

BUDGETARY REVIEW AND
RECOMMENDATIONS REPORT | PFMA
2018-19

Briefing to Portfolio Committee on Communications
and Digital Technologies



AUDITOR-GENERAL
SOUTH AFRICA

Reputation promise

The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the supreme audit institution (SAI) 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.



Role of the AGSA in the reporting process

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 the entities taking into consideration the objective of the committee to produce a *Budgetary Review and Recommendations Report (BRRR)*.



The 2018-19 audit outcomes



Our annual audit examines three areas

THE AG'S
ANNUAL
AUDITS
EXAMINE

3

AREAS:



1 FAIR PRESENTATION AND
ABSENCE OF SIGNIFICANT
MISSTATEMENTS IN
FINANCIAL STATEMENTS

2 RELIABLE AND CREDIBLE
PERFORMANCE
INFORMATION FOR
PREDETERMINED OBJECTIVES

3 COMPLIANCE WITH ALL
LAWS AND REGULATIONS
GOVERNING FINANCIAL
MATTERS

The AGSA expresses the following different audit opinions

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
- 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 annual performance plans
- 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

Important to note

The percentages in this presentation are calculated based on the **completed audits of four auditees**, unless indicated otherwise.

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 over the previous year is depicted as follows:

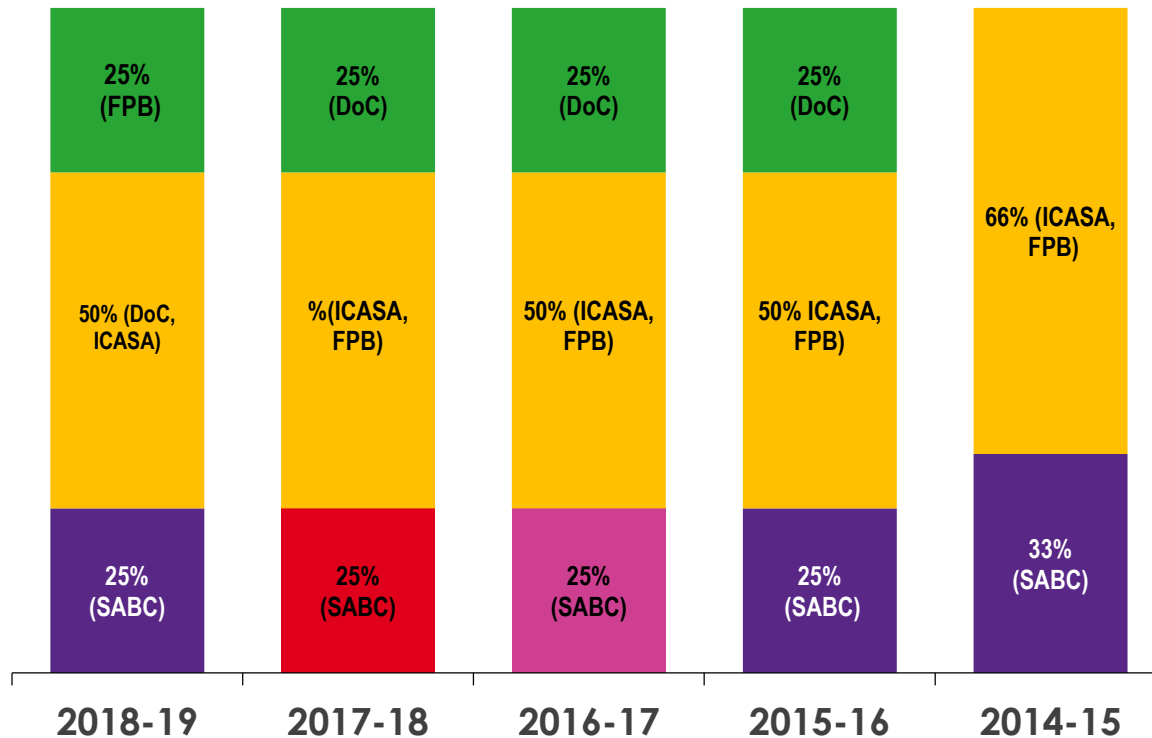
-  Improved
-  Unchanged
-  Regressed



ACCOUNTABILITY = PLAN + DO + CHECK + ACT



Audit outcomes of portfolio over five years - Coms



Movement	
▲	2
▼	1
▶	1
Outstanding audits	0

Outstanding audits	
None	

- In the past 3 financial years, the Communications portfolio has shown a slight improvement in audit outcomes
- The SABC improved their audit outcome from a disclaimed opinion to a qualified opinion. The SABC continued to face liquidity challenges in the current year but is expected to receive financial support dependent on the achievement of certain conditions.
- The DoC regressed from clean audits over a 3 year period to an unqualified opinion with findings on the audit of the annual performance report.
- FPB improved to a clean audit opinion.

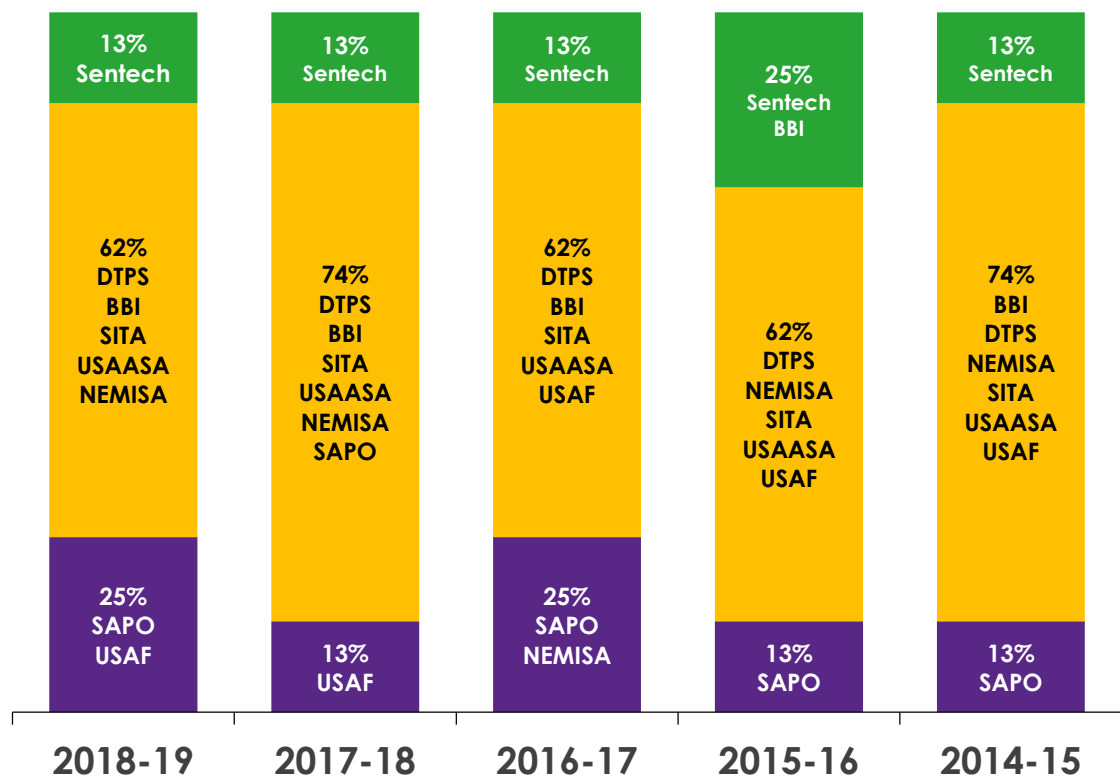


Movement table (2018-19 over 2017-18)

Audit outcome	MOVEMENT				
	2 Improved	1 Unchanged	1 Regressed	0 New auditee	0 Outstanding audits
Unqualified with no findings = 2	FPB				
Unqualified with findings = 3		ICASA	DoC		
Qualified with findings = 1	SABC				
Adverse with findings = 0					
Disclaimed with findings = 0					

Colour of the number indicates the audit opinion from which the auditee has moved.

Audit outcomes of portfolio over five years - Telecoms



Movement	
▲	0
▼	1
▶	7
Outstanding audits	0

- We commend Sentech for retaining its clean audit.
- Financial statement preparation remains a concern, as material adjustments had to be made to the financial statements submitted for auditing at SAPO, USAASA, USAF, NEMISA, SITA and DTPS.
- USAF was qualified on inventory as a result of not having adequate systems in place to process records related to inventory.
- The SAPO was qualified on other deposits (grants) as well as other receivables as a result of not having adequate systems in place to process records related to the SASSA project, which resulted to a limitation in financial instruments and risk management.
- SAPO, SITA and NEMISA had material findings on performance information due to insufficient oversight, inadequate implementation of proper record keeping to enable reliable reporting and insufficient understanding of Framework for Managing Programme Performance Information (FMPPi)
- SAPO, USAASA, USAF, NEMISA, SITA, BBI and DTPS had material compliance findings, mainly due to non-compliance with procurement and contract management regulations and poor quality of financial statements, more details on nature of findings are in slide no.13



Movement table (2018-19 over 2017-18)

Audit outcome	MOVEMENT				
	0 Improved	7 Unchanged	1 Regressed	0 New auditee	0 + 0 Outstanding audits
Unqualified with no findings = 1		Sentech			
Unqualified with findings = 5		DTPS BBI SITA USAASA NEMISA			
Qualified with findings = 2		USAF	SAPO		
Adverse with findings = 0					
Disclaimed with findings = 0					

Colour of the number indicates the audit opinion from which the auditee has moved.



