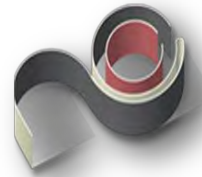




**the dti**

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA



NATIONAL CONSUMER COMMISSION

a member of **the dti** group

**BRIEFING TO THE PARLIAMENTARY PORTFOLIO  
COMMITTEE ON TRADE AND INDUSTRY**  
**Progress- Findings Raised by AG, as per the NCC's  
2017 – 2018 Annual Report**

**13 February 2019**

**Mr EBRAHIM MOHAMED: COMMISSIONER**

# NCC'S DELEGATION

- **Mr Ebrahim Mohamed: Commissioner-**  
**[E.Mohamed@thencc.org.za](mailto:E.Mohamed@thencc.org.za)** (012 4287749)
- **Ms Thezi Mabuza: Deputy Commissioner-**  
**[T.Mabuza@thencc.org.za](mailto:T.Mabuza@thencc.org.za)** (012 4287750)
- **Mr Anton Van der Merwe: Chief Financial Officer-**  
**[A.Vandermerwe@thencc.org.za](mailto:A.Vandermerwe@thencc.org.za)** (012 4287727)



# OUTLINE OF THE PRESENTATION

- Historical audit results and findings
- Progress against AGSA findings
- Detailed findings and affected business areas
- Issues that required immediate attention



# HISTORICAL FINDINGS



# HISTORICAL AUDIT RESULTS 2011/12- 2012/12

## 2011/2012

- Unqualified audit

## 2012/13

- Qualified audit with findings
- 96 findings, almost all the findings related to the previous year's transaction
- Irregular expenditure: R15 590 211
- The Audit Committee was barely functional; no proper records of meeting kept.
- The Internal audit function was not established
- Quarterly reports on actual and projected revenue and expenditure were not submitted to **the dti**.
- Effective human resource management to ensure that adequate and sufficiently skilled resources are in place was not implemented. A number of staff that did not meet the minimum requirements were employed outside the approved structure
- AGSA was unable to obtain sufficient appropriate audit evidence for irregular expenditure-limitation of scope (Inadequate filing of information and theft of supporting document from the premises).



# HISTORICAL AUDIT RESULTS 2012- 2013

## Mitigation strategies

- Safes and locking cabinets were procured and locks were changed in offices where vital information kept.
- The services of the security company was terminated and a new provider was appointed.
- Where service providers were being paid and were unable to provide contracts/ service level agreements- these arrangements were cancelled and new service providers were duly appointed.
- The sub-lease contract for the office space was cancelled and NCC dealt directly with owner of premises.



# HISTORICAL FINDINGS 2013/14

## Unqualified opinion with emphasis of matters

- Audit Committee was properly appointed and functional.
- All audit findings were monitored and reported on at Audit and Risk Committee meetings.
- Irregular expenditure which stemmed from transactions entered into during 2011/12 and which were only discovered in 2012/13 continued to plague NCC;
- The financial records of NCC were poor, previous years' financials had to be revised;
- Irregular expenditure was restated at R6.919 million;
- All internal controls had to be improved.



# HISTORICAL AUDIT RESULTS 2014/15

## Unqualified audit opinion

- 27 (mainly minor) findings
- Strict internal control measures effected within the Finance and Supply Chain Management units;
- Major improvements were initiated in the implementation of the ICT strategy.
- Irregular, fruitless and wasteful expenditure, deviations and invoice registers implemented;
- Irregular expenditure: R7.329 million;
- 74% of the irregular expenditure was attributed to the improper lease agreement. The remainder related to other irregular contracts which had come to an end.
- National Treasury advised against cancelling the irregular lease as this would result in fruitless and wasteful expenditure being incurred;
- PFMA training to staff was implemented.





# HISTORICAL AUDIT RESULTS 2015/16 TO 2017/18

## 2015-2016

- **Unqualified opinion**
- Old irregular contracts - lease and telecommunications services continued to result in irregular expenditure;
- Internal investigations into irregular expenditure were finalised;

## 2016- 2017

- **Unqualified Opinion**
- Some of the old Irregular contracts related to lease and telecommunications services came to an end.

