



ANNUAL REPORT

2021/22



FINANCIAL
AND FISCAL
COMMISSION

For an Equitable Sharing
of National Revenue



FINANCIAL
AND FISCAL
COMMISSION

Annual Report 2021/22

For an Equitable Sharing of National Revenue

Financial and Fiscal Commission

Montrose Place (2nd Floor)
Bekker Street,
Waterfall Park, Vorna Valley
Midrand

Private Bag X69, Halfway House, 1685

Constitutional House (12th Floor)
124 Adderley Street
Cape Town

P O Box 1505, Cape Town, 8000

Tel: +27 10 745 2217

www.ffc.co.za

ISBN: 978-0-621-50022-6

RP: 26/2022

CONTENTS

Acronyms	ii
Chairperson's foreword	iii
Chief Executive Officer's overview	iv
Statement of responsibility and confirmation of accuracy of the annual report	v

PART A: GENERAL INFORMATION	1	PART D: HUMAN RESOURCES MANAGEMENT	21
1. Constitutional and legislative mandate	2	1. Employment and vacancies by salary band	22
2. Vision and mission	2	2. Personnel expenditure	22
3. Composition and organisational structure	3	3. Employment changes	22
PART B: PERFORMANCE INFORMATION	5	4. Total number of employees per occupational level as of 31 March 2022	24
1. Submissions and presentations	6	5. Training and development philosophy	25
2. Statement of responsibility for performance information for the year ended 31 March 2022	11	6. Performance rewards	25
3. Performance against predetermined objectives	12	7. Leave utilisation	26
PART C: CORPORATE GOVERNANCE	13	8. Labour relations trends	26
1. Introduction	14	PART E: FINANCIAL INFORMATION	27
2. Commission meetings and attendance	14	1. Statement of responsibility and approval of the annual financial statements for the year ended 31 March 2022	28
3. Committees	15	2. Report of the audit and risk committee for the year ended 31 March 2022	29
4. Fraud and corruption prevention	16	3. Statement of responsibility of the Accounting Officer for the financial statements for the year ended 31 March 2022	34
5. Health, safety and environmental issues	16	4. Analysis of financial statements	35
6. Internal controls	16	Report of the Auditor-General to Parliament on the Financial and Fiscal Commission	39
7. Commission members	17	Annexure – Auditor-General's responsibility for the audit	43
		Annual Financial Statements for the year ended 31 March 2022	44
		Unaudited Annexures	80



ACRONYMS

APP	Annual Performance Plan
BCP	Business Continuity Plan
CEO	Chief Executive Officer
CRO	Chief Risk Officer
DORA	Division of Revenue Act
DORB	Division of Revenue Bill
EMT	Executive Management Team
ENE	Estimates of National Expenditure
ERM	Enterprise Risk Management
FFC	Financial and Fiscal Commission (also referred to as the Commission)
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
IAF	Internal Audit Function
IESBA	International Ethics Standards Board for Accountants
IGFR	Intergovernmental Fiscal Relations
ISA	International Standards on Auditing
MEC	Member of the Executive Council
MTBPS	Medium Term Budget Policy Statement
NCOP	National Council of Provinces
NDP	National Development Plan
PFMA	Public Finance Management Act
SALGA	South African Local Government Association

CHAIRPERSON'S FOREWORD

It is a great privilege to submit the Financial and Fiscal Commission's Annual Report which covers the 2021/22 financial year. The Annual Report is presented in terms of the provisions of section 220 of the Constitution, 1996; Sections 40 and 65 of the Public Finance Management Act, 1999; and Section 26 of the Financial and Fiscal Commission Act, 1997 (as amended). During the period under review the Commission continued to execute its constitutional mandate to provide recommendations and advice on financial and fiscal matters to the three spheres of government.