Credible financial reporting - Coms



Financial statements

Submission of financial statements by legislated date (all auditees)

AFS submitted without errors

Quality of final submission after audit

Movement



2018-19

2017-18

100%

100%

50%

75%

75%

75%

25% achieved unqualified opinions only because they corrected all misstatements identified during the audit

Top qualification areas

- PPE (SABC)
- Irregular expenditure (SABC)





Credible financial reporting – Telecoms



Financial statements

Submission of financial statements by legislated date (all auditees)

AFS submitted without errors

Quality of final submission after audit

Movement



2018-19

2017-18

100%

100%

25%

25%

75%

87,5%

50% achieved unqualified opinions only because they corrected all misstatements identified during the audit

Root cause: Inadequate review of AFS, Lack and slow implementation of action plans, Suspense accounts not reviewed and reconciled, Controls over IT systems not formally designed and implemented, Regular reconciliations not prepared, Lack of sufficiently skilled resources, Policies and standard operating procedures not implemented

Three qualification areas

- Inventory (USAF)
- Other deposits (grants) (SAPO)
- Other Receivables (SAPO)





Credible performance reporting - Coms



Performance report

APR submitted without errors

Quality of final submission after audit

Movement



2018-19

2017-18

	2018-19	2017-18
APR submitted without errors	25%	25%
Quality of final submission after audit	25%	25%

Findings received

Reliable reporting of achievements (SABC, DoC, ICASA) (PY: SABC, FPB, ICASA)

Usefulness of performance indicators and targets (ICASA, DoC) (PY: SABC, FPB, ICASA)

75%

75%

50%

75%





Credible performance reporting - Telecoms



Performance report

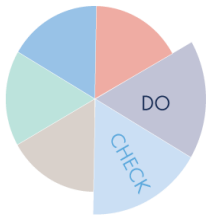
	Movement	2018-19	2017-18
APR submitted without errors	▶	50%	50%
Quality of final submission after audit	▶	50%	50%

12.5% had no material findings only because they corrected all misstatements identified during the audit

Reliable reporting of achievements (Sentech, BBI, USAASA, DTSP, USAF)	62,5%	50%
Usefulness of performance indicators and targets (Sentech, BBI, USAASA, DTSP, USAF, SITA, NEMISA)	87,5%	62,5%

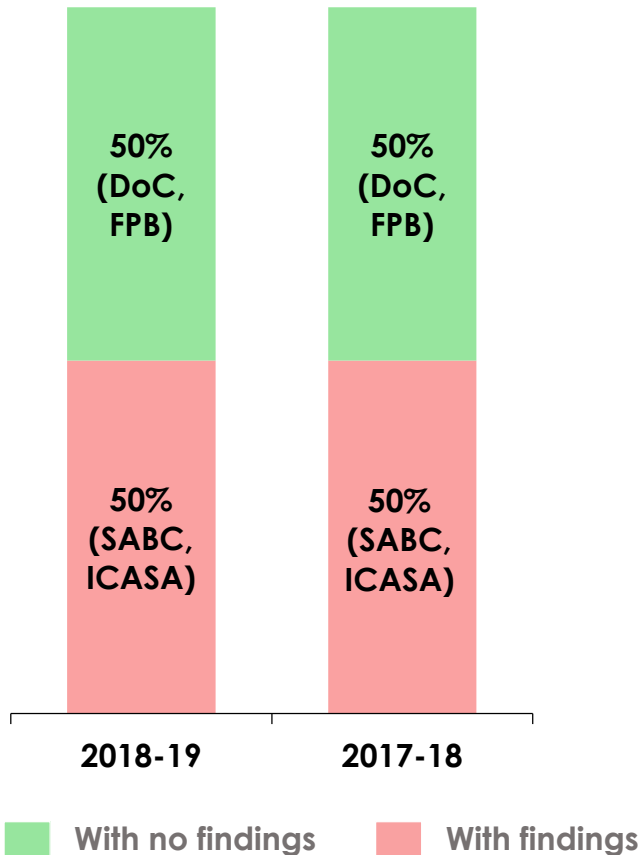
Root cause: Inadequate record keeping, Insufficient oversight, lack of implementation of standard operating procedures, No proper review of Annual Performance Report, No sufficiently skilled resources, Insufficient understanding of Framework for Managing Programme Performance Information (FMPPi)





Disregard for compliance with legislation - Coms

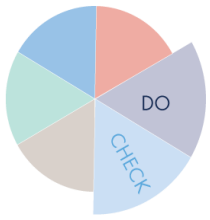
Findings on compliance with key legislation



Top five non-compliance areas

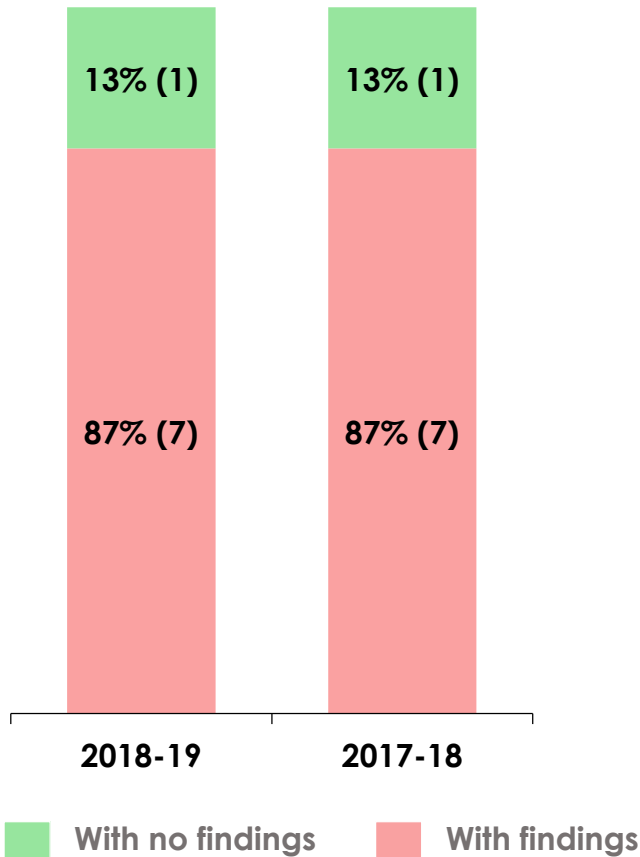
- Prevention of unauthorised, irregular and fruitless and wasteful expenditure (SABC, ICASA)
- Quality of financial statements (SABC, ICASA)
- Management of procurement and contracts (SABC, ICASA)
- Consequence management (SABC, ICASA)
- Revenue Management (SABC)





Disregard for compliance with legislation - Telecoms

Findings on compliance with key legislation

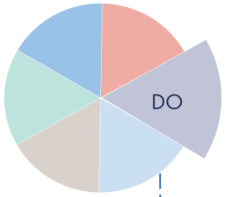


Top five non-compliance areas

- Management of procurement and contracts (BBI, SITA, SAPO)
- Quality of financial statements (SITA, USAASA, USAF, SAPO, DTPS, NEMISA)
- Prevention of irregular expenditure (BBI, SITA, USAASA, USAF, SAPO, NEMISA)
- Prevention of fruitless and wasteful expenditure (BBI and SAPO)
- Lack of consequence management (SAPO, DTPS, NEMISA)



Status of internal control - Coms



Leadership

Effective leadership

75% (Doc, ICASA, FPB)

25% (SABC)



Financial and performance management

Proper record keeping

25% (DoC)

75% (SABC, ICASA, FPB)



Daily and monthly controls

25% (FPB)

50% (DoC, ICASA)

25% (SABC)



Review and monitor compliance

25% (FPB)

50% (DoC, ICASA)

25% (SABC)



Governance

Risk management

50% (DoC, FPB)

50% (SABC, ICASA)



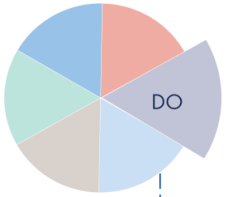
Good

Of concern

Intervention required

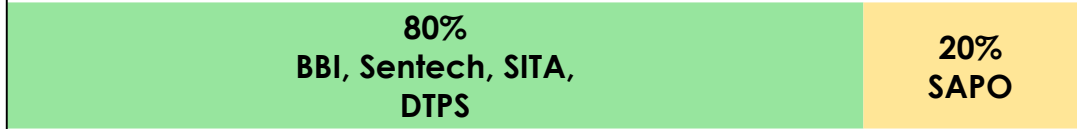
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Status of internal control - Telecoms



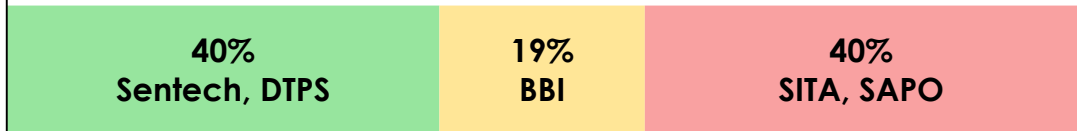
Leadership

Effective leadership

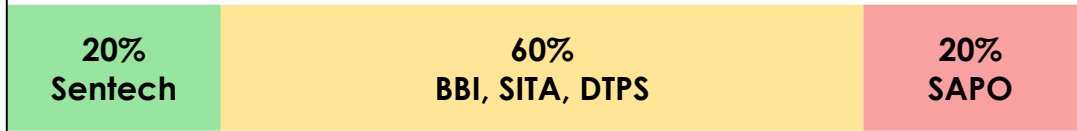


Financial and performance management

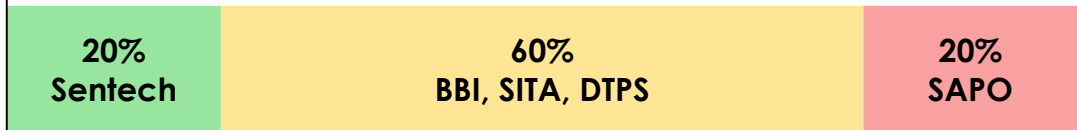
Proper record keeping



Daily and monthly controls

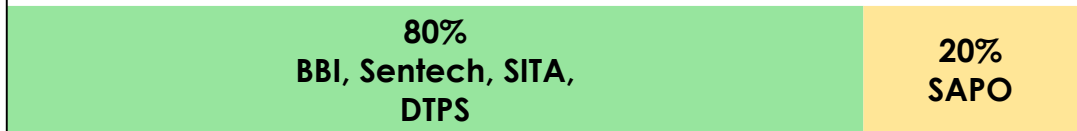


Review and monitor compliance



Governance

Risk management

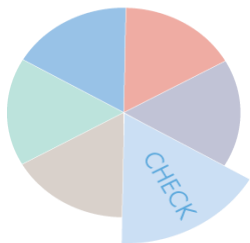


Good

Of concern

Intervention required

20



Assurance provided - Coms

Assurance

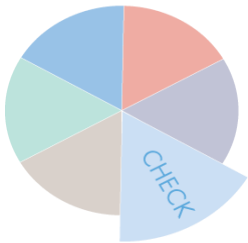
First level

Senior management	75% (DoC, ICASA, FPB)	25% (SABC)	▶	
Accounting officer/authority	50% (DoC, FPB)	25% (ICASA)	25% (SABC)	▶
Executive authority	75% (DoC, ICASA, FPB)	25% (SABC)	▲	