## 2017- 2018

- **Unqualified opinion - Clean audit**



# PROGRESS AGAINST AGSA FINDINGS



# PROGRESS ON AGSA FINDINGS: SUMMARY

Implementation Status of AG Recommendations	Number of Findings Resolved	Progress to Date
Fully Implemented	18 of 23	78%
In - Progress	5 of 23	22%
<b>Total findings</b>	<b>23</b>	<b>100%</b>
Repeat Findings	10 of 23	43%
Repeat findings Addressed	8 of 10	80%

- Full, open and transparent cooperation with the Auditor General of South Africa;
- Progress tracked on all previous findings of the Auditor General;
- Progress made against all findings, 78% of recommendations were fully implemented;
- Only 22% are still in progress;
- 80% of repeat findings are fully resolved
- Progress presented to Audit and Risk Committee.



# DETAILED FINDINGS AND AFFECTED BUSINESS AREAS



# Office of the Commissioner

Risk Rating	Finding	Root Cause (s)	Auditors Recommendations	Implementation Status
High	1. Non-compliance: Internal audit function. (Page: 82)	Financial and performance management: Management did not review and monitor compliance with applicable laws and regulations.	Management should ensure that the Internal Audit function, in performing Internal Audit work must include all Internal Audit work that must be performed annually and comply with the Public Finance Management Act.	100 % Task Complete
			Management should ensure that the internal audit function functions optimally to provide management with the effectiveness of internal controls.	100 % Task Complete
High	2. Internal Audit Plan and the Three Year Rolling Internal Audit Plan have not been approved for the 2017/18 Financial Year. (Page.86)	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should ensure that internal audit plans are approved before the commencement of internal audit work.	100 % Task Complete
			Management should ensure that documented proof of approval of internal audit plans is maintained.	100 % Task Complete
High	3. Annual review of the Audit Committee Charter. (Page: 87)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.  Management did not adhere to the requirements of Treasury Regulation paragraph 27.1.6.	Management should review the Audit and Risk Committee Charter and ensure the Audit and Risk Committee Charter is aligned to the PFMA requirements.	100 % Task Complete



# IMPLEMENTATION STATUS: OFFICE OF THE COMMISSIONER

Progress Tables	Number	Percentage
Total number of findings	3	100%
0% No progress	0	0%
20% Task started	0	0%
40% Task partially complete	0	0%
60% Task progressing well	0	0%
80% Task virtually complete	0	0%
100% Task successfully completed	3	100%



# ADVOCACY, EDUCATION AND AWARENESS (DIVISION)

Risk Rating	Finding	Root Cause (s)	Auditors Recommendations	Implementation Status
High	1. Reliability: Programme 4 – Indicator 15 misstatement. (Page: 64)	Financial and performance management: Accurate and complete performance reports supported and evidenced by reliable information were not properly prepared.	Management should adjust the annual performance report to indicate the accurate performance in relation to the target and be supported by reliable evidence.	100 % Task Complete
High	2. Reliability: Programme 4 – Indicator 17 misstatement. (Page: 66)	Financial and performance management: Accurate and complete performance reports supported and evidenced by reliable information were not properly prepared.	Management should adjust the annual performance report to indicate the accurate performance in relation to the target and be supported by reliable evidence.	100 % Task Complete



# IMPLEMENTATION STATUS: ADVOCACY, EDUCATION AND AWARENESS

Progress Tables	Number	Percentage
Total number of findings	2	100%
0% No progress	0	0%
20% Task started	0	0%
40% Task partially complete	0	0%
60% Task progressing well	0	0%
80% Task virtually complete	0	0%
100% Task successfully completed	2	100%