The legislatively required submissions on the Medium-Term Budget Policy Statement, Division of Revenue Bill, Fiscal Frameworks and Revenue Proposals and Appropriations Bill were met according to the legislative prescripts. The Submission for the 2023/24 Division of Revenue as tabled in Parliament in terms of Section 214(1) of the Constitution of the Republic of South Africa, 1996; Section 9 of the Intergovernmental Fiscal Relations Act, 1997; and Section 4(4c) of the Money Bills Amendment Procedure and Related Matters Act, 2009 as amended will be considered according to the parliamentary, provincial and local governmental processes.

The Commission's Submission for the 2023/24 Division of Revenue, under the theme of *"Addressing socio-economic vulnerabilities through fiscal transparency and strategy,"* emphasises the importance of good governance and coherent, goal-oriented long-term planning across the intergovernmental fiscal relations system in key sectors to buoy growth and development. The submission is comprised of chapters on combatting corruption and unemployment, evidence-informed policy research on debt, income inequality, consumption behaviour of social grants and public sector wage trends, and subnational foci on reviewing and refining division of revenue instruments.

This was later followed by the release of the Technical Report and Policy Brief series that informed the recommendations contained in the submission and constituted a big component of the stakeholder engagement process. Over and above the prescribed deliverables, the Commission also made numerous rapid responses and submissions in response to requests from its stakeholders in the legislatures, the executive, organised local government and other organs of state. The Strategic Plan and Annual Performance Plan were tabled timeously in compliance with the provisions of Treasury Regulations for departments, trading entities, constitutional institutions and public entities in terms of the Public Finance Management Act, 1999 (as amended). These plans are invaluable in ensuring that the Commission and Secretariat have a clear understanding and direction on the way forward. The Commission will continue to ensure compliance and maintenance of sound and high standards regarding all its activities.

I am indeed thankful to the Commissioners and Secretariat for ensuring that the Commission has fulfilled its constitutional mandate for the 2021/22 financial year.



DR PATIENCE NOMBEKO MBAVA

Chairperson

Date: 31 August 2022

CHIEF EXECUTIVE OFFICER'S OVERVIEW

Although 2021/22 was a year of introspection for the Management, the Commission successfully fulfilled its constitutional mandate and statutory requirements of tabling the annual submission for the Division of Revenue (2022/23), statutory budget submissions on the main budget, the medium term budget policy statement (MTBPS) and the relevant financial and fiscal bills therein. As a constitutional institution established under chapter 13 of the Constitution, internal control weaknesses and compliance deficiencies according to the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), persist. One of the reasons for this stagnation is the misidentification, misspecification and misdirection of the problem statement as an institution. To rectify the issues, we must thus engage in candid introspection.

As with prior years, the Commission's financial management, corporate services and reporting were insufficient and weak during the 2021/22 financial year, with material errors, omissions and misstatements resulting in ineffective and inefficient utilisation of the Commission's resources, leaving cash tied up in administrative functions and lack of support. The risk and compliance environment lagged behind without an internal audit function for the period under review. Though some improvements were made within the procurement space, with instances of non-compliance reduced, major long-term and historical irregularities, fruitless and wasteful expenditure remain on the books as the Commission implements consequence management, holding those responsible for the material financial losses suffered, under the principles of What did you know? When did you know? What did you do about it?

I hereby present the 2021/22 Annual Report of the Financial and Fiscal Commission.



MR C W TSENG

Acting Chief Executive Officer

Date: 31 August 2022

"The greater the artist, the greater the doubt. Perfect confidence is granted to the less talented as a consolation prize."

- Robert Hughes

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

The CEO as the Accounting Officer is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements. The Commissioners are responsible for the fiduciary governance of the Commission.

To the best of my knowledge and belief, I confirm the following:

The annual report fairly reflects the operations, the performance information, the human resources information and financial affairs of the Financial and Fiscal Commission for the financial year ended 31 March 2022.

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General of South Africa (AGSA) in accordance with Standards of Generally Recognised Accounting Practice (GRAP). The annual report is complete and post the adjustments by the AGSA, tabled with unqualified audit opinion with findings. This annual report has been prepared in accordance with the annual report guidelines issued by the National Treasury.