Second level

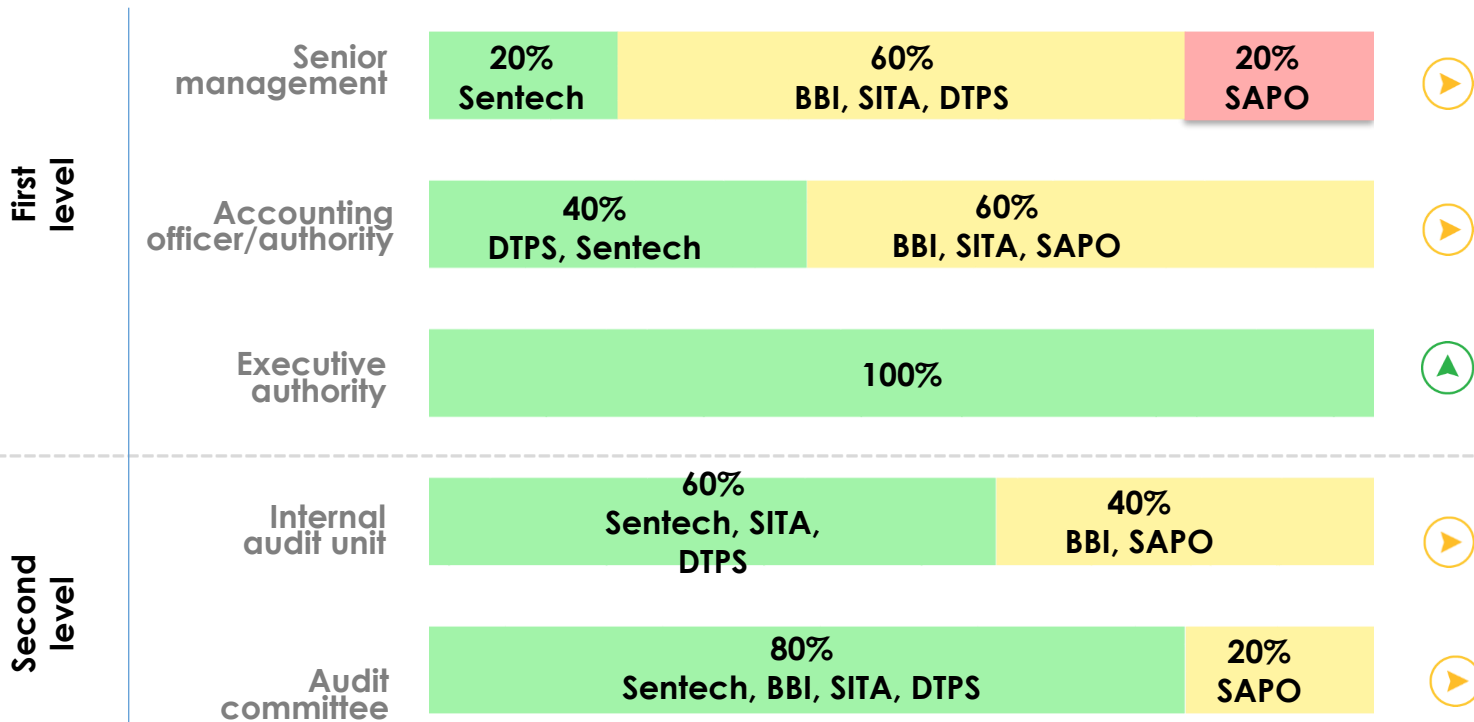
Internal audit unit	75% (DoC, ICASA, FPB)	25% (SABC)	▲
Audit committee	75% (DoC, ICASA, FPB)	25% (SABC)	▶





Assurance provided - Telecoms

Assurance



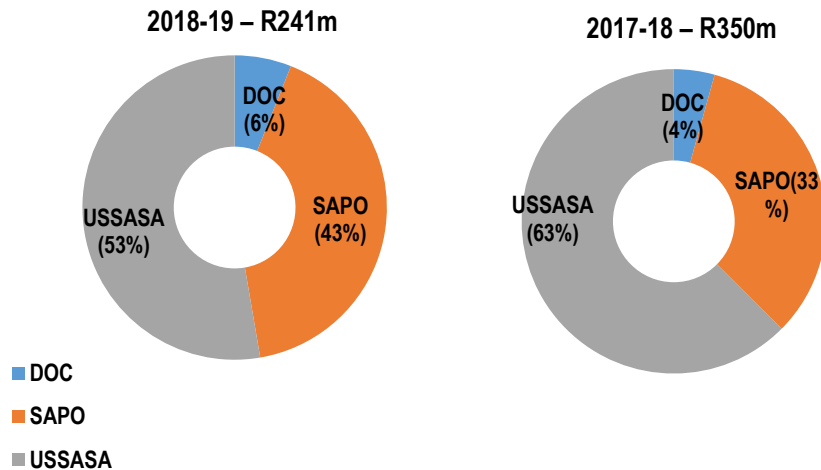
Management and delivery of key programmes



Key projects - Coms

The Department of Communications' key project selected for audit was the BDM (Broadcasting Digital Migration) project which started in 2002. The revised migration deadline is estimated for June 2021.

Analysis of expenditure



The following weaknesses were identified in the 2018/19 value chain for the digital migration:

- **DoC:** Only 40% of the total budget of 2018/19 was spent in respect of the digital migration sub-programme.
- **DoC:** 1 of 2 performance targets relating to digital migration did not meet the SMART principle and was therefore not a useful indicator: “*BDM Programme Implemented*”.
- **USAASA:** Qualification on the inventory of set-top boxes due to inadequate internal controls to properly account for and safeguard set-top boxes held by third parties.
- **Overall:** The total STB issued by SAPO as at 31 March 2019 is 549 344 (11%) compared to the projected 5 million set-top boxes to be provided by the end of the project.

Cabinet has approved a new model for BDM implementation .

The department is in the process of implementing the new model in the 2019/20 financial year.

ACCOUNTABILITY = PLAN + DO + CHECK + ACT



Key projects - Telecoms

Social grants

The Post Office was responsible for the payment of approximately 7,7 million out of a total of 11,2 million social grant recipients by 31 March 2019. Unfortunately the Post Office received a qualified audit for the 2019 financial year as they did not have sufficient and appropriate controls in place to ensure that transactions are recorded and reconciled on a regular basis. In relation to the implementation of this extensive and complex project which was spread throughout very remote regional offices throughout the country

Process flow of monies: SASSA to SAPO to Beneficiaries Continued



SASSA	SAPO main account	C-I-T service providers	Delivery point	End point
<p>Beneficiary list</p> <p>SOCPEN (payroll validation and accuracy)</p> <p>SASSA releases funds through BankServ to SAPO</p>	<p>SAPO receives Funds & the Beneficiaries list from SASSA.</p> <p>SAPO issues order to C-I-T service providers to collect Funds from Standard bank informed by validated beneficiary list</p> <p>SAPO receives confirmation of re-banks and performs reconciliations of funds released against funds collected by beneficiaries and re-banks</p>	<p>C-I-T service providers collect physical cash from Standard Bank based on order from SAPO.</p> <p>Different C-I-T service providers used for cash pay-outs and for cash deliveries to SAPO Branches</p> <p>Unclaimed amounts supposed to be re-banked by C-I-T service providers in Standard Bank account</p> <p>Monthly confirmations of cash delivered and re-banked to SAPO</p>	<p>G4S: Cash deliveries to Branches, branches must sign confirmation of funds received</p> <p>Fidelity: Cash to cash pay-out points, SAPO officials takes confirmations to branches for recording</p>	<p>Beneficiaries Collects monies</p>

The areas in red indicate at a high the level the controls which were either not implemented or operating effectively at SAPO during the payment cycle,



Summary of the Key Process - Telecoms

The process for grant payments is as follows:



Internal Control Deficiencies Identified - Telecoms

Accounting records and reconciliations

- Weaknesses in the Service level Agreements with Fidelity and G4S as no requirements to reconcile and control cash movements were included.
- Banking suspense accounts where not reconciled for monies paid out to beneficiaries
- Data supporting the money held on behalf of beneficiaries was not provided
- Discrepancies identified between the branches, the bank, G4S and fidelity are not resolved timeously
- Amount of money advanced to Fidelity for cash pay points is not aligned to the cash pay points per route or number of beneficiaries per route
- Inadequate training provided to staff members involved in the roll out of the SASSA grants
- Inappropriate planning to identify and implement basic controls for the accounting and reconciliation of cash movements
- Lack of integration with the different systems used by SAPO
- Incorrect capturing of information on the SAPO systems
- Lack of connectivity in certain areas

Card management

The system used for the management of beneficiary information, including card management, did not include controls for the management of cards. This contributed to the high number of fraudulent transactions.



