



AUDITOR - GENERAL
SOUTH AFRICA

BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR):

Portfolio Committee on
Science and Innovation

13 October 2023

*Briefing document on the audit outcomes for
the Science and Innovation portfolio:*

2022-23

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1. Introduction

1.1 Reputation promise of the Auditor-General of South Africa

The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the supreme audit institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

1.2 Role of the AGSA

Our role as the 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).

1.3 Role of the portfolio committee

Section 5(2) of the Money Bills Procedures and Related Matters Amendment Act 9 of 2009 allows for each committee to compile a BRRR, which must be tabled in the National Assembly. Section 5(3) provides for a BRRR to contain the following:

- An assessment of entities' service delivery performance, given available resources.
- An assessment of the effectiveness and efficiency of entities' use and forward allocation of available resources.
- Recommendations on the forward use of resources.

1.4 Mandate of the AGSA and the portfolio committee

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AGSA mandate	Portfolio committee mandate
<p>Section 188 of the Constitution</p> <p>The AGSA must audit and report on the accounts, financial statements and financial management of government institutions.</p> <p>Section 20(2) of the Public Audit Act (PAA)</p> <ul style="list-style-type: none"> • The AGSA must prepare an audit report containing an opinion/conclusion on the: 	<p>National Assembly Rule 227</p> <p>Portfolio committees may, among other things, perform the following functions:</p> <ul style="list-style-type: none"> • 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 National Assembly.

AGSA mandate	Portfolio committee mandate
<ul style="list-style-type: none"> ○ Fair presentation of the financial statements. ○ Compliance with applicable legislation. ○ Reported performance against predetermined objectives. <ul style="list-style-type: none"> ● Discretionary audits (including special audits, investigations and performance audits) <p>Section 5(1B) of the PAA</p> <p>The auditor-general has the power to:</p> <ul style="list-style-type: none"> ○ Issue a material irregularity. ○ Include recommendations in the audit report. ○ Take appropriate remedial action. ○ Issue a certificate of debt, as prescribed, where an accounting officer/authority has failed to comply with remedial action. 	<ul style="list-style-type: none"> ● Maintain oversight of their portfolios of national executive authority, including implementation of legislation, any executive organ of state falling within its portfolio, any constitutional institution falling within its portfolio and any other body or institution in respect of which oversight was assigned to it. ● 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 an organ of state, institution or other body or institution. ● Consult and liaise with any executive organ of state or constitutional institution. ● Perform any other functions, tasks or duties assigned to it in terms of the Constitution, legislation, these rules, the joint rules or resolutions of the National Assembly, including functions, tasks and duties concerning parliamentary oversight or supervision of such executive organs of state, constitutional institutions or other bodies or institutions

1.5 Purpose of this document

The purpose of this briefing document is for the AGSA to reflect on the audit outcomes to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the objective of the committee to produce a BRRR.