MR C W TSENG

Acting Chief Executive Officer

Date: 31 August 2022

For an Equitable Sharing of National Revenue



PART A

General Information



Part A: General information

1. Constitutional and legislative mandate

The Commission derives its mandate from Section 220 of the Constitution of the Republic of South Africa, 1996 (the Constitution) (as amended). The Commission is an independent and impartial advisory institution, whose advice government must seek on the division of revenue among the three spheres of government and in the enactment of legislation pertaining to provincial taxes, municipal fiscal powers and functions, and provincial and municipal loans. Sections 214(2), 221, 222, 228(2)(b), 229(5), 230(2) and 230A(2) of the Constitution set out details in respect of the Commission's functions.

Its mandate is further enabled through the Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997) (as amended), Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997), Money Bills Amendment Procedure and Related Matters Amendment Act, 2009 (Act No. 9 of 2009) (as amended), Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (as amended), Provincial Tax Regulation Process Act, 2001 (Act No. 53 of 2001), Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005) and the Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007).

2. Vision and mission

Vision

To provide influential advice for an equitable, efficient and sustainable intergovernmental fiscal relations (IGFR) system.

Mission

To provide proactive, expert and independent advice on promoting a sustainable and equitable IGFR system, through evidence-based policy analysis to ensure the realisation of our constitutional values.

Values

To enable the Commission to deliver on its mandate, it subscribes to the following values:



Professionalism, which implies fairness and equal treatment, the free sharing of information, striving for quality, and time management



Respect for each other as colleagues and for the diversity of the workforce



Empowerment in employing policies to increase rather than stifle delegation, the tolerance of different views and ideas, and making resources available when required



Trust which requires openness and transparency, humility, integrity, and honesty in all undertakings



Teamwork which encourages cross-functional integration, voluntary mentorship and coaching, taking responsibility, and flexibility, and



Innovation which allows intellectual space, provides systems to support innovation, and tolerates mistakes as opportunities for learning.

Outcomes, output indicators, targets and actual achievements

The Commission has formulated the following impact statement:

Decision-making in government financial and fiscal systems is strengthened to improve service delivery and reduce poverty and inequality. The following outcomes have been formulated for the Commission:

- Strengthened effectiveness of the internal capacity available to the Commission.
- Strengthened co-operative governance through harmonising the fiscal system.

The detailed performance information provided below indicates the Commission’s achievements over the reporting period in relation to its medium-term outputs.

3. Composition and organisational structure

Commission

The Commission comprises nine persons appointed by the President of the Republic of South Africa:

- Chairperson and Deputy Chairperson
- Three persons appointed after consultation with the Premiers, from a list compiled in accordance with a process prescribed by the Financial and Fiscal Commission Act, 1997
- Two persons appointed after consultation with organised local government, from a list compiled in accordance with a process prescribed by the Financial and Fiscal Commission Act, 1997, and the Organised Local Government Act, 1997 (Act No. 52 of 1997), and
- Two other persons.

The Chairperson’s appointment is full-time, whereas the other Commissioners, including the Deputy Chairperson, are appointed on a part-time basis. Commissioners are appointed in terms of Section 221 of the Constitution and Section 5 of the Financial and Fiscal Commission Act, 1997. Commissioners must have appropriate experience and are appointed for a term not exceeding five years, which is renewable for a further term.