Financial health and financial management



Financial health - Coms

Material uncertainty exists whether **25%** of auditees can continue to operate in future

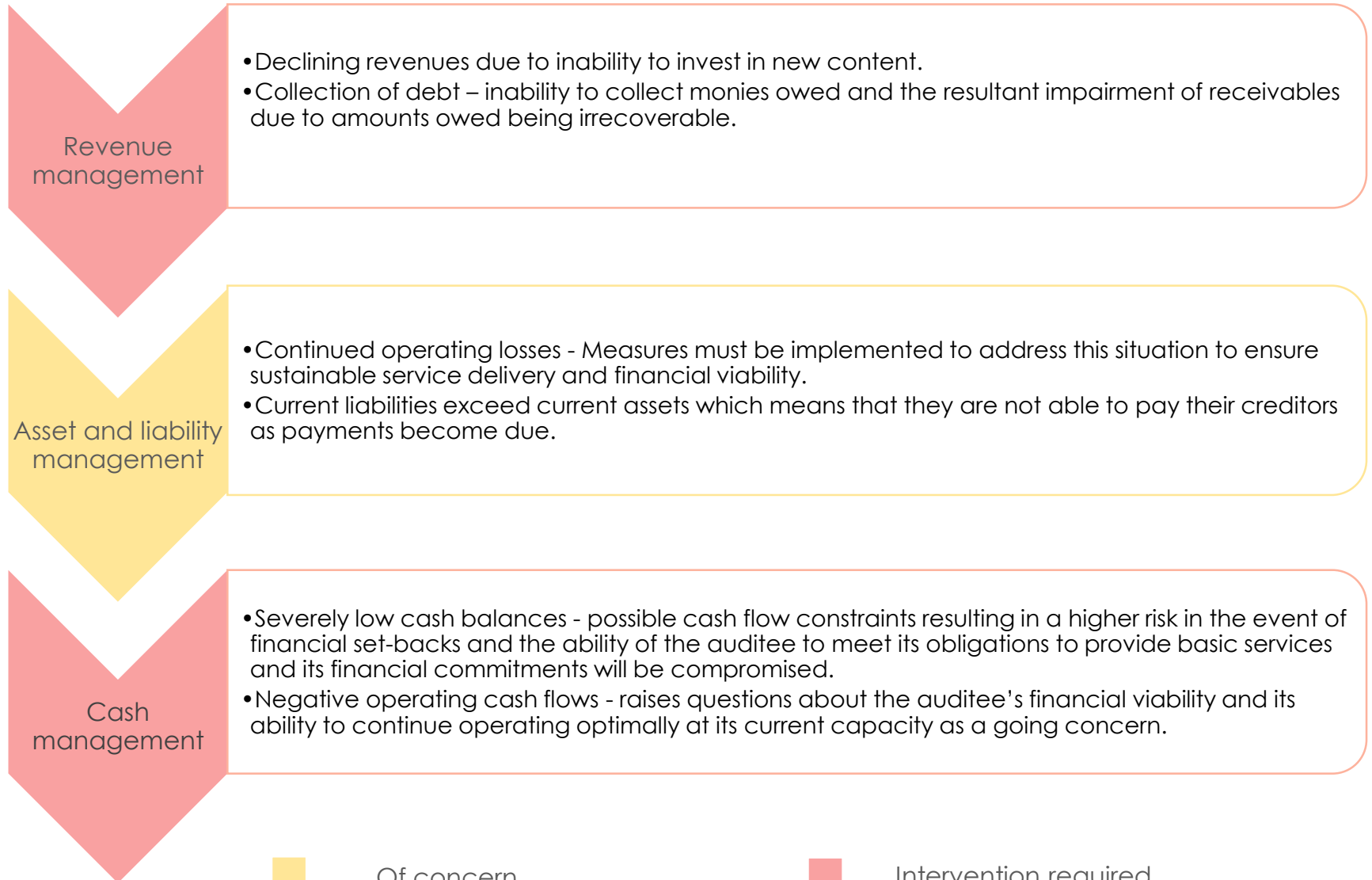
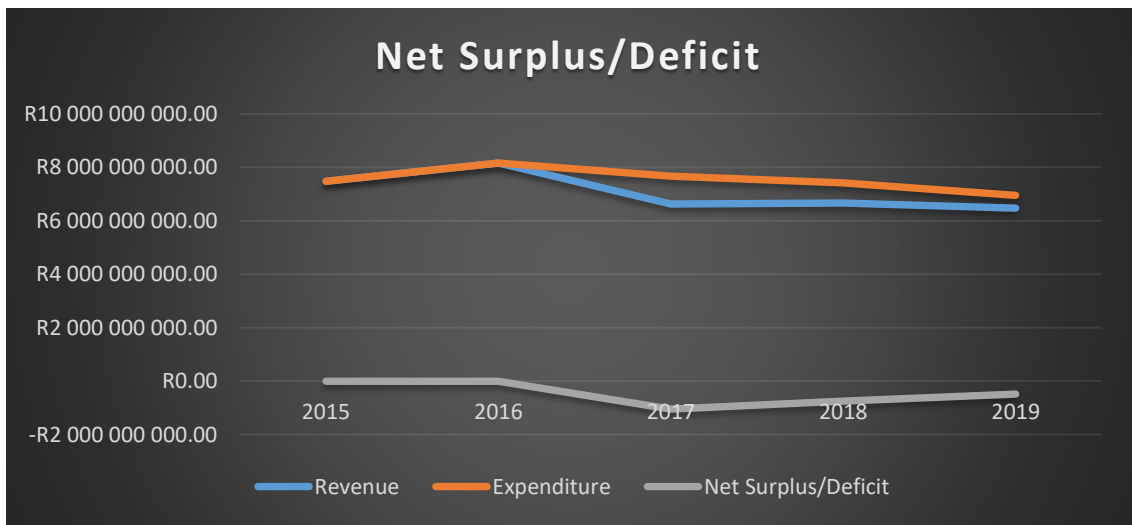
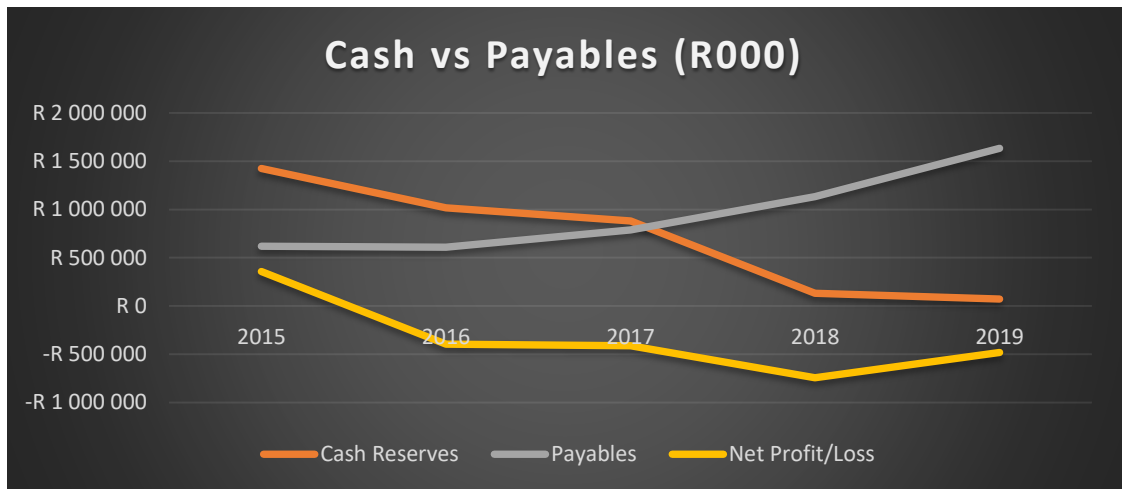


Figure 1: Going concern considerations



Financial support will be provided by National Treasury based on the SABC meeting set conditions. This has resulted in an emphasis of matter paragraph relating to a material uncertainty on going concern.

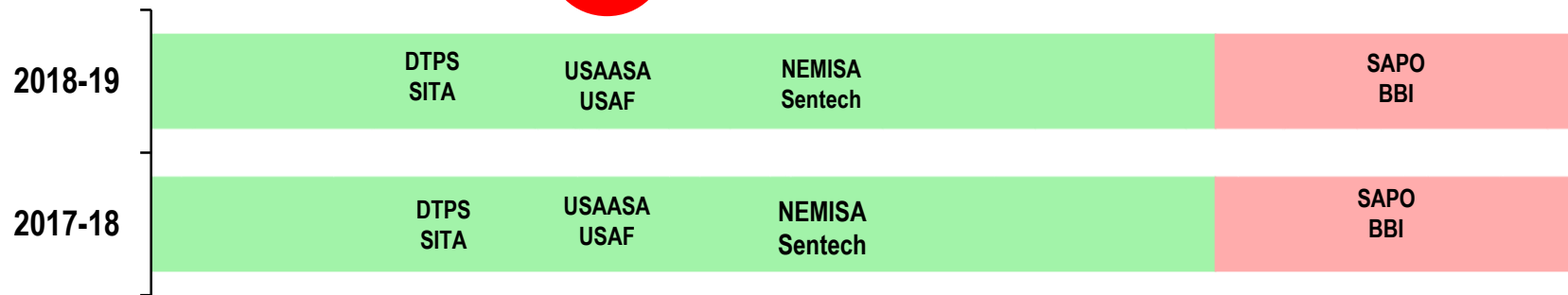
Emphasis of matter related to going concern/financial sustainability included in the audit report:

- The SABC incurred a net loss of R482 million (2017-18: R744 million). The decrease in the loss is mainly due to a decline in revenue over the previous year (3%) whilst a decrease in expenditure (6%) resulting in lower operating losses for the period.
- A regression was noted in the cash balances at year-end compared to the prior year. The cash balances were significantly lower than the required minimum cash balance of R600 million determined by the board. The cash balances were also significantly lower than current liabilities
- Net assets increased by 95% from R716 million as at 31 Mar 2018 to R1.4 billion. This is primarily due to a significant increase in the defined benefit asset of R1.2 billion. Excluding the impact of this, net assets have effectively reduced significantly.



Financial health - Telecoms

Material uncertainty exists whether **25%** of auditees can continue to operate in future



Key concerns identified

SAPO and BBI prepared the financial statements on going concern, however **a number of events and conditions have been identified that cast significant doubt on the entities to continue as a going concern:**


SAPO Group [Material uncertainty on going concern has been reported in audit report for the past financial 5 years]


- The entity has a high cost base with employee costs accounting for 69% of their revenue which contributes to the constant operating losses. Despite cost containment initiatives, Revenue generation plans have also not yielded the desired outcomes resulting in the entity constantly not being able to generate more Revenue than what it expenses.to incur losses
- The company continues to incur losses with a net loss R1 117 564 000 during the year ended 31 March 2019
- Decline of a major market [Mail revenue].
- Both the debtors and creditors days have increased
- Increased Contingent Liabilities

BBI[Material uncertainty on going concern has been reported in audit report for the past financial 4 years]

- Recurring operating losses; and
- Total liabilities exceed total assets by R1 207 730.Incurred a net loss of R14 735 million.