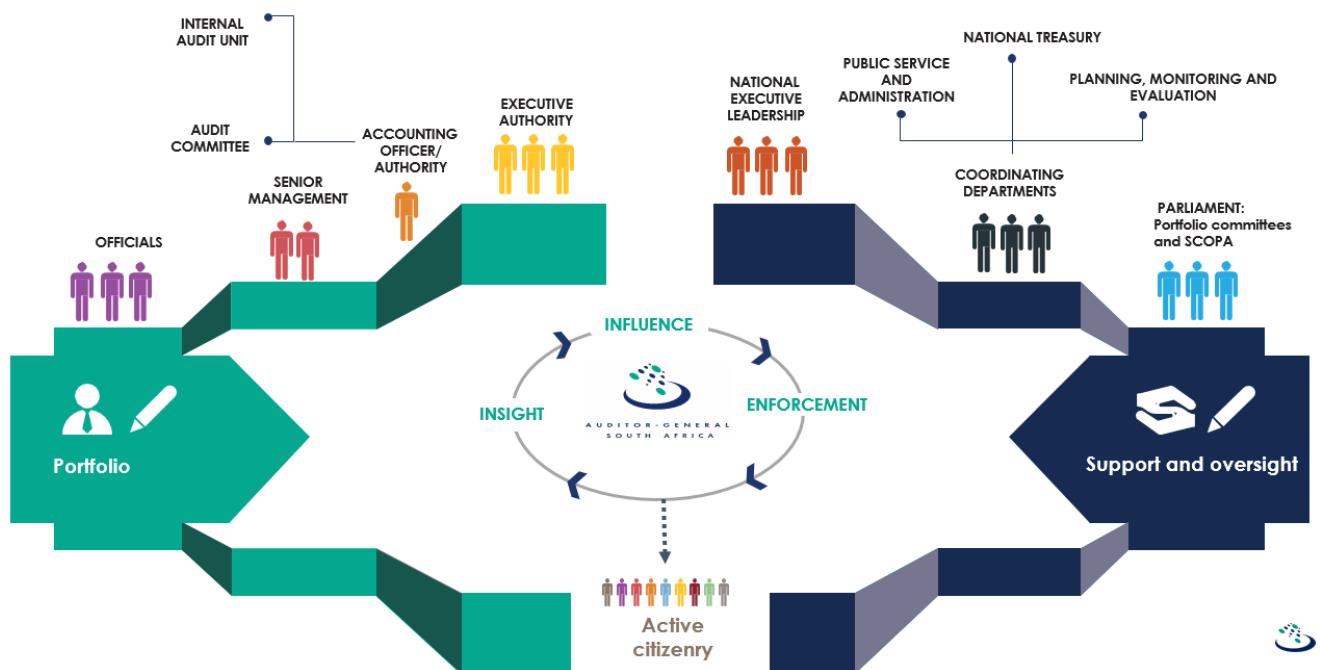


1.6 Shifting the public sector culture through the accountability ecosystem

Slide 3

All have role to play in national government accountability eco-system






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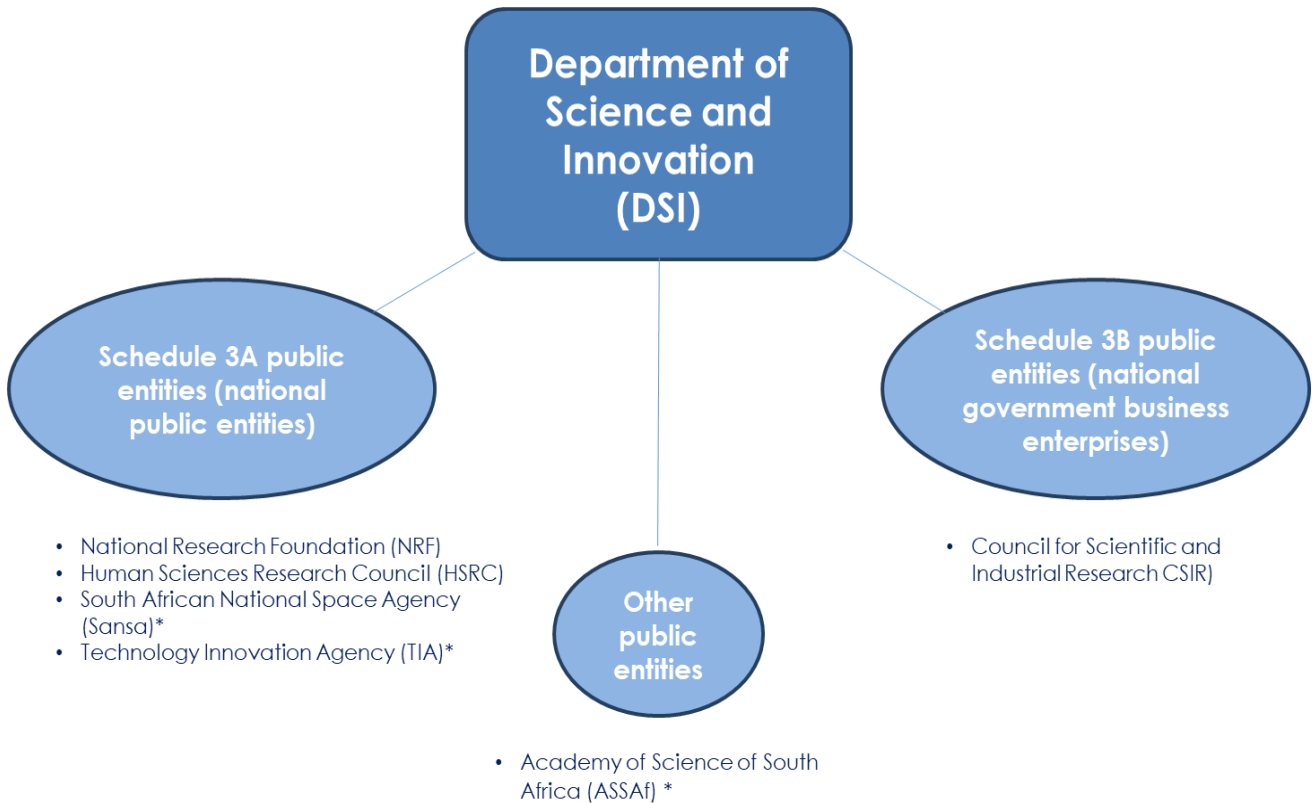
- The accountability ecosystem is the network of stakeholders that have a mandate and/or responsibility, whether legislative or moral, to drive, deepen and/or insist on public sector accountability.
- A more active and engaged accountability ecosystem would add to the much-needed effort of shifting public sector culture and would alleviate the overreliance on the AGSA to assume responsibility for improving audit outcomes and enforcing consequences.
- Shifting the public sector culture towards one that is characterised by performance, accountability, transparency and integrity can only be accomplished if all role players in the broader accountability ecosystem fulfil their respective responsibilities and mandates.
- Given the nature of the AGSA's mandate, by the time we audit the financial statements of auditees and report on adverse findings, multiple failures have already occurred along the accountability value chain. After our audits, other steps are required to complete the accountability cycle.

- *Improvement in sound financial management to enhance the lives of citizens does not only reside within the domain and responsibility of the accounting officer or authority and the auditors. It depends on the entire accountability ecosystem to enable a culture of accountability in a sustainable and meaningful way.*

1.7 Audit outcomes explained.

Unqualified opinion with no findings (clean audit)	Financially unqualified opinion with findings	Qualified opinion	Adverse opinion	Disclaimed opinion
 <p>Auditee:</p> <ul style="list-style-type: none"> • 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 	 <p>Auditee produced financial statements without material misstatements or could correct the material misstatements, but struggled in one or more area to:</p> <ul style="list-style-type: none"> • 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 	 <p>Auditee:</p> <ul style="list-style-type: none"> • 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. 	 <p>Auditee:</p> <ul style="list-style-type: none"> • 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 	 <p>Auditee:</p> <ul style="list-style-type: none"> • 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

