IMPLEMENTED TO PREVENT THE RECURRENCE OF THE IRREGULAR EXPENDITURE IN SCM IN PARTICULAR (including but not limited to) ARE:

- a) The SCM Policy and Procedure Manual have been revised and socialised across the organisation and is reviewed regularly. Continuous workshops on SCM related matters are conducted for both business units and SCM officials also often in consultation with National Treasury
- b) The procedures are augmented by various checklists to ensure compliance.
- c) High Value tenders are subjected to compliance review before award.

- d) The Bid Committee terms of reference have been revised, approved, and socialized. Socialization of the terms of reference forms part of the standing agenda item for the initial onboarding of Bid Evaluation Committees and Bid Specification Committees appointed to each tender or RFQ
- e) An overview of the SCM Policy and Procedure Manual is included in the quarterly Induction Programme for new employees.
- f) The contract management process is detailed in the revised SCM Procedure. The roles and responsibilities of the various role-players in the contract management value chain is clarified in the abovementioned procedure to enforce improved contract management.
- g) The ERP, SAP system has been configured to issue early contract expiry warning to the relevant contract owners. In addition, the Contract management unit, within SCM shares the contract register with the relevant Heads of Business Units to raise awareness on expiring contracts.
- h) The procurement processes are periodically assessed /audited by the Group Internal Audit and the SCM compliance and Governance Unit to assess the level of compliance and assist management in putting measures in place to close any detected deficiencies. Various reports are shared with the Board as a means of enforcing compliance with SCM prescripts

9. **SIGNATORIES**

Prepared by:



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Chief Financial Officer

24 February 2022

Date