 Two or less unfavourable indicators

 More than two unfavourable indicators

 Significant doubt that operations can continue in future and/or auditee received an emphasis of matter paragraph has been included in the audit report.

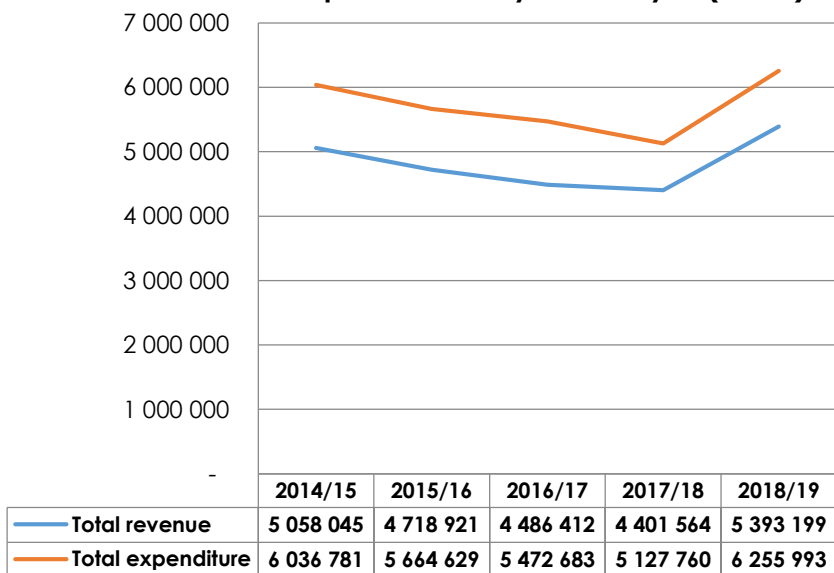


Financial health - SAPO

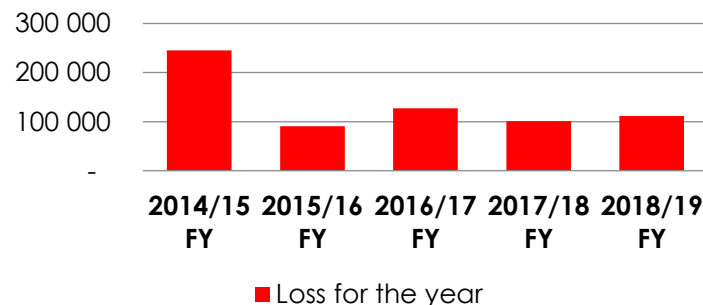
Figure 1: Going concern considerations [Key ratios]

Key numbers and ratios	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Liquidity [2:1]	1.2	1.04	0.96	1.4	1.19
Acid test ratio [2:1]	1.04	0.95	1.4	1.19	1.37
Total assets to total debt [2:1]	1.1	0.99	1.09	1.36	0.65
Employee cost to revenue ratio	76%	74%	81%	75%	69%
Debtors collection period	37 days	27 days	26 days	39 days	41 days
Creditors days	154 days	165 days	64 days	147 days	147 days
Cash and cash equivalents net of depositor or third parties	64 698	- 154 063	1 082 009	290 292	484 848
Debtors impairment	4 385	128 527	113 079	113 908	77 424
Total revenue	5 058 045	4 718 921	4 486 412	4 401 564	5 393 199
Total expenditure	6 036 781	5 664 629	5 472 683	5 127 760	6 255 993

Revenue and expenditure - 5 year analysis (R'000)



5 year reported results
R'000



The conditions, along with other matters set forth in note 49, indicate that a material uncertainty exists on the Sapo group and company's ability to continue as a going concern. The **following mitigating factors** have been noted by the entity in response to the material uncertainty:

- New contract signed on distribution of social grants.
- Universal service obligation mandate of R1.5 billion
- Continuing distribution of set up boxes.
- Group restructuring to minimize rental cost.
- Guarantee and support obtained from shareholder.
- Postbank: banking license finalization in 2019/20
- Stronger financial position with total assets value exceeding total carrying value of liabilities

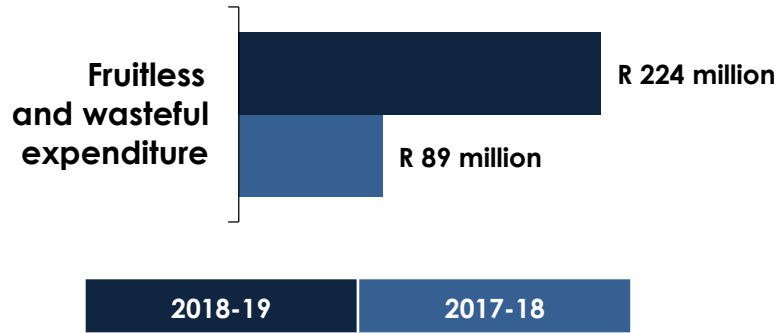
Although the entity is showing a positive cash balance as at 31 March 2019, **a significant portion of the cash relates to Postbank cash reserves (R5.1billion) and funds collected on behalf of third parties.** Postbank cash reserves consist of depositors funds and other cash reserves which Postbank is required to maintain for capital adequacy requirements.

Fruitless and wasteful expenditure expenditure decrease over 2 years - Coms

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

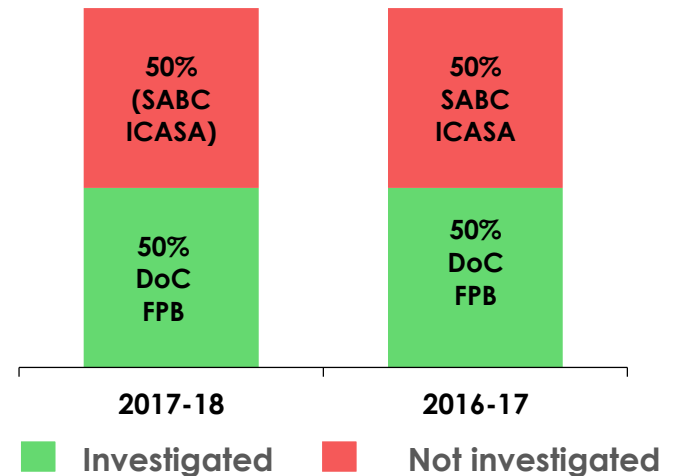


- R224 million represents non-compliance in 2018-19. 50% of prior year F&WE was not investigated and/or investigations were not adequate. This resulted in material non compliance in the audit report. This has been reported for SABC and ICASA

Nature of the fruitless and wasteful expenditure

- 99%(R224 million) of F&WE incurred in the current year is for SABC. The majority of the disclosed fruitless and wasteful expenditure for the current year was caused by impairment of content at the SABC and small portion was due to interest and penalties on late payment of invoices
- Other entities only contributed R315 000 of the total F&WE incurred

Previous year fruitless and wasteful expenditure reported for investigation

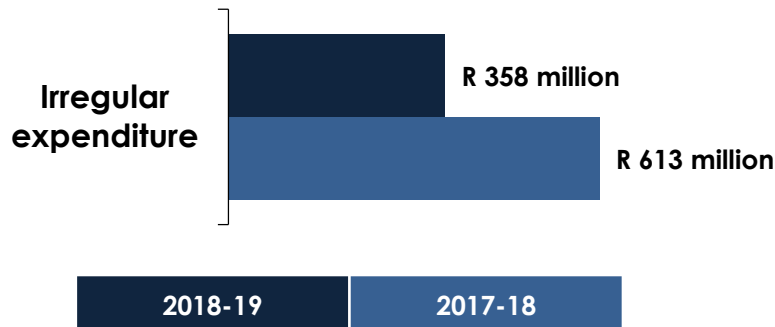


Irregular expenditure decrease over 2 years - Coms

Definition

Expenditure incurred in contravention of key legislation; goods delivered but prescribed processes not followed

Irregular expenditure incurred by entities in portfolio

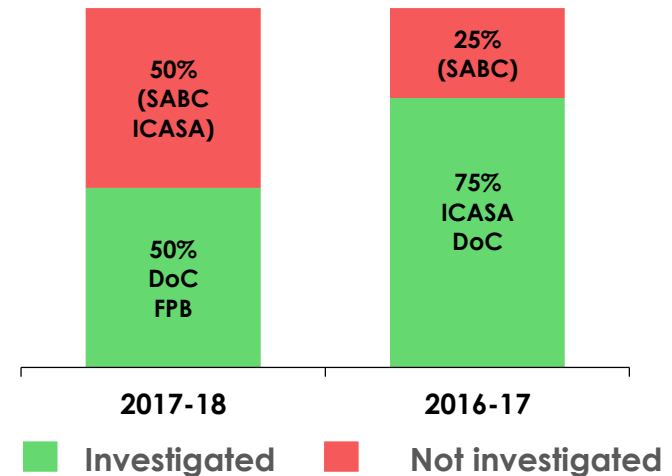


- R358 million represents non-compliance in 2018-19. R160,1 million is expenditure on ongoing multi-year contracts
- IE incurred in the current year should be investigated and adequate consequence management should be taken

Nature of irregular expenditure

- **SABC** contributed 94% (R336 million) of the total IE incurred in the current year.
- The majority was caused incorrect interpretation of SCM laws and regulations and non compliance with SCM laws and regulations.
- Although there is a decrease in IE over two year, there is still a greater concern at the **SABC**.
- There is a need for training on SCM laws and regulations at the **SABC** to ensure uniform interpretation and application. In addition due care should be taken when evaluating tenders at the **SABC**