1.8 Department of Science and Innovation Portfolio

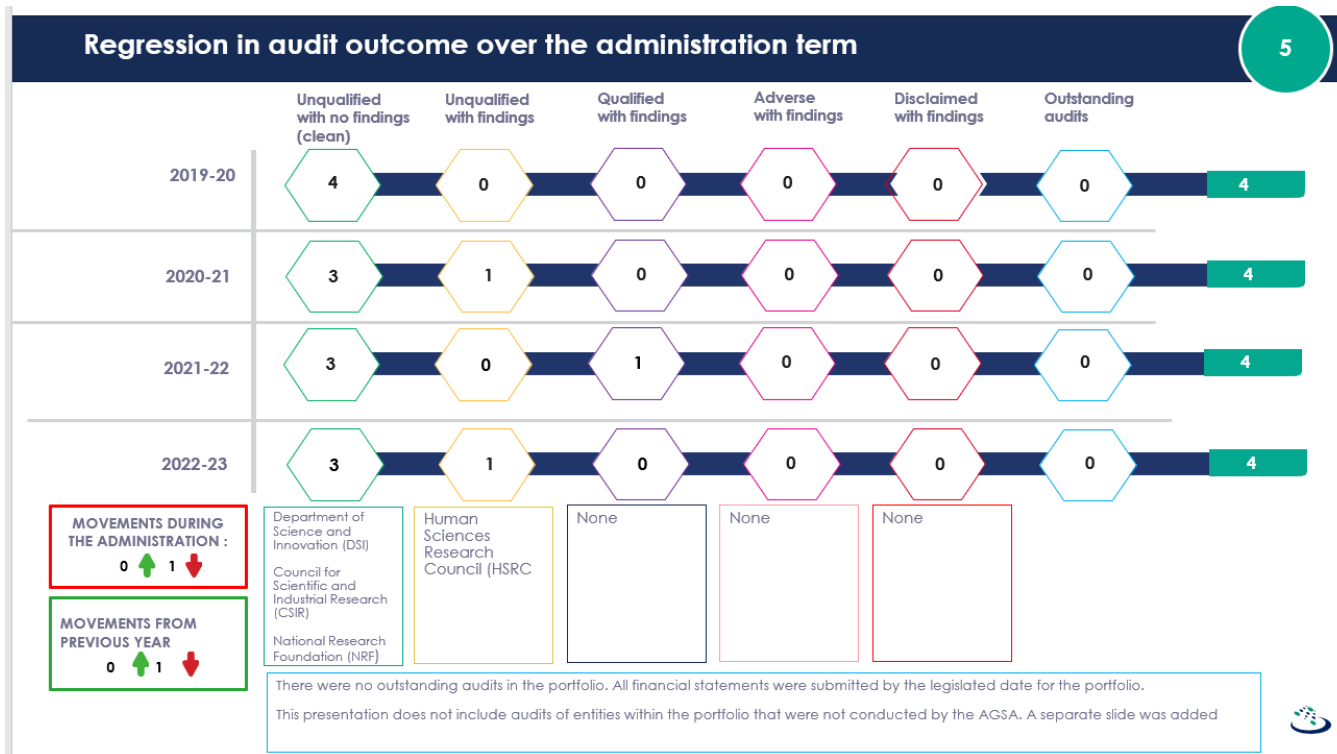


* These are Section 4(3) entities not audited by AGSA.
A summary of these entities' outcomes is at the end of this document.

2. Regression in audit outcomes over the administration term

Slides 5

2.1 Overview



2.2 Detail on outcomes

Overview

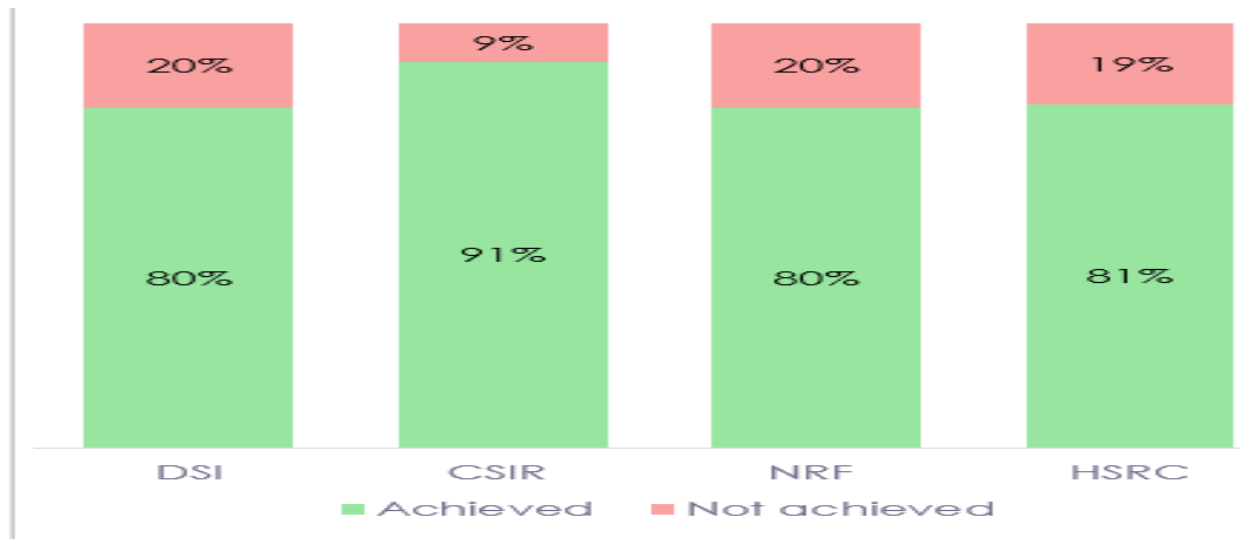
The portfolio's overall audit outcomes for 2022-23 have improved compared to the 2021-22 financial year. The department, CSIR and NRF's audit outcomes remain unchanged with unqualified audits with no findings (clean audits). HSRC moved from a qualified audit opinion to an unqualified audit opinion with findings. The overall improvement is attributed to management at HSRC implementing action plans and processes to ensure that the breakdown in internal controls over system-generated information was addressed to accurately calculate the leave liability. HSRC focused on improvements in monitoring controls to ensure compliance with legislation and an effective and constant consequence management is in place.