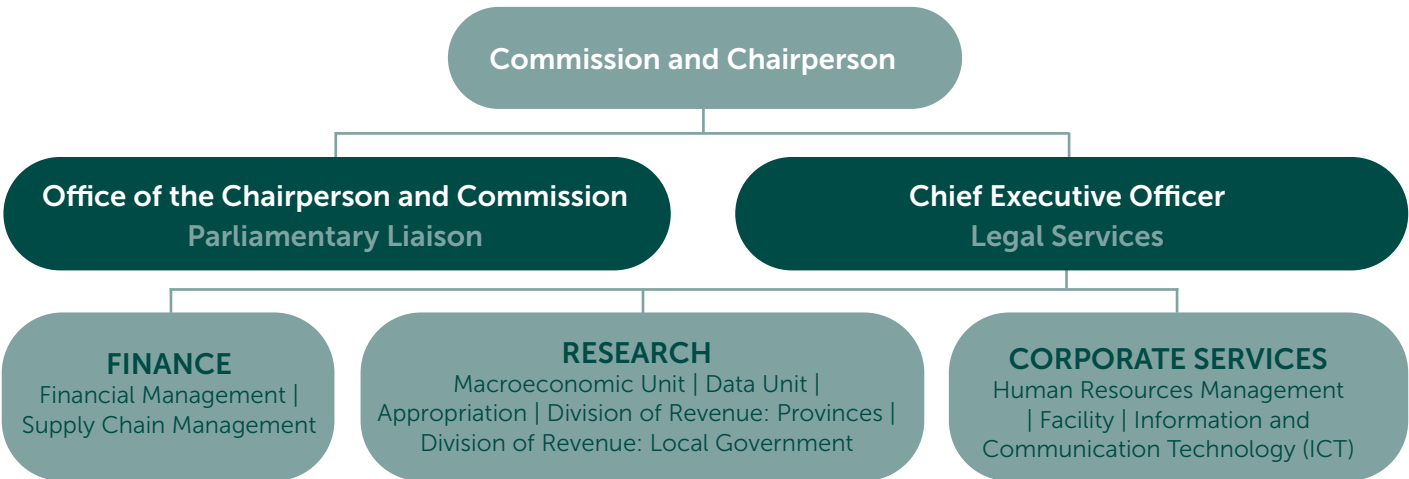
The President, by notice in a Government Gazette, after taking into consideration the recommendations of the Independent Commission for the Remuneration of Public Office Bearers and the National Assembly, proclaims the remuneration, allowances and other benefits of Commissioners.

Secretariat

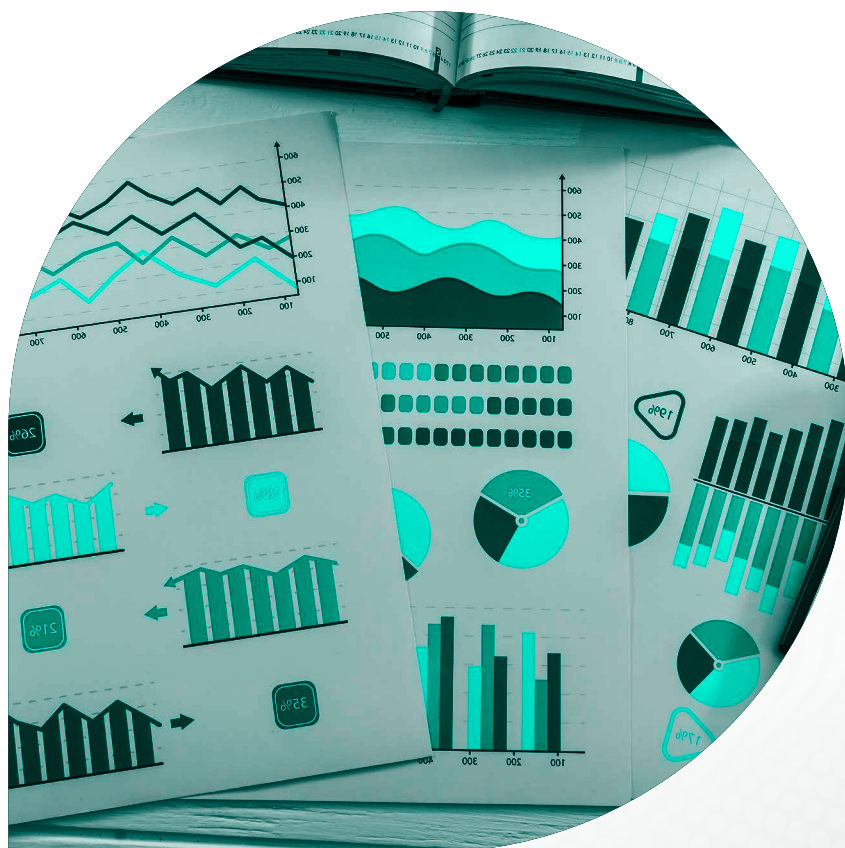
Headed by the Chief Executive Officer, who is also the Accounting Officer and Commission Secretary, the Secretariat is committed to transparency, accountability, efficiency and effectiveness, and the practical application of these principles to enable delivery against the Commission’s constitutional mandate.