Previous year irregular expenditure reported for investigation



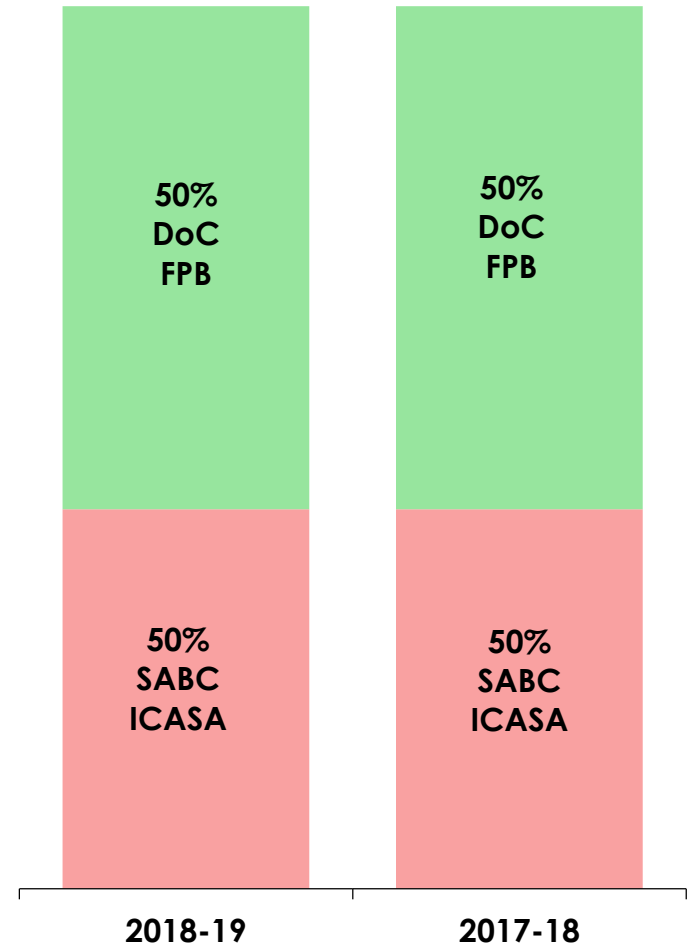
Supply chain management - Coms

▶ Stagnation in SCM compliance (2018-19: 50% with no findings)

All SCM findings should be investigated

Most common findings on supply chain management

- Uncompetitive and unfair procurement processes
- Deviations not reported and approved by National Treasury at **SABC**
- Some contracts were awarded to bidders in contravention with PPR 2017
- Contracts extended/modified without the approval from National Treasury



With no findings



With findings

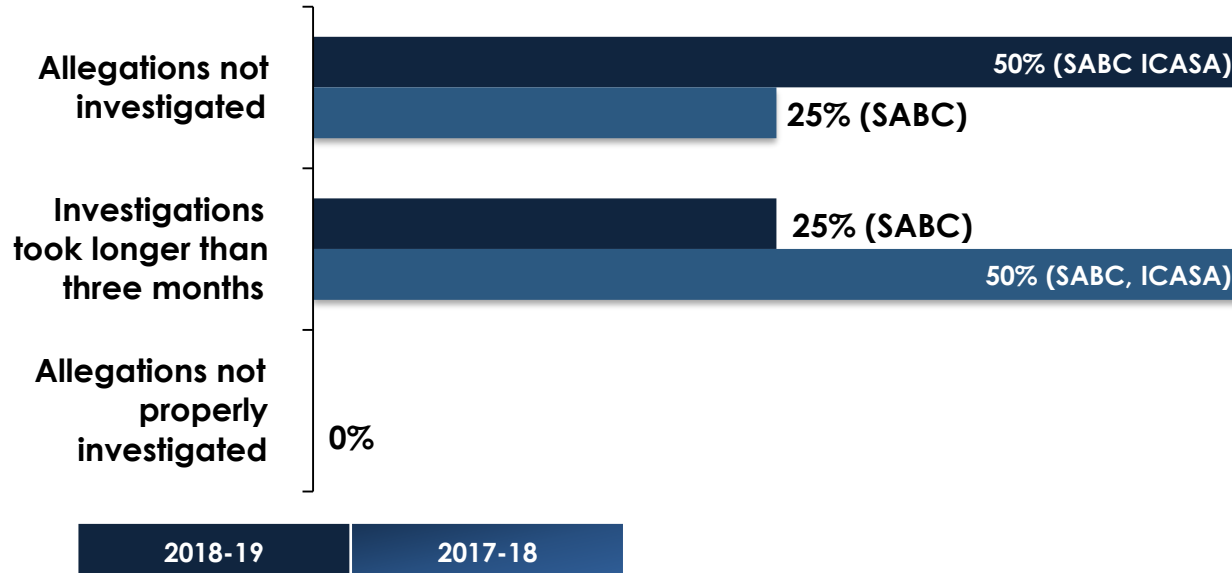


With material findings 35



Fraud and lack of consequences - Coms

Allegations of financial and/or fraud and SCM misconduct (6 auditees)



- SABC does not implement adequate systems, policies and procedures to investigate allegations of misconduct and implement disciplinary procedures as it relates to irregular, fruitless and wasteful expenditure identified and recorded in the financial statements. This resulted in the entity not being able to take effective steps against officials who permitted/incurred IFWE.*
- ICASA did not investigate prior year IFWE reported in prior year. This resulted in the entity not being able to take effective steps against officials who permitted/incurred IFWE.*

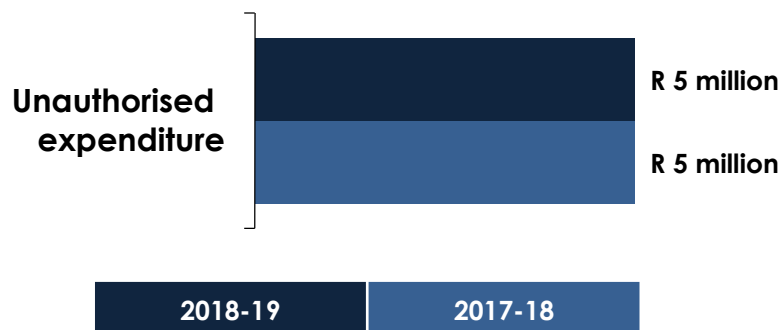


Unauthorised expenditure unchanged over 2 years - Telecoms

Definition

Expenditure not in accordance with the budget vote/ overspending of budget or programme

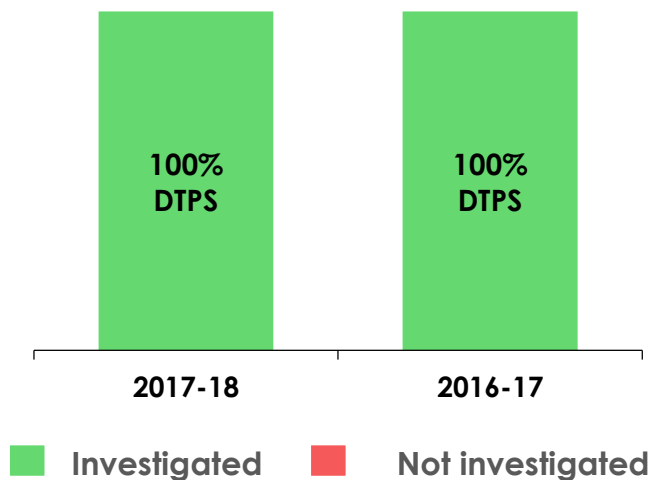
Unauthorised expenditure incurred by entities in portfolio



Nature of unauthorised expenditure

- R4,7 million was incurred during the 2013-14 financial year.

Previous year unauthorised expenditure reported for investigation

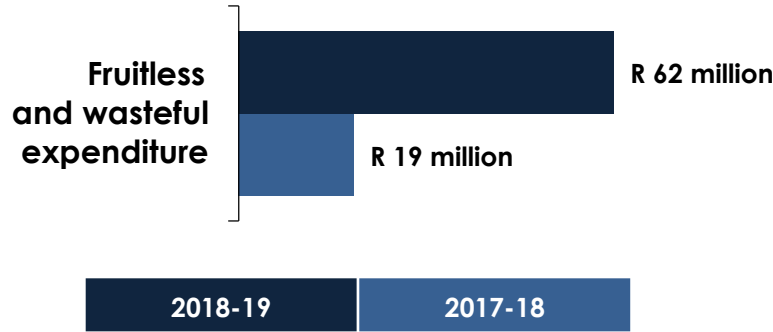


Fruitless and wasteful expenditure increase over 2 years – Telecoms

Definition

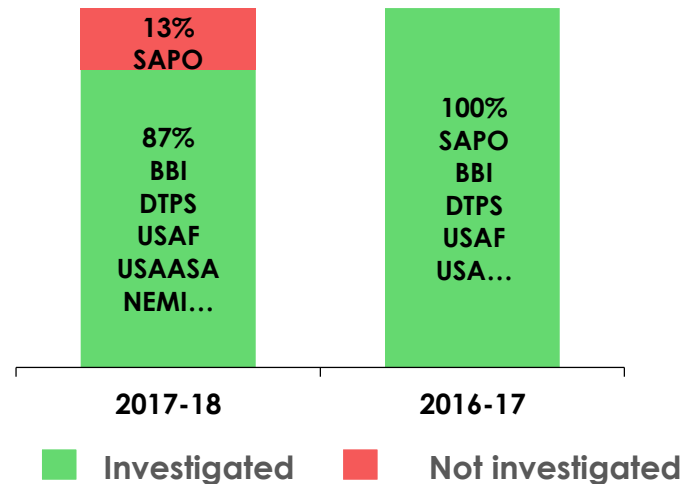
Expenditure incurred in vain and could have been avoided if reasonable steps had been taken. No value for money!

Fruitless and wasteful expenditure incurred by entities in portfolio



- R59,491 million represents non-compliance in 2018-19
- R2,5 million is expenditure relating to expenditure relating to the prior year identified in the current year

Previous year fruitless and wasteful expenditure reported for investigation



Nature of the fruitless and wasteful expenditure

- The majority of the disclosed fruitless and wasteful expenditure for the current year was caused by interest, fines and legal fees due to the non payment of creditors. The SAPO contributed R54 million and USAF contributed R4 million.