2.2.1 Findings on the audit of the annual performance report and achievement of targets

Slides 7– 10

The department and its entities submitted the annual performance report that were free from material misstatements. DSI, NRF and HSRC achieved between 80% and 81% of all their targets while CSIR achieved 91% of all its targets.



The below key targets were not met by the department and its entities. The reasons for non-achievements can also be found in their annual report.

CSIR

Performance indicator	Target	Actual performance	Reason for non-achievement (as disclosed in the annual report)
KPI 05: Number of technology licence agreements signed.	18	10	Target not met due to delays in execution of licence agreements and loss of key resources, causing capacity restraints.

NRF

	Target	Actual performance	Reason for non-achievement (as disclosed in the annual report)
Foreign income (R million) derived from NFs activities	R171	R152	Interruption of radioisotope production schedule and operations due to frequent power dips. The loss of isotope supplier contract, Timing of recoveries for SKAO work.
Number of patient doses generated from radioisotopes produced by iThemba LABS	225 000	164 433	Interruption of radioisotope production schedule and operations due to frequent power dips, The loss of isotope supplier contract.

HSRC

Performance indicator	Target	Actual performance	Reason for non-achievement (as disclosed in the annual report)
The number of peer-reviewed journal articles published per HSRC researcher	1.1	0.87	It is not always easy to predict exactly when a journal article publication will be released and not all publications in the pipeline were realised by year-end.
The number of peer-reviewed journal articles published with at least one non-HSRC co-author from an African country other than South Africa	15	12	

DSI

Performance indicator	Target	Actual performance	Reason for non-achievement (as disclosed in the annual report)
Number of UoT and TVET graduates offered experiential learning opportunities in the energy sector	15	12	Since this is a completely new indicator, there was no existing baseline available to inform the target setting process.
Number of new disclosures, received from publicly financed research and development institutions as reported to Nimpo	235	217	The target was established by considering the accomplishments in previous years. However, it is important to note that the number of new disclosures is not directly within the control of Nimpo (National Intellectual Property Management Office).
Number of research infrastructure grants awarded	25	21	The variance occurred due to the forfeiture of funding for two research, development and innovation (RDI) projects because of non-expenditure. Additionally, two projects that were initially planned to receive funding from the high end were deferred to the 2023-24 financial year, contributing to the observed deviation from the original plan.
Number of high-level research students (honours, master's and doctoral students) fully funded or co-funded in designated niche areas (advanced manufacturing, aerospace, chemicals, mining, advanced metals, ICTs, the Industry Innovation Programme (incl. SIF) and the green economy (STI for the circular economy)	332	238	In the verification of the evidence provided for the green economy HCD component, some of the students mentioned in the letter did not comply with the technical indicator descriptions. The students that were counted are highlighted in green in Register 4, which also gives the reasons why certain individuals were not counted. As a substantial amount of the industrial funding had been routed to technology diffusion and not technology development, there was less funding for students. The target in the 2023-24 APP has therefore been reduced to 200.



Below, we highlight the impact of targets that are not achieved and the reflection required from the department and its entities.

- Some targets are driven by external demand; however, non-achievement could result in a shortage of skilled resources in certain critical science and innovation areas, which could impact on key initiatives and development of our country.
- The non-achievement of targets affects the department's ability to contribute to the human capital and economic development of South Africa at the required level. This has an impact on the citizens of South Africa who utilise the education and skills development initiatives of the department to enhance their employability.
- The department and its entities should reflect on their indicators and targets against the MTSF and NDP aspirations.

2.2.2 Skills and unemployment

Slides 11

The Department of Science and Innovation (DSI) seeks to boost socioeconomic development in South Africa through research and innovation. To achieve its goals, the department provides leadership, an enabling environment and resources for science, technology and innovation through its programmes and its entities such as National Research Foundation (NRF), Council for Scientific and Industrial Research (CSIR) Human Science Research Council (HSRC), etc. The department transfers funds to these entities in pursuit of its mandate. These entities assist the department to achieve its objectives e.g., to support and promote research through funding human resource development, Infrastructure development, to be used to provide science and technology services and solutions and identify opportunities for new technologies to be further developed and exploited in the private and public sectors for commercial and social benefit.



In the section below we look at how the department and its entities contributed to the skills development and youth unemployment.

