Question 129

Mr L B Labuschagne (DA) to ask the Minister of Trade and Industry:

(1) Whether a (a) forensic audit of the Small Enterprise Development Agency (Seda) was carried out and (b) report was handed to him regarding the audit in the 2007-08 financial year; if not, why not in each case; if so, what are the relevant details;

(2) Whether the report revealed any (a) weaknesses in management and (b) instances of financial abuse at Seda; if so, what are the relevant details in each case;

(3) Whether he has taken any action in this regard; if not, why not; if so, what action?

Response:

(1)(a) A forensic investigation of the Small Enterprise Development Agency (Seda) was conducted by, PricewaterhouseCoopers Advisory Services (Pty) Ltd (“PwC”).

Under the rules governed by the Public Finance Management Act, Seda in collaboration with the Auditor General reported on all irregular expenditure, including the nature and extent thereof, in the annual report of Seda. The 2006/07 annual report of Seda has been tabled in Parliament.

The department requested the Board of Seda to take appropriate steps to address the outcomes of the said investigation. The Chairperson of the Board has reported that Seda subsequently set financial management policies and financial control protocols addressing non-compliance in the supply chain framework reported on by the Auditor General’s report 2006/07 to prevent the recurrence of such incidences.

(b) The 2007/8 audit of Seda is currently being undertaken and the Annual Report will be tabled in Parliament in due course.

(2)(a) The entity did not comply with the supply chain framework in certain procurement processes. This resulted in irregular expenditure of R 15 375 510 and was reported in the 2006/07 annual report of Seda. Further details of this are disclosed in note 21 of the financial statements.
(b) Although some irregular expenditure was incurred, the report made no mention of fraud committed.

(3) The department has requested the Board of seda to determine and implement further actions to address any weakness in the area of financial management, as the Board of is responsible for corporate governance of the Agency.