Organisational structure

The organogram of the Commission is reproduced below.







PART B

Performance Information



Part B: Performance information

1. Submissions and presentations

1.1 The Commission's submission for the 2022/23 Division of Revenue

The submission for Division of Revenue 2022/23 was tabled by the Commission in terms of section 214(1) of the Constitution of the Republic of South Africa, 1996 (as amended), Section 3 of the Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997), Section 9 of the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997) and Section 4(c) of the Money Bills and Related Matters Act, 2009 (Act No. 9 of 2009) (as amended).

The Commission tabled its recommendations for the 2022/23 Division of Revenue slightly more than a year after the onset of the Covid-19 pandemic. It did this against the backdrop of a very fragile economic environment, amidst the country's second recession in a decade. At the time, the pandemic was still spreading relentlessly across the length and breadth of the country, causing damage to the economy and to people's livelihoods. It posed many challenges, including the efficacy of South Africa's macro-fiscal system in accommodating pandemic-induced challenges. It also intensified the existing inequalities and condemned many people to unemployment and poverty.

Questions abound on the impact of the pandemic on the state's fundamental obligation - the progressive realisation of citizens' basic rights as enshrined in the Constitution. Such questions arise because the pandemic highlighted the inadequacies in access to basic services and food, both in terms of quantity and quality, and heightened imbalances and conflicts in society, especially when considering the gender dimension. It further exposed inadequacies in the country's oversight, accountability and leadership mechanisms.

The theme of the 2022/23 submission was: The effects of Covid-19 and the changing architecture of subnational government financing in South Africa. The Commission believes that a comprehensive and evidence-based analysis of the socioeconomic impact of the pandemic is key to developing a set of informed recommendations that can contribute to turning around the economy to achieve an inclusive and sustainable growth trajectory. Its recommendations therefore aim to achieve a recovery process that is sustainable and "leaves no one behind".

The Commission's research resulted in several key findings along four broad topics.

1

Part 1 relates to the macroeconomic impact of the pandemic. The Covid-19 pandemic had a significant impact on public spending behaviour and intergovernmental fiscal relations. It triggered the most severe recession ever recorded in South Africa's economic history, with dire socioeconomic consequences, especially for the poor. It exposed many of the structural weaknesses in the domestic economy and increased the risk of a public debt spiral, which undermined the country's fiscal credibility. Simply put, the economic outlook following the pandemic is unlike any situation experienced before and requires policy that is both informed and strategic.

Tangible steps are needed by government to achieve structural transformation. Such steps include:

- aligning provincial and local government economic reconstruction and development plans with the Economic Reconstruction and Recovery Plan;
- incentivising a local product value-chain approach of production and inclusive growth; and
- fiscal reprioritisation, including eliminating duplication of government functions through the merging and downsizing of departments and public entities. Among other benefits, this will assist in consolidating government's wage bill.

2

Part 2 relates to the implications of the pandemic on local government finances. Municipalities are the closest sphere of government to the people, and thus likely to experience the most devastating effects of the pandemic. While it is certain that the impact of the pandemic on municipal economies and local economic development is negative, the relative size, scale and extent of this impact has hitherto been unknown. The Commission's submission therefore provides empirical evidence on the relative magnitude and severity of the pandemic on local economies and discusses potential recovery strategies.