Purpose	
<p>In its strategies and budgets, government reiterates education and skills development being a priority as a means to eradicate unemployment and poverty. However, more than 36% of South Africans are unemployed, with 64% being youth; this includes graduates and/or individuals who completed one or more skills intervention/ education programme.</p> <p>Integrated planning within the education and skills sector will facilitate quality education and responsive skills development programmes that meet market needs, therefore reduce unemployment. This will further maximise the value of the limited fiscus invested by government particularly in education and skills development.</p> <p>DSI and its entities contribute to the education and skills sector by providing financial support to postgraduate students and researchers focusing on science, technology and innovation. They also provide training and experiential learning.</p>	
Auditee/s	Department of Science and Innovation and its entities
Focus of our audit	Skills and Unemployment

Status of implementation of initiative – DSI

DSI did not participate in the Presidential Employment Stimulus Programme during the 2022-23 financial year. We reflect on other initiatives that were planned by DSI as per their APP below.

Programme	Planned target	Achieved target
Programme 2: Technology Innovation		
50 artisans and/or technicians trained in the space, energy and bioeconomy sectors of the economy by 31 March 2023	50	53
15 UoT and TVET graduates offered experiential learning opportunities in the energy sector by 31 March 2023	15	12
40 unemployed youth supported under the TT100 Learnership/ Internship Programme by 31 March 2023	40	40



275 trainees upskilled in intellectual property management and technology transfer skills by 31 March 2023	275	302
Programmes 3: International Cooperation and Resources		
326 new South African students participating in international training programmes as part of cooperation initiatives facilitated by DSI by 31 March 2023	326	0
Programmes 4: Research Development and Support		
750 graduates and students placed in DSI funded work preparation programmes in SETI institutions by 31 March 2023	750	1057

Status of implementation of initiative – CSIR

CSIR did not plan the initiative in their APP, but they do have employment initiatives as stated in the below table. We did not audit the figures below.

Programme	Achieved target	Actual Expenditure
Inter-Bursary Support (IBS) Programme (2022)	27 Work opportunities	7 230 000
	271 Students funded	
Inter-Bursary Support (IBS) Programme (2023)	271 Students funded	19 849 368
Studentships	10 Work opportunities	6 398 914
	34 Students funded	
Youth Employment Service (YES) Programme	12 Work opportunities	4 935 908
	55 Students funded	



Graduate In Training (GIT) Programme	16 Work opportunities 36 Students funded	12 523 958
Work Integrated Learning (WIL)	26 Students funded	1 822 600

Status of implementation of initiative – NRF

NRF provides funds to post graduate students and funds researchers in science, technology and innovation fields, this is part of their mandate.

Project Initiative	Planned target	Actual supported	Budget	Actual
Postgraduate students supported in science, technology, and innovation fields.	6 218	6 697	R2,37 billion	R2,25 billion
Researchers supported in science, technology and innovation fields.	3 000	3 323		
Total	9 218	10 020		

Other initiatives at NRF

NRF did not plan the initiatives in their APP, but they do have employment initiatives as stated in the below table. We did not audit the figures below.

Programme	Achieved target	Actual expenditure
Science Journalism Community Services	44	R3,56 million
The National Youth Service Programme and Youth Employment Service (YES)	208	R19,26 million
Funding of programmes to support placement and development of academics, recently qualified doctors, and emerging researchers for careers in research (BAAP, Thuthuka, nGAP, and PDP)	3 323	R89,09 million



Participation in the DSI-HSRC Internship Programme (Hosted at RISA)	8	0
Graduates in Training (SARAO)	18	R4,81 million
Artisan training (SARAO)	37	R3, 24 million
Participation in the DSI-HSRC Internship Programme (Hosted at SAIAB)	3	0
PDP Post-doctoral Fellowships through GMS	14	R3,64 million
SAIAB Supervised Students bursaries from SAIAB	23	R534 479
SAIAB Supervised Students	19	0

Status of implementation of initiative – HSRC

HSRC contributed to PYE initiative and hosted the DSI/HSRC Internship Programme as per the details below. We did not audit the figures below.

Programme	Achieved target	Actual expenditure
Health Promotion Agents	> 980 jobs in the PYE initiative	R 4 167 538
DSI/ HSRC Internship Programme	> 500 jobs in the field	R39 006 232

Impact

- DSI did **not** participate in the Presidential Employment Stimulus Programme during the 2022-23 financial year, thus decreasing the employment created in the science, technology and innovation space, however, other initiatives as above were implemented.



Key observations

- In 2012, the Minister of Higher Education, Science, and Innovation initiated the first phase of the labour market intelligence research programme, the Labour Market Intelligence Partnership (LMIP), led by the Human Sciences Research Council. In 2019, the second phase of the LMI research programme commenced in partnership with the Development Policy Research Unit (DPRU) at the University of Cape Town (UCT). The LMI is funded through the National Skills Fund (NSF). The programme aims to integrate skills planning within government strategies and plans to produce a capable workforce and achieve an inclusive growth path. The insights and knowledge gathered from research from both LMIP and LMI should be used to direct the investment into skills, research and academics the country needs and where employment opportunities exist.
- NRF does not track the funded post-graduates and researchers post the completion of studies in terms of the actual number of academics who have passed/ finished their studies and if they are employed after completing their studies. Therefore, we could not provide impact analysis in terms of employment to post-graduates and researchers supported.
- The portfolio does not track the investment made in science and innovation vs impact on lived realities of citizens.