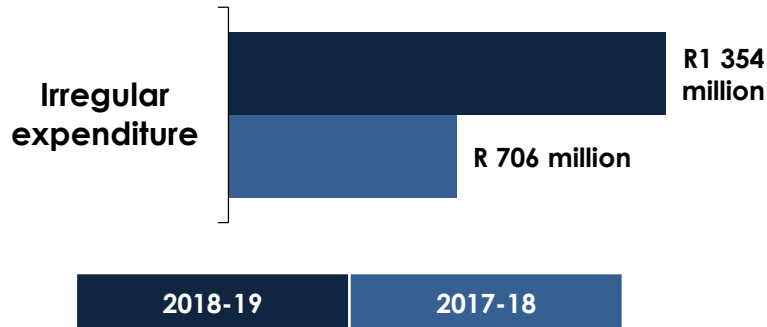


Irregular expenditure increase over 2 years - Telecoms

Definition

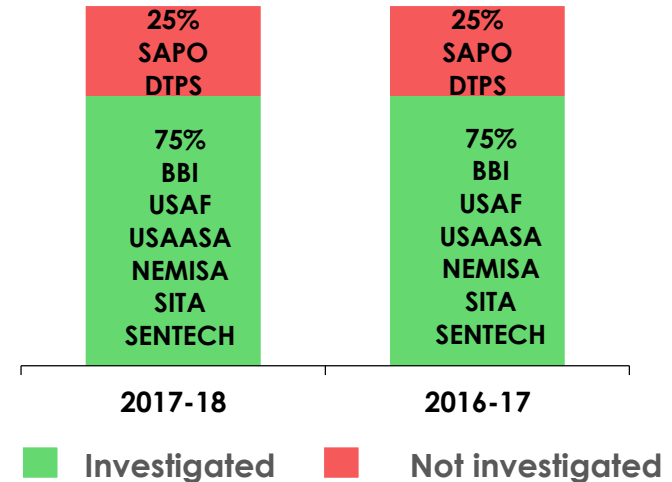
Expenditure incurred in contravention of key legislation; goods delivered but prescribed processes not followed

Irregular expenditure incurred by entities in portfolio



- R675 million represents non-compliance in 2018-19
- R679 million is expenditure on ongoing multi-year contracts

Previous year irregular expenditure reported for investigation



Nature of irregular expenditure

- SAPO (R183 million) - The majority was caused due to bids advertised for a shorter period as well as preference points that were not allocated and calculated in accordance with the requirements.
- SITA (R1,03 billion) - The majority was caused by not following competitive bidding processes.
- BBI (R52,5 million) - The majority was caused due to unauthorised amendments to tender processes and contract management issues.



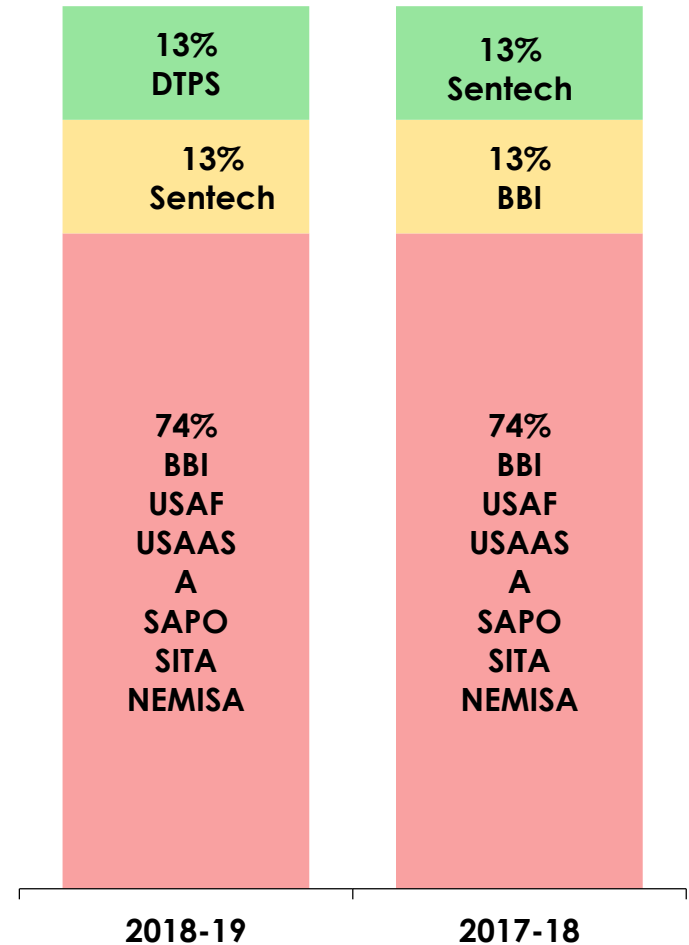
Supply chain management - Telecoms

▶ Stagnation in SCM compliance
(2018-19: 13% with no findings)

All SCM findings should be investigated

Most common findings on supply chain management

- Local content requirements not met at **13% of auditees**
- Contracts incorrectly awarded to bidders at **25% of auditees**
- Contracts extended without following SCM processes **50% of auditees**
- Minimum required days for advertisement of bids not met at **13% of auditees**
- Minimum number of quotations not obtained at **13% of auditees**



With no findings



With findings

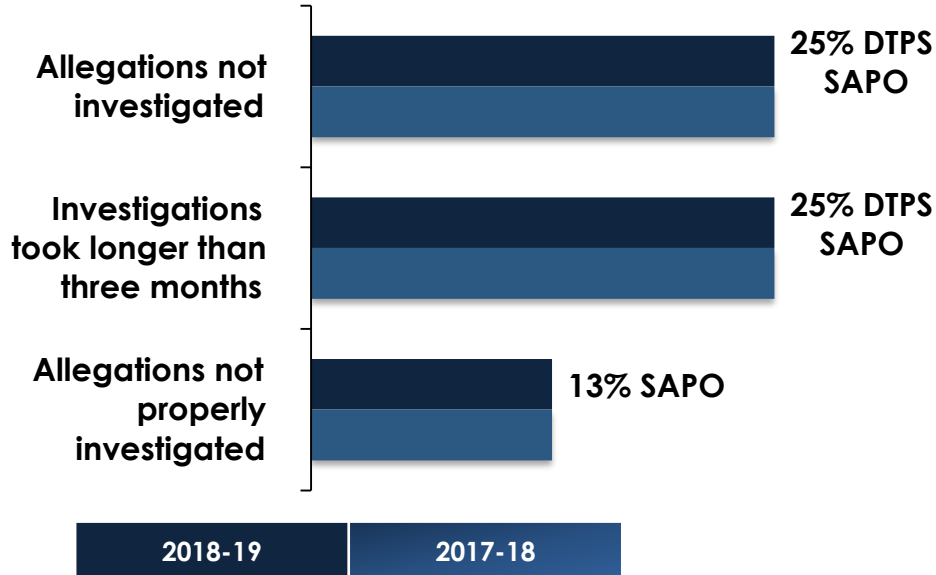


With material findings 40



Fraud and lack of consequences - Telecoms

Allegations of financial and/or fraud and SCM misconduct (8 auditees)



Key expansion of our mandate



Refer material irregularities to relevant public bodies for further investigations



Take binding remedial action for failure to implement the AG's recommendations for material irregularities



Issue a certificate of debt for failure to implement the remedial action if financial loss was involved

What is a material irregularity?

Irregularity



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

Material irregularity

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.**



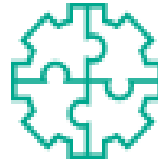
Portfolio snapshot (2018-19) - Coms



Clean audits: 25%
(2017-18: 25%)



Financially unqualified financial statements: 75%
(2018-19: 75%)



No findings on performance reports: 25%
(2018-19: 25%)



No findings on compliance with legislation: 50%
(2018-19: 50%)



Irregular expenditure: R358m
(2018-19: R613m)

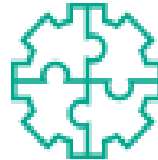
Portfolio snapshot (2018-19) - Telecoms



Clean audits: 13%
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Financially unqualified financial statements: 75%
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No findings on performance reports: 50%
(2017-18: 50%)