Overall, the devastating effects of the pandemic across the entire spectrum of municipal finances and economies calls for municipalities to move away from the *status quo* and challenge the traditional way of doing things, including a relook at responsibilities, citizen service offerings and staffing structures. In addition to enabling local investment and revenue, the experiment of remote working and the use of collaborative technologies are mechanisms that have proved possible, efficient and cost saving, and municipalities may want to permanently retain such changes and regard them as the new normal.

3

Part 3 of the submission relates to the Covid-19 pandemic and the progressive realisation of basic rights. The Commission examined how Covid-19 has affected the realisation of people's basic socioeconomic rights, as entrenched in the Constitution. This topic covered four specific aspects related to restoring people's livelihoods:

- addressing gender inequality through gender-based budgeting in the public sector;
- examining the effectiveness of the current system of means-tested social grants in targeting vulnerable individuals and households;
- considering the question of food security in the context of Covid-19; and
- assessing water and sanitation access.

The Commission found that, although government has made significant strides in the progressive realisation of basic rights, the Covid-19 pandemic has deepened the structural inequalities vested even within the realisation of basic rights in terms of gender equality, social assistance, food and water. Government should institutionalise gender-responsive budgeting and gender-responsive monitoring, evaluation and auditing at all levels of government. Regarding the social grant system, alternative means-testing regimes and eligibility exclusion must be urgently addressed. Furthermore, vulnerable individuals needing food assistance must be identified effectively. Water investment must be incentivised by mechanisms to safeguard against corruption and manage the higher-level of services required.

The starting point for Part 4 of the submission is that a healthy, well-functioning local government is critical to social and economic development. However, the poor financial and service delivery performance of municipalities has presented a stubborn challenge in South Africa. Another critical aspect is the enabling environment, specifically the intergovernmental system of monitoring and support.

4

Part 4 of the Commission's submission focused on two aspects, namely oversight and leadership which, if more effective, could assist in putting local government back on track to meet the needs of citizens and ensure better value for money spent. In essence capacity-building efforts should be conducted using a differentiated method and should be linked to an individual municipality-specific diagnosis of capacity challenges. Cost-benefit analysis should assess if the municipal monitoring and support, and even oversight, provided is undertaken in the most efficient and effective manner.

1.2 Number of Policy Briefs published

Eleven Policy Briefs were published on the Commission's website for the 2022/23 Submission for the Division of Revenue.

They are available at <https://www.ffc.co.za/policy-brief>

1.3 Number of Technical Reports published

One Technical Report was published on the FFC website for 2022/23 Submission for the Division of Revenue.

The report is available at <https://www.ffc.co.za/technical-report>

1.4 Submission on Government's Medium-Term Budget Policy Statement (MTBPS)

The submission on the MTBPS is made every year in October or November to the relevant Standing and Select Committees on Finance and Appropriation in terms of part 1 (3) of the Financial and Fiscal Commission Act, and Section 4 (4c) of the Money Bills Amendment Procedure and Related Matters Act. The Commission's submission follows the Minister of Finance's presentation of the Medium-Term Budget Policy Statement (MTBPS) and provides the Commission's stance on the policy statement, which the Commission presents to Parliament.

The Commission tabled its MTBPS submission on 16 November 2021 at the Joint Meeting of Standing and Select Committees on Appropriations and Finance on the revised fiscal framework. On 23 November 2021, the Commission tabled its submission on the 2021 MTBPS in terms of the 2021 Division of Revenue Amendment Bill and the 2021 Adjustments Appropriation Bill to the Standing Committee on Appropriations.

1.5 Submission on government's February main budget - submission on the Appropriation Bill

Submissions on the 2021 Appropriation Bill and First Special Appropriation Bill were presented to the Standing Committee on Appropriations on 11 May 2021. The purpose of these bills are to appropriate money from the National Revenue Fund for the requirements of the state for the 2021/22 financial year; and to provide for matters in this respect. More specifically, the First Special Appropriation Bill of 2021 is to appropriate an additional amount of money to votes of Health and Social Development, to effect an adjustment to an appropriation of money to the vote of Public Enterprises, and to provide for connected matters.