Recommendations

DSI and its entities should:

- Consider using the insights and knowledge gathered from research from both LMIP and LMI to direct the investment into skills, research and academics the country needs and where employment opportunities exist.
- NRF and DSI should consider tracking the funded student study and career progression and the impact on employment, thus contributing to eradicating poverty, unemployment and inequality.
- NRF and DSI should also consider monitoring the funded researchers' research outputs and how research output benefits South African citizens.



- The portfolio should consider tracking the investment made in science and innovation to measure its contribution on the lived experiences of the citizens.

2.2.3 MI process implemented and MIs identified.

Slide 12

The HSRC payroll system was not updated to reflect the changes in the tax treatment as required Income Tax Act paragraph 2(k) of the seventh schedule. This was due to non-compliance with section 57(a) of the PFMA by the responsible official.

The non-compliance resulted in the HSRC failing to deduct or withhold appropriate taxes from employees for the purposes of paying such taxes over to the South African Revenue Services (Sars). As a result, HSRC underpaid the tax due to Sars between the 2015-16 and 2020-21 financial years.

The accounting authority applied for the Sars voluntary disclosure programme and paid the outstanding tax liability.

R9,1 million was paid to Sars. Of the R9,1 million, is the interest amounting to R2,57 million that has been disclosed as fruitless and wasteful expenditure in note 27. R4,08 million has been recovered from current employees as at 31 August 2023 and R2,41 million is in the process of recovery.

An investigation was performed to determine the process/internal control weaknesses that led to the MI and if anyone is responsible. The accounting authority is considering the next steps.



The portfolio committee should continue to engage the Minister and the accounting authority to gauge progress made in recovering the remaining potential losses, requirements to determine if recovery is not feasible, and the action to be taken when recovery is not possible, especially relating to the interest paid.

2.2.4 Quality of financial reporting

Slide 14

Auditee	Outcome	Details on qualification areas
DSI	Unqualified	N/A
CSIR	Unqualified	N/A
NRF	Unqualified	N/A
HSRC	Unqualified	N/A

DSI, CSIR and NRF produced financial reports that were free from material misstatements. HSRC had a material adjustment to the submitted financial statement which prevented a qualified audit opinion. This resulted in reliable and credible audited financial statements to inform decisions made by management and other stakeholders.

2.2.5 Financial health

Slide 15

Revenue

- Average debt collection period was 49 days for the portfolio.
- There were no entities with more than 10% of debt irrecoverable.

Expenditure

- R2.6 millions of expenditures was fruitless and wasteful at HSRC.
- Creditor-payment period was more than 30 days at DSI & CSIR.
- Creditors greater than available cash at year-end at DSI.
- Average creditor-payment period was 39 days for the portfolio.

Impact

- DSI & HSRC ended the year in accrual adjusted deficit (expenditure more than revenue).
- None of the auditees incurred unauthorised expenditure.
- None of the auditees disclosed or should have disclosed significant doubt in financial statements about ability to continue operating as a going concern in foreseeable future as there are no conditions affecting the going concern of the portfolio.



2.2.6 Compliance with key legislation

Slide 16

The following material non-compliance issue was identified and reported:

Auditee	Description	Root cause
HSRC	<p>Annual financial statements, performance and annual report</p> <p>The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.</p> <p>Material misstatements of disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.</p>	<p>Management did not in all instances, exercise its responsibility to prepare accurate and complete statement that were supported and evidenced by reliable information.</p>

2.2.7 PFMA Compliance and Reporting Framework

Slide 17

National Treasury Instruction No. 4 compliance reporting framework matter.

1. National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework (Instruction) which came into effect on 03 January 2023, was issued in terms of section 76(1)(b), (e) and (f), (2)(e) and (4)(a) and (c) of the PFMA.
2. The objective of the Instruction note is to prescribe the principles and compliance reporting requirements for departments, trading entities, constitutional institutions and public entities listed in Schedules 2 and 3 to the Public Finance Management Act, 1999 with regard to unauthorised, irregular and fruitless and wasteful expenditure (UIF&WE).

Background on the key changes to irregular and fruitless and wasteful expenditure disclosure requirements as a result of the National Treasury Instruction no.4: PFMA compliance and reporting framework.

3. The new framework brought significant changes in relation to the disclosure of irregular, and fruitless and wasteful expenditure (IFWE). These changes are as follows:
 - a) The movements in the disclosure note of IFWE such as condoned, recoverable, removed, written off, under assessment, under determination and under investigation have been moved from annual financial statements and now will be disclosed in the annual report.
 - b) PFMA institutions will only disclose IFWE incurred in the current year, with a one-year comparative analysis in the Annual Financial Statements notes disclosure.
 - c) The historical balances (i.e., opening balances) have been completely removed from the annual financial statements (AFS).

Message to oversight on the AGSA's position on the audit of IFWE that should be disclosed in the annual report.



4. The purpose of disclosing irregular, fruitless and wasteful expenditure in the financial statements is to enable the oversight and monitoring structures of South Africa (e.g., Parliament) to perform their role to ensure that funds are spent in line with s217 of the Constitution and to hold officials and the executive accountable.
5. The fact that the disclosure of IFWE (historical balances and movements) is no longer required on the annual financial statements and no audit assurance is provided thereon, the oversight structures would need to engage directly with the information disclosed in the annual report or request the information on historical balances directly from the relevant institution where not disclosed in the annual report to exercise their oversight responsibility.
6. From an audit perspective, transparency and accountability is further limited by the fact that currently no audit assurance will be provided on the additional disclosures that have been moved from the AFS.
7. As a response to this, the AGSA refined their audit approach to uphold transparency and accountability through our audits notwithstanding the implementation of the framework. We therefore through our audits continued to audit the IFWE registers of historical balances as well as any IFWE disclosure included in the annual report.
8. Have clear messaging in the audit reports whereby we identified material misstatements to what was disclosed in the annual reports and the audit evidence gathered through the audit of these registers.
9. While we were not in a position to modify audit opinions due to inadequate systems to detect, record and appropriately disclose historical IFWE in the AFS, the objective was to ensure that we could still be in the position to report to the users of the AFS in cases where these registers of historical balances of IFWE are not completely and accurately maintained. This had no impact on the audit opinion of the financial statements.

