**Report of the Standing Committee on Finance on the Oversight Visit to the Financial and Fiscal Commission, dated 02 May 2023**

1. **INTRODUCTION**
   1. The Standing Committee on Finance (SCOF/ the Committee) undertook an oversight visit to the Financial and Fiscal Commission (FFC/ the Commission)on 30 March 2023. On learning that the FFC had moved offices from Gauteng to Cape Town, the Committee held a virtual meeting with the FFC from Tshwane.
   2. The main purpose of the briefing by the FFC was to get an update on the development and implementation of its audit action plan for the 2021/23 audit outcomes.
   3. The FFC received an unqualified audit opinion with findings in 2021/22. The Office of the Auditor-General South Africa (AGSA) reported that the FFC continues to struggle with compliance with legislation as prior year action plans failed to adequately address significant internal control deficiencies. It said that the prevalent instances of non-compliance at the FIC were in the areas of expenditure management, supply chain management, consequence management and material misstatements identified in the financial statements submitted for auditing.
2. **DELEGATION**

Parliamentary Delegation

* 1. The Committee delegation comprised of the following members: Mr MJ Maswanganyi (Chairperson of the Committee, ANC), Ms P Abraham (ANC), Ms D Mabiletsa (ANC), Mr G Skosana (ANC), Ms W Alexander (DA), Mr F Shivambu (EFF) and Mr W Wessels (FF+). The delegation was accompanied by the following parliamentary officials: Mr A Wicomb (Committee Secretary), Ms Cele-Ntshinka (Committee Assistant), Dr Z Hlophe (Content Advisor), and Ms A Manamela (Researcher).

National Treasury and FFC Delegation

* 1. The NT delegation comprised of: Mr E Godongwana (Minister of Finance), Ms L Mseme (Acting Chief Operations Officer), Mr L Batwa (Parliamentary Officer), Ms N Mahori (Parliamentary Officer), Mr K Bosoga (IT Support), and Mr M Khan (Director).
  2. The FFC delegation comprised of: Dr P Mbava (Commissioner), Mr T Chech (Acting Chief Executive Officer), and Mr H Eksteen (Parliamentary Liaison)

AGSA Delegation

2.3 The Auditor-General delegation comprised of: Ms M Madondo (Senior Manager), Mr L Kuse (Senior Manager), Ms N Matanzima (Business Unit Leader), Ms K Naicker (Deputy Business Unit Leader), Ms A Whitfield (Senior Manager), and Mr M Jimmy (Acting Product Champion).

1. **OVERVIEW OF FFC 2021/22 AUDIT OUTCOMES**
   1. AGSA found that although the FFC met its targets, the indicators in its strategic plan were not aligned to the core legislative mandate of the Commission. AGSA said that this was due to inadequate reviews of the strategic plan by leadership. It said that to improve the delivery of services and the realisation of the Medium-Term Strategic Framework (MTSF) priorities, the strategic planning documents should be reviewed by the Accounting Officer/ Authority to ensure alignment with government priorities and commitments, with regular monitoring over service delivery. AGSA also recommended that there be effective consequence management for non-achievement of targets and indicators.
   2. AGSA further found that the FFC did not take effective and appropriate steps to prevent irregular expenditure amounting to R3.5 million. It said that effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R676 058. AGSA explained that most of the fruitless and wasteful expenditure was caused by payment of rental amounts for office space that was not utilised by the Commission and subsequent cancellation fees to prevent future losses. Fruitless and wasteful expenditure amounting to R632 400 was incurred on unutilised office space.
   3. Another finding by AGSA was that the FFC procured goods and services without obtaining at least three written price quotations. Similar non-compliance was also reported in the prior year.
   4. AGSA also made findings on consequence management. It said that there was no evidence to suggest that disciplinary steps were taken against officials who caused irregular expenditure because no investigations were conducted.
2. **FFC ACTION PLAN FOR 2021/22 AUDIT OUTCOMES**
   1. The FFC reported that it had revised its indicators in its strategic plan to align it with its core legislated mandate as recommended by AGSA.
   2. The FFC further explained that in 2021/22, its irregular expenditure (R3.6 million) reduced by 90% compared to the previous year (R12.7 million), while fruitless and wasteful expenditure was R676 058 from R2, 9million the previous year.
   3. The FFC said that it was committed to its mandate and its intent to ensure a healthy and stable organisation. It said that it was implementing the audit action plan and was filling all vacancies in terms of its reviewed organisational structure, among other things.

1. **COMMITTEE OBSERVATIONS AND RECOMMENDATIONS**
   1. The Committee notes that the FFC achieved all its core performance targets, however AGSA had noted that the indicators measured by the strategic plan were not aligned to the annual performance plan and did not capture the essence of the function and mandate of the Commission. The Committee notes the assurance from the FFC that it revised its strategic plan as recommended by AGSA in its 2023/24 APP. The Committee however requires more explanation on how this has been remedied.
   2. On expenditure management, AGSA had found that effective and appropriate steps were not taken to prevent irregular expenditure (R3 549 752) and fruitless and wasteful expenditure (R676 058). On consequence management, AGSA said that it was unable to obtain sufficient appropriate audit evidence that disciplinary steps were implemented against officials who incurred irregular expenditure because investigations were not conducted.
   3. The Committee appreciates assurance from the FFC that it is taking steps to remediate the irregular, fruitless and wasteful expenditure incurred in 2021/22. However, the Public Finance Management Act framework requires irregular, fruitless, and wasteful expenditure to be resolved through condonation or recovery. In its presentation of the audit action plan to the Committee, the FFC made no mention of such processes being undertaken. The Committee requires the Accounting Authority/Officer to update it in writing on the specific actions that have been taken to resolve each of these incidents of irregular, fruitless and wasteful expenditure.
   4. The Committee further requires the Accounting Officer to provide a detailed written account on actions being taken to remediate findings on incidents on procurement and contract management non-compliance and on consequence management.
   5. The Committee requires a written explanation from the Accounting Authority/ Officer of the FFC on the relocation of offices of the FFC and staff to Cape Town. A cogent and rational justification of this move and its impact on the relocation of staff and service delivery is necessary.
   6. The Committee is concerned about the disturbing allegations contained in a letter/ complaint referred to it by the Speaker of Parliament dated 25 March 2023. The Committee does not yet provide details here on the allegations contained in that letter as it has sought legal advice from the Parliamentary Legal Services on how to proceed with the matter.

The Standing Committee on Finance asks the National Assembly to adopt this Oversight Report.

Report to be considered.

The DA reserves its position.