# ENFORCEMENT AND INVESTIGATION (DIVISION)

Risk Rating	Finding	Root Cause (s)	Auditors Recommendations	Implementation Status
High	1. Presentation and disclosure: Changes not disclosed and reasons for variances. (Page: 52)	Financial and performance management: Accurate and complete performance reports supported and evidenced by reliable information were not properly prepared.	Management must ensure that adequate processes are implemented to ensure that all requirements as per the National Treasury guidelines are complied with i.e. different levels of review, high level checklist etc.	100 % Task Complete
			Management should adjust the annual performance report to include reasons for the over-achievement of these targets which should supported by reliable evidence.	100 % Task Complete
High	2. Reliability: Programme 2 – Indicator 2 misstatement. (Page: 56)	Financial and performance management: Accurate and complete performance reports supported and evidenced by reliable information were not properly prepared.	Management should adjust the annual performance report to indicate the accurate performance in relation to the target and be supported by reliable evidence.	100 % Task Complete



# IMPLEMENTATION STATUS: ENFORCEMENT AND INVESTIGATION

Progress Tables	Number	Percentage
Total number of findings	2	100%
0% No progress	0	0%
20% Task started	0	0%
40% Task partially complete	0	0%
60% Task progressing well	0	0%
80% Task virtually complete	0	0%
100% Task successfully completed	2	100%



# LEGAL SERVICES (DIVISION)

Risk Rating	Finding	Root Cause (s)	Auditors Recommendations	Implementation Status
High	1. Reliability: Programme 3 – Indicator 13 misstatement. (Page: 60)	Financial and performance management: Accurate and complete performance reports supported and evidenced by reliable information were not properly prepared.	Management should investigate the population and should adjust the annual performance report to indicate the accurate performance in relation to the target and be supported by reliable evidence.	100 % Task Complete
High	2. Programme 3: Indicator 13 - Evidence provided to support reported performance. (Page: 62)	Financial and performance management: Accurate and complete performance reports supported and evidenced by reliable information were not properly prepared.	Management should proper reviews of the evidence supporting the annual performance report should be performed prior to inclusion in the annual report to ensure that information is reliable.	100 % Task Complete
			Management should establish and maintain proper record keeping processes to facilitate accurate reporting of actual achievements.	100 % Task Complete
			Management should include request for advisory opinions in the register that are received through the designated email address <a href="mailto:advisory@thecc.org.za">advisory@thecc.org.za</a> .	100 % Task Complete
High	3. Programme 3: Indicator 13: Internal control deficiencies. (Page: 72)	Leadership: Develop and monitor the implementation of action plans to address internal control deficiencies.	Management should formulate standard operating procedures for collecting, collating and reporting of performance information at unit level in order to facilitate the reporting of performance information and ensure that the Standard operating procedures are aligned with the intent/processes followed.	60% Task Progressing well
			The roles, responsibilities and accountabilities for the mentioned area should be clearly documented and communicated to all relevant staff.	100 % Task Complete
			The action plans to address prior year audit findings should be closely monitored to ensure that repeat findings are not raised.	100 % Task Complete



# IMPLEMENTATION STATUS : LEGAL SERVICES

Progress Tables	Number	Percentage
Total number of findings	3	100%
0% No progress	0	0%
20% Task started	0	0%
40% Task partially complete	0	0%
60% Task progressing well	1	33%
80% Task virtually complete	0	0%
100% Task successfully completed	2	67%



# SUPPLY CHAIN MANAGEMENT...

Risk Rating	Finding	Root Cause (s)	Auditors Recommendations	Implementation Status
High	1. Understatement of irregular expenditure (Page. 44).	Financial management: Accurate and complete financial statements that are supported and evidenced by reliable information were not prepared.	Management should update the irregular expenditure note 25 to accurately reflect all the irregular expenditure incurred.	100 % Task Complete
High	2. Non – registered VAT vendor claimed input VAT. (Page: 46)	Financial and performance management: Management did not review and monitor compliance with applicable laws and regulations	Management should ensure that the supply chain management complies with the PFMA together with the PFMA Treasury Regulations.	100 % Task Complete
			Management should ensure compliance with legislation and only registered VAT vendor's claim input VAT for goods and or services provided to the National Consumer Commission.	80 % Task Complete
			Management should ensure the fruitless and wasteful expenditure is investigated and if confirmed the disclosure note in the AFS should be updated to reflect the fruitless and wasteful expenditure incurred.	80 % Task complete
			Management should ensure that VAT is only paid to valid VAT vendors.	100 % Task Complete
High	3. SCM - B-BBEE points incorrect allocated. (Page: 76)	Management did not review and monitor compliance with applicable laws and regulations. Management did not monitor the implementation of action plans to address internal control deficiencies.	Management should improve their procurement processes to ensure that the requirements with regards to the preference points calculation are complied with.	100 % Task Complete
			Management should ensure that B-BBEE points should only be awarded to those suppliers that provided an original and valid B-BBEE status level verification certificate.	100 % Task Complete
			The CSD report should not be utilized to verify that B-BBEE level.	100 % Task Complete