2.2.8 Irregular expenditure and fruitless & wasteful expenditure

Slide 18

Irregular expenditure is expenditure incurred in contravention of key legislation.



- There was a slight increase in the irregular expenditure incurred by the science and innovation portfolio in the current year from R24 million to R29 million.

Irregular expenditure: root cause and consequence management (current and prior year amounts)

Department/ Entity		Irregular expenditure				
		Movement	Amount (R) 2021-22	Amount (R) 2022-23	Root cause	Consequence management and status of investigations conducted
1	DSI	→	0	0	DSI did not incur any irregular expenditure during the current and prior financial year. The closing balance of irregular expenditure relates to the prior financial years.	N/A
2	CSIR	↓	3 741 154	841 000	All the irregular expenditure incurred in the current year and prior year was because of non-compliance with supply chain management regulations.	All prior year cases have been investigated and disciplinary steps have been taken. Investigations for the irregular expenditure incurred in the current year are ongoing.
3	NRF	→	0	0	The NRF did not incur any irregular expenditure during the current year.	All cases have been investigated and disciplinary steps have been taken.

4	HSRC	↑	20 371 000	28 395 000	Irregular expenditure incurred in the current financial year relates to procurement in contravention or not in accordance with applicable legislation.	Irregular expenditure identified in the previous year was investigated and awaiting condonement from the National Treasury.
TOTAL		↑	24 112 154	29 236 000		

↑	Increase
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↓	Decrease
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→	Unchanged
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i. Irregular expenditure: Impact analysis

CSIR

- Three (3) quotes amounting to R360 326 in the current financial year under review, were awarded as sole supplier, without the prior written approval of National Treasury in terms of deviating from normal bidding processes in contravention of SCM Instruction note 3 of 2016/2017.
- Two (2) quotes amounting to R474 248 in the current financial year under review, were subjected to variation, without the prior written approval of National Treasury.
- One (1) quote amounting to R6 250 in the current financial year under review, was awarded despite not being tax compliant.
- Value for money was achieved in respect of the cases reported above, as goods and services procured were received by the CSIR at the appropriate quality. From the five (5) pillars of procurement in terms of section 217(1), the irregular expenditure above compromised the pillars of competition and fairness.



HSRC

- Irregular expenditure to the amount of R28 395 000 was incurred due to non-compliance with National Treasury prescripts relating to the proper SCM acquisition process followed. All contracts were awarded in the previous years.
 - Two (2) contracts amounting to R 6 462 000 awarded in the prior financial year, were awarded without the prior written approval of National Treasury in terms of deviating from normal bidding processes in contravention of SCM Instruction note 3 of 2016/2017.
 - Five contracts amounting to R16 802 000 were advertised for a period shorter than 21 days without the appropriate approval to do so.
 - Five requests of quotations for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Six (6) awards were made to suppliers who did not submit a declaration on local production and content in accordance with National Treasury Instruction Note 4 of 2015/2016 which resulted in irregular expenditure of R347 000.
- Value for money was achieved in respect of the reported cases, as goods and services procured were received by the HSRC at the appropriate quality. From the 5 pillars of procurement in terms of section 217(1), the irregular expenditure compromised the pillar of being competition.

Fruitless and wasteful expenditure:

Expenditure that should not have been incurred (incurred in vain that could have been avoided and no value for money received)

- There was an increase in the fruitless and wasteful expenditure incurred by the science and innovation portfolio in the current year from R27 000 to R2,6 million, mainly due to interest on late tax payments arising from the MI.

Department/ Entity

Fruitless and wasteful expenditure



		Movement	Amount (R) 2021-22	Amount (R) 2022-23	Root cause	Consequence management and status of investigations conducted
1	DSI	➡	0	0	DSI did not incur any fruitless and wasteful expenditure during the current and prior financial years.	N/A
2	CSIR	⬇	17 000	0	CSIR did not incur any fruitless and wasteful expenditure during the current financial year.	N/A
3	NRF	➡	0	0	NRF did not incur any fruitless and wasteful expenditure during the current and prior financial years.	N/A
4	HSRC	⬆	14 000	2 636 000	Fruitless and wasteful expenditure incurred during the current year relates to interest on late tax payments arising from the MI and staff members' traffic fines.	The money is in the process of being recovered from the employees concerned.
TOTAL		⬆	31 000	2 636 000		

⬆ Increase

⬇ Decrease

➡ Unchanged



2.2.9 Consequence management

Slide 19

Closing balance of irregular expenditure continues to increase. In 2021-22 financial year, the closing balance was R70 million.

Top contributors were HSRC, NRF and CSIR.