The Submission on the Second Special Appropriation Bill was presented to the Standing Committee on Appropriations on 1 September (see stakeholder engagement details later). The purpose of the Second Special Appropriation Bill is to appropriate an additional amount of money for the requirements of the state; and to provide for connected matters connected. Departments that will receive money through the Second Special Appropriation Bill are National Treasury, Social Development, Defence, Police and Trade, Industry and Competition.

1.6 Number of research reports

A research report on the Commission's recommendations on the application from West Rand District Municipality for approval/authorisation of a firefighting levy was completed and submitted to the Minister of Finance.

The report is available on the Commission's website at <https://www.ffc.co.za/research> (under other submissions).

A report on the Commission's seminar on socio-economic rights and the role of the Commission was developed. This report provides an overview of the proceedings of the seminar, which was hosted virtually on Thursday, 2 September 2021.

1.7 Parliamentary committees, stakeholder meetings and forums

The Commission attended 34 engagements in response to invitations from stakeholders, during which presentations and/or contributions were made for the 2021/22 financial year, with four of these engagements during the first quarter of the year, 16 in the second quarter, seven in the third quarter and seven in the fourth quarter.



1.8 Stakeholder engagement

Date of engagement	Name of Stakeholder	Reason for Engagement
04 May 2021	Free State Public Accounts and Finance	Division of Revenue Bill (B3-2021)
04 May 2021	Standing Committee on Health	Health - Annual performance plans and budget for 2021/22 financial year
05 May 2021	National Council of Provinces (NCOP)	Fiscal Oversight Workshop
11 May 2021	Standing Committee on Appropriations	2021 Appropriation Bill [B4 – 2021] and 2021 Special Appropriation Bill [B5 – 2021].
20 July 2021	Western Cape	Workshop Values, Principles, and Guidelines for Amendment Procedures Related Money Bills
23 July 2021	Western Cape Legislature	2022/23 DoR Submission
18 August 2021	Select Committee on Appropriations	Education Grants
19 August 2021	Kwa-Zulu Natal Legislature	2022/23 DoR Submission
25 August 2021	SALGA	Gender Responsive Budgeting
25 August 2021	Select Committee on Appropriations	2022/23 DoR Submission
27 August 2021	SALGA	2022/23 DoR Submission
01 September 2021	Eastern Cape Legislature	2022/23 DoR Submission
01 September 2021	Standing Committee on Appropriations	2nd Special Appropriation
01 September 2021	Standing Committee on Appropriations	2022/23 DoR Submission
06 September 2021	Department of Cooperative Governance	2022/23 DoR Submission
07 September 2021	Mpumalanga Legislature	2022/23 DoR Submission
14 September 2021	Northern Cape Legislature	2022/23 DoR Submission
15 September 2021	Select Committee on Appropriations	2nd Special Appropriation
21 September 2021	SALGA Extended EMT	2022/23 DoR Submission
30 September 2021	North West Legislature	2022/23 DoR Submission
14 October 2021	Gauteng Colloquium Gender	Gender Responsive Budgeting
10 November 2021	PC on Health	Department of Health
16 November 2021	Joint Meeting of App & Fin MTBPS	2021 MTBPS Fiscal Framework
16 November 2021	PC on Basic Education	Department of Basic Education
23 November 2021	SCOA DoRAB and AAB	2021 MTBPS DoRAB and AAB
01 December 2021	Gauteng DoR	2022/23 DoR Submission
01 December 2021	Free State DoR	2022/23 DoR Submission
08 December 2021	Northern Cape DoR	2022/23 DoR Submission
18 January 2022	Western Cape PES recommendations	PES Review
02 February 2022	Minister of Women and Persons with Disabilities	GRB EU Policy Dialogue
10 February 2022	North West Administration	S100 Administration on Health and Social Development
01 March 2022	Joint meeting 2022 Budget DoRB & AB	Budget Submissions
09 March 2022	Standing Committee on Appropriations	Budget Submissions
16 March 2022	National Council of Provinces	Gender Policy Framework
16 March 2022	Select Committee on Appropriations	Budget Submissions