# ...SUPPLY CHAIN MANAGEMENT

Risk Rating	Finding	Root Cause (s)	Auditors Recommendations	Implementation Status
High	4. Contract Register and Commitment Schedule. (Page: 80)	Effective action plans to address internal control deficiencies were not developed and monitored.	Management should prepare and maintain a Contract Register that details the invoices issued by the supplier of goods and or services to reflect the outstanding balance as per the contracts with the suppliers. The invoices issue should be matched against the Contracts of the suppliers.	80% Task Complete
			Management should ensure implement action plans to address internal control deficiencies and monitor them on a regular basis to ensure implementation.	100% Task Complete
High	5. PPE – Assets with wrong descriptions in the Asset Register. (Page: 92)	Financial and performance management: Controls over daily and monthly processing of transactions were not implemented. Management did not ensure proper controls over the recording of additions into the asset register.	Management should adjust and update the asset register with the correct descriptions as supported by the invoices for the assets additions.	80% Task Complete



# IMPLEMENTATION STATUS : SCM

Progress Tables	Number	Percentage
Total number of findings	5	100%
0% No progress	0	0%
20% Task started	0	0%
40% Task partially complete	0	0%
60% Task progressing well	0	0%
80% Task virtually complete	3	60%
100% Task successfully completed	2	40%



# IMPLEMENTATION STATUS : SCM

## Finding: 2 - The VAT claims

- The fruitless expenditure register and the AFS were updated according to the 2 VAT issues;
- The only remaining action is the legal claim to recover the fraudulent VAT claim.

## Finding 4: The contract register

- A complete Contract Register has been implemented, with monthly monitoring in place.

## Finding 5: Asset register

- Asset Management was part of the Internal Audit process for Q3 to ensure that the controls are effective.





# ICT

Risk Rating	Finding	Root Cause (s)	Auditors Recommendations	Implementation Status
High	1. ICT: User access privileges. (Page: 90)	Leadership: The action plans implemented to address internal control deficiencies were not effective. Leadership did not follow up whether the control measures developed to address internal control deficiencies are actually implemented	Management should ensure that users' access is reviewed periodically and that an audit trail is kept of such a review.	80 % Task Complete
			Management should also include the list of terminations and appointments in the review.	100 % Task Complete



# IMPLEMENTATION STATUS: ICT

Progress Tables	Number	Percentage
Total number of finding (s)	1	100%
0% No progress	0	0%
20% Task started	0	0%
40% Task partially complete	0	0%
60% Task progressing well	0	0%
80% Task virtually complete	1	100%
100% Task successfully completed	0	0%



# FINANCE...

Risk Rating	Finding	Root Cause (s)	Auditors Recommendations	Implementation Status
High	1. AFS: Statement of budget and actual (Page: 26)	Financial and performance management. Accurate and complete financial statements that are supported and evidenced by reliable information were not prepared.	Management should adjust the financial statements and all other related notes to agree with the supporting accounting records (Estimate of National Expenditure).	100 % Task Complete
			Management should implement proper review measures whilst preparing annual financial statements and should prepare annual financial statements in advance to ensure proper and timely review and submission.	100 % Task Complete
High	2. Accruals: Misstatement and limitation (Page: 30)	Financial and performance management: Controls over daily and monthly processing and reconciling of transactions and balances relating to accruals was not implemented.  Leadership: Management did not monitor the implementation of action plans to address internal control deficiencies	Management should ensure that application of its policies and procedures is applied appropriately and that schedules and accounting records should be maintained accordingly.	100 % Task Complete
			Management should implement proper controls over the recording and reviewing of accruals as per the listing.	100 % Task Complete
			Management should perform monthly reconciliations of the accounts payables to ensure the correct classification of current liabilities.	100 % Task Complete
High	3. AFS: Contingent Liability – Retention of cash surplus. (Page: 33)	Financial and performance management: Accurate and complete financial statements that are supported and evidenced by reliable information were not prepared.  Compliance with applicable laws and regulations were not monitored.	Management should update the submission to National Treasury to ensure compliance with National Treasury Instruction Note No. 6 of 2017/18.	100 % Task Complete
			Management should update note 19 to reflect the correct retention of cash surplus.	100 % Task Complete



