**Report of the Standing Committee on Finance on the Oversight Visit to the Office of the Pension Funds Adjudicator, dated 02 May 2023**

1. **INTRODUCTION AND BACKGROUND**
   1. The Standing Committee on Finance (SCOF/ the Committee) undertook an oversight visit to the Office of the Pension Funds Adjudicator (OPFA)on 30 March 2023 in Gauteng. The main purpose of the visit to the OPFA was to get a briefing on its audit action plan. OPFA regressed from a clean audit opinion in the prior year to an unqualified audit opinion with findings.
   2. OPFA was established in January 1998 in terms of the Pension Funds Act, No. 24 of 1956, as amended. The main objective of the OPFA is to ensure that the rights of consumers of pension products and services are protected and treated fairly within the prescripts of the law. It receives an average of 9600 customer complaints per annum.
   3. The Auditor General of South Africa (AGSA) briefed the Standing Committee on Finance (SCOF) on 21 February 2023 about the audit outcomes of the finance portfolio. A decision was taken by the Committee to conduct an oversight visit to the National Treasury and all entities that had negative audit outcomes for 2021/22. The Committee conducted the same exercise last year with regards to the audit outcomes of 2020/21 financial year.
   4. The entities visited on 29 and 30 March 2023 were the National Treasury, Cooperative Banks Development Agency (CBDA), FAIS Ombud, Financial and Fiscal Commission (FFC), Financial Intelligence Centre (FIC), the Office of the Pension Funds Adjudicator (OPFA), Government Technical Advisory Centre (GTAC), Government Pensions Administration Agency (GPAA) and Public Investment Corporation (PIC).
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 OPFA Delegation

2.2.1 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).

2.2.2 The OPFA delegation comprised of: Adv. M Lukhaimane (Pension Fund Adjudicator), and Mr B Makunga (Chief Finance Officer).

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 OPFA AUDIT OUTCOMES**
   1. AGSA found that OPFA struggled with compliance with legislation as prior year action plans failed to adequately address significant internal control deficiencies. AGSA said that the prevalent instances of non-compliance are in the areas of expenditure management, supply chain management (SCM) and material misstatements identified in the annual financial statements (AFS) submitted for auditing.
   2. AGSA found that the financial statements submitted for audit were not fully prepared in accordance with the prescribed financial reporting framework. It also found that OPFA had material misstatements of non-current assets, expenditure and disclosure items identified by the auditors. The submitted financial statements were corrected subsequently, resulting in the financial statements receiving an unqualified audit opinion.
   3. AGSA further made material non-compliance findings on expenditure management, which was primarily driven by irregular expenditure incurred from non-compliance with procurement prescripts. It found that there were no effective and appropriate steps taken to prevent irregular expenditure amounting to R39 293 as disclosed in the AFS. Three quotations were not sourced as required by the SCM prescripts.
2. **OPFA 2021/22 ACTION PLAN ON AUDIT OUTCOMES**
   1. OPFA reported that it was taking action to improve on its financial statements through internal and external audit review of statements.
   2. It further reported that it had issues a written warning to the official responsible for non-compliance with irregular expenditure.
   3. On the deviation from obtaining three quotations, OPFA said that the matter was under dispute with AGSA. It said that this dispute was lodged with AGSA in December 2022 and was awaiting feedback.
   4. OPFA further reported that it has reviewed and updated its SCM policy. It had also conducted staff refresher training on SCM.
3. **COMMITTEE OBSERVATIONS AND RECOMMENDATIONS**
   1. The Committee notes that OPFA achieved less than 60% of its targets for 2021/22. The Committee further notes that OPFA plays an important role in resolving customer complaints. AGSA noted that for the year ended 31 March 2022, only 33.3% (2020-21: 25%) of the planned targets were reported as achieved by OPFA. It further stated that the non-achievement related to various reasons including lack of capacity at the New Complaints Unit (NCU) to effectively deal with volumes of complaints received and assessment of responses. The Committee urges the management to ensure that the office is capacitated with enough resources to deal with the volume of complaints it receives.
   2. The Committee notes with regret that OPFA regressed from a clean audit opinion the previous year to an unqualified audit opinion with findings. AGSA found that it struggles with compliance with legislation and its action plans failed to adequately address significant internal control deficiencies and non-compliance on expenditure management, SCM and material misstatements financial statements submitted for auditing. The Committee requires an update on the resolution of all the issues raised by AGSA.

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

Report to be considered.

The DA reserves its position.