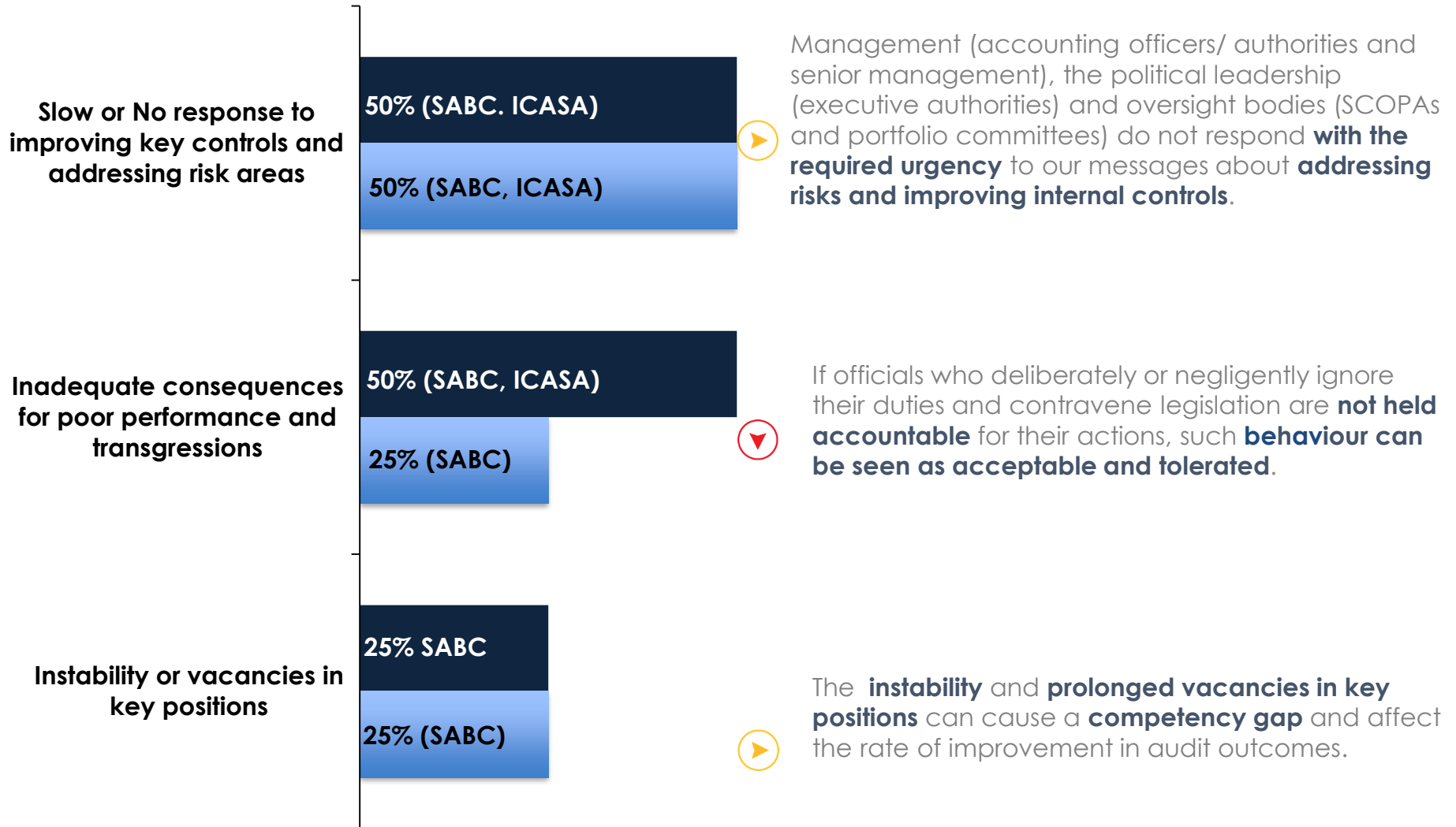


No findings on compliance with legislation: 13%
(2017-18: 13%)

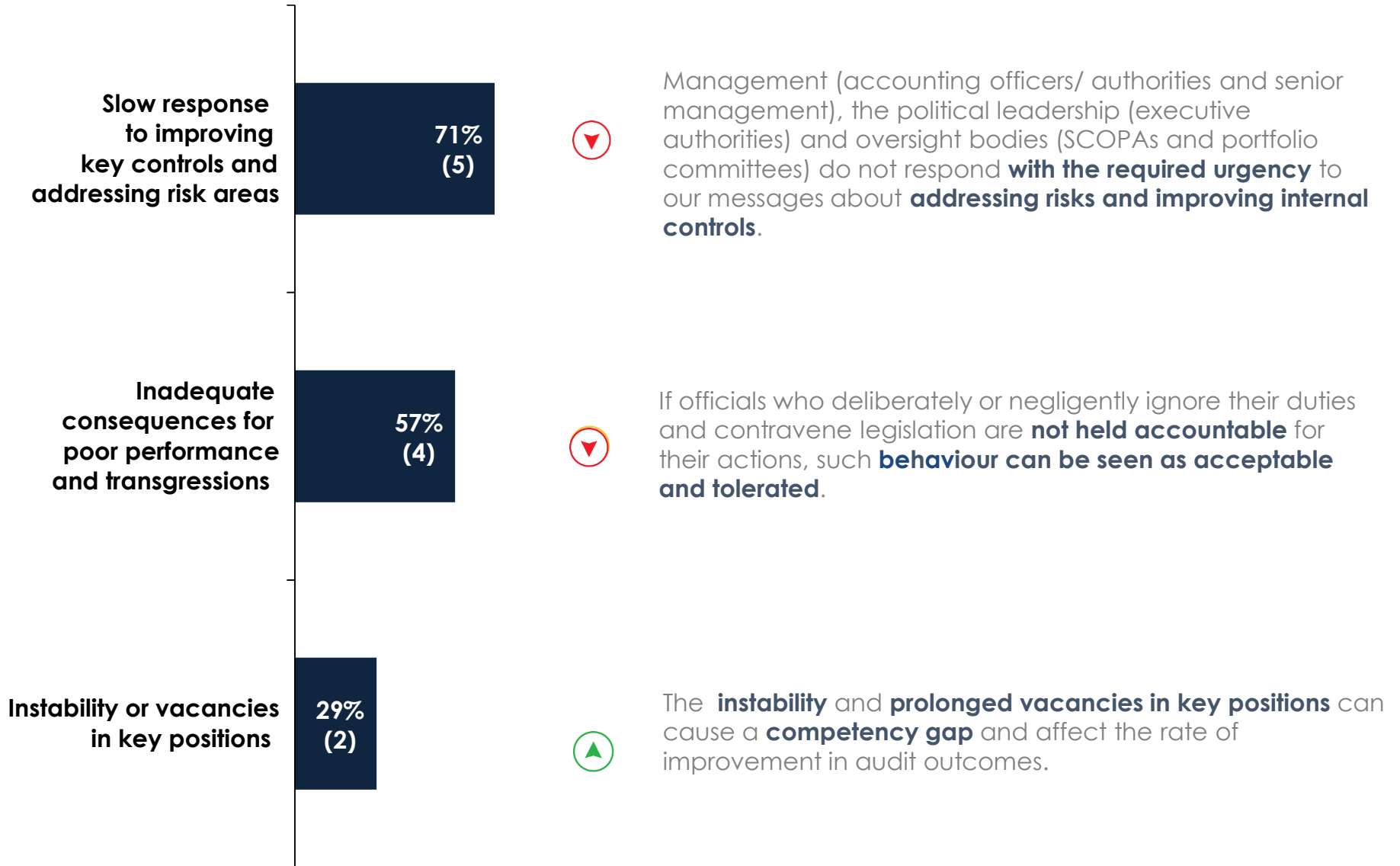


Irregular expenditure: R1,3b
(2017-18: R706m)

Root causes - Coms



Root causes - Telecoms



Recommendations

To the departments and its' entities

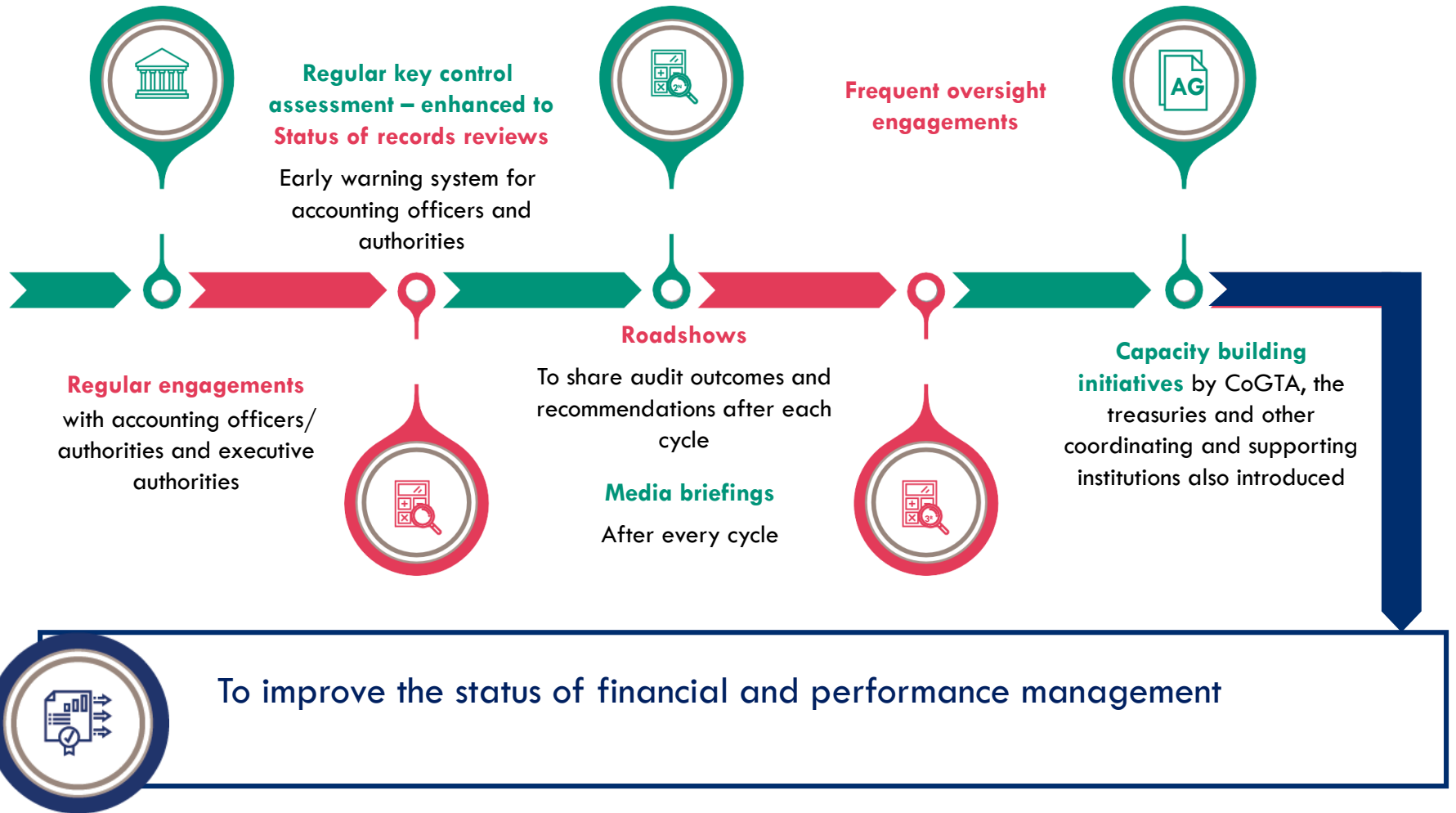
- Develop an effective action plan covering financial statements, compliance with legislation and performance reporting. Action plans should also form part of the performance contracts of key officials.
- Prioritise and fill key vacancies with suitably qualified staff.
- Implement consequence management as and when transgressions and/or poor performance is identified.

To the portfolio committee

- Request regular feedback on action plans and the implementation thereof. Effective monitoring by the portfolio committee should ensure that officials are held accountable.
- Monitoring of appointments for key vacancies.
- Unauthorised, fruitless and wasteful and irregular expenditure should be regularly followed up to confirm that all instances are adequately investigated and that adequate consequence management is implemented.



Additional efforts were introduced



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