# ...FINANCE

Risk Rating	Finding	Root Cause (s)	Auditors Recommendations	Implementation Status
High	4. Remuneration of executive management: Inconsistent disclosure. (Page: 36)	Leadership: Management did not exercise oversight responsibility regarding financial reporting and compliance and related internal controls	Management should implement a GRAP compliant checklist to ensure the annual financial statements presentation and disclosure requirements are in accordance with the accounting framework.	100 % Task Complete
			Management should adjust the figures to ensure consistent application and disclosure.	100 % Task Complete
High	5. Differences between Commitments per client schedule and recalculated amounts. (Page: 38)	Financial and performance management: Accurate and complete financial statements that are supported and evidenced by reliable information were not prepared.	Management should update the commitments as disclosed in note 18 of the AFS.	100 % Task Complete
High	6. AFS: Employee cost: Prior period error amount. (Page: 42)	Financial and performance management: Accurate and complete financial statements that are supported and evidenced by reliable information were not prepared.	Management should update the prior period error note 22 to accurately reflect the prior year corrections made.	100 % Task Complete



# ...FINANCE

Risk Rating	Finding	Root Cause (s)	Auditors Recommendations	Implementation Status
High	7. Control deficiency over recording/performance of Petty Cash and Bank reconciliations. (Page: 48)	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management should perform the Bank Reconciliations on a weekly basis. The Bank Reconciliations should be prepared, reviewed and approved by the State Accountant, Deputy Director: Finance and the Chief Financial Officer on a weekly interval.	100 % Task Complete
			Management should ensure that all Petty Cash supporting documents are authorised by the Deputy Director: Finance and the Chief Financial Officer to comply with the Petty Cash Management SOP and to ensure that the funds are used for the correct purpose they were intended to and furthermore the funds spent are in accordance with the Petty Cash Management SOP.	100 % Task Complete
			Management should ensure that all Petty Cash Reconciliations are reviewed and authorised by the Deputy Director: Finance and HOD: Corporate Services or by an official with a higher authority and that has the relevant knowledge of Finance related matters to ensure there is segregation of duties when performing the Petty Cash Reconciliation.	80 % Task Complete
High	8. Control deficiency: Approval of journals (Page: 50)	Financial and performance management: Controls over daily and monthly processing of transactions were not implemented.	Management should ensure that there is a segregation of duties during the processing of transactions.	100 % Task Complete



# IMPLEMENTATION STATUS : FINANCE

Progress Tables	Number	Percentage
Total number of findings	8	100%
0% No progress	0	0%
20% Task started	0	0%
40% Task partially complete	0	0%
60% Task progressing well	0	0%
80% Task virtually complete	1	12%
100% Task successfully completed	7	88%

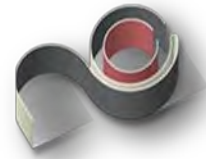


# IMPLEMENTATION STATUS : FINANCE

## Finding 7: Petty Cash

- Monthly petty cash reconciliations have been implemented
- Have replaced the previous reconciliations that were only done on the replenishment of petty cash funds, and on a quarterly basis.
- Was part of the Internal Audit process for Q3 to ensure that the controls are effective.





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# ISSUES THAT REQUIRE IMMEDIATE ATTENTION



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# ISSUES THAT REQUIRED IMMEDIATE ATTENTION

1. Fast-track the implementation of recommendations for SCM
2. Priorities finalization of all repeat findings
3. Ensure that proper processes are followed when appointing External Auditors
4. Maintain the clean audit status



# **National Consumer Commission South Africa**

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