	DSI	CSIR	HSRC	NRF	Closing balance Total
2018-19	35 104 000,00	7 905 000,00	1 318 000,00	36 000,00	44 363 000,00
2019-20	32 770 000,00	9 888 000,00	1 290 000,00	-	43 948 000,00
2020-21	7 861 000,00	8 187 000,00	17 233 000,00	12 946 000,00	46 227 000,00
2021-22	7 861 000,00	11 799 000,00	37 604 000,00	12 930 000,00	70 194 000,00
2022-23	7 861 000,00	12 640 000,00	65 999 000,00	-	86 500 000,00

Closing balance amounting to R57 million has been investigated and awaiting condonement/ removal at HSRC, CSIR and DSI.

Approval by the NRF Board for removal of irregular expenditure (R12,9 million) from the annual financial statements was obtained.

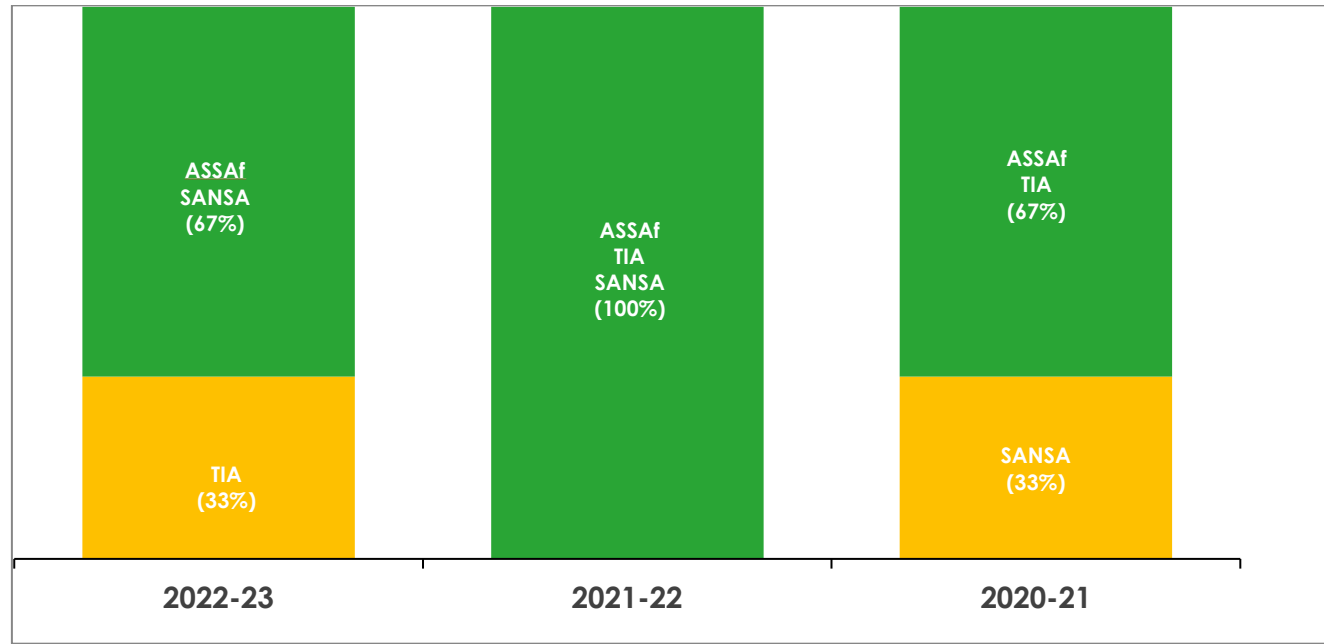


2.2.10 Other auditees in the portfolio

Slide 21

SANSA and ASSAf maintained its clean audit status. TIA's audit outcome regressed from clean to unqualified with material findings on compliance with legislation. TIA submitted financial statements that contained material misstatements, these were subsequently corrected during the audit.

Section 4(3) entities not audited by AGSA.



2.2.11 Portfolio committee message

Slides 23

Overall reflections on implementation of recommendations:

The portfolio committee regularly meets and provides oversight which promotes accountability as well as providing guidance and advice to the departments and entities in the portfolio. This is evidenced by continuous clean audit outcomes and improvement in audit outcomes and in internal controls at HSRC.

Overall root causes of significant findings in Science and Innovation portfolio

Root cause	Key Recommendation	Commitment by the executive authority
<ul style="list-style-type: none"> Deficiencies existed at HSRC, in the preparation of accurate and complete financial reports that are supported and evidenced by reliable information as well as the reviewing and monitoring of compliance with applicable laws and regulations. The HSRC also has an ongoing MI. 	<ul style="list-style-type: none"> The HSRC board, with the support of the audit committee should track the audit action plan to ensure that appropriate action is taken to resolve internal control deficiencies noted. The board should take appropriate actions to fully address the material irregularity and implement consequence management where required. 	<ul style="list-style-type: none"> The executive authority will monitor the progress of the action plans to address deficiencies in the portfolio and ensure best practices are maintained. The executive authority will follow up that effective consequence management is taken and that appropriate

Root cause	Key Recommendation	Commitment by the executive authority
		actions are taken to fully address the MI.

Overall Message

1. *Portfolio committee should oversee the implementation of the audit action plan and track progress made with the controls to address the underlying root causes of the findings.*
2. *The portfolio committee should oversee the action that HSRC board is taking to resolve the material irregularity.*
3. *The portfolio committee should continue to provide oversight to ensure that best practices and preventative controls are implemented by management in the key risk areas (should be maintained in the portfolio and improved at HSRC).*