2. Statement of responsibility for performance information for the year ended 31 March 2022

The Acting Chief Executive Officer is responsible for the preparation of the Commission's performance information and for judgements made on this information. This involves establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

The Auditor-General performs the necessary audit procedures on the performance information to provide assurance on audit conclusions. The audit conclusion on the performance against predetermined objectives is included in the report to management. In my opinion, and as corroborated by the Auditor-General, the performance information fairly reflects the operations of the Commission for the financial year ended 31 March 2022.



MR C W TSENG

Acting Chief Executive Officer

Date: 31 August 2022



3. Performance against predetermined objectives

Key performance measure/indicator	2021/22 annual target	2021/22 annual actual achieved	Variance/explanation
Outcome 1: Strengthening the effectiveness of the internal capacity available to the Commission			
Output: A full complement of competent staff, managed to fulfil the Commission mandate			
Number of staff attending professional development	15	19	More training needs identified and attended in the financial year to improve capacity in the Commission.
Output: Compliance with key legislative requirements to reduce audit findings.			
Number of compliance reports	4	4	
Output: Corporate Services that support Commission staff in executing on the commission mandate			
ICT downtime	1%	2.27%	In the first quarter, the ICT infrastructure was being set up and the downtime experienced was extremely high at 6.68%. In the last quarter the uptime was affected by power interruptions due to loadshedding and disconnection of electricity to the whole office building.
Procurement processes completed	80%	76.09%	The procurement processes were not successful the first time due to deficient specifications and non-responsive market participants.
Outcome 2.1: Strengthen co-operative governance through harmonising the fiscal system			
Output: Annual submission, policy briefs, technical reports and research reports on financial and fiscal matters			
Annual Submission for the Division of Revenue with Recommendation	1	1	
Submission on Medium-Term Budget Policy Statement	1	1	
Submission on Division of Revenue Bill	1	1	
Submission on the Appropriation Bill	1	1	
Number of Policy Briefs published	4	11	The Commission conducted more research due to the uncertain external environment.
Number of Technical Reports published	1	1	
Number of Research Reports	2	2	
Output: Stakeholder engagements conducted			
The number of Parliamentary committees, stakeholder meetings and forums attended in response to a request with presentations and/or contributions by the Commission	10	34	Variable statutorily required stakeholder invites received and responded to during the financial year.



PART C

Corporate Governance



Part C: Corporate governance

1. Introduction

The Commission is guided in the performance of their governance functions by the Constitution of the Republic of South Africa, 1996; Financial and Fiscal Commission Act, 1997 and other applicable prescripts. As a constitutional institution, the Commission is responsible to ensure that the democratic values and principles enshrined in the Constitution, including a high standard of professional ethics, are promoted, and maintained.

The Commission is responsible for determining and overseeing its strategic direction and operational policies and the effective implementation of its functions. The Commission leads the organisation in an ethical and effective manner by ensuring the implementation of good corporate governance through its various governance structures, strategies, processes, procedures and various prescripts such as delegations of authority, charters, codes of conduct and policies.

The Commission ensures that it operates within the framework of governance practices, which is strengthened by the Commission having its own administration support and regular meetings with the Secretariat.

2. Commission meetings and attendance

Commissioner meetings are the highest decision-making structure of the Commission. The meetings are chaired by the Chairperson; and held four times annually in terms of the enabling legislation. The table below indicates the frequency of Commission meetings and attendance during the period 2021/22.

Name of member	Position	Commission meeting attendance and dates								Day 1	Day 2		
		12/05/2021	27/05/2021	08/06/2021	29/07/2021	13/08/2021	28/01/2021	10/11/2021	20/11/2021	26/01/2021	27/01/2021	31/01/2022	31/03/2022
Dr Patience Nombeko Mbava	Chairperson					✓	✓	✓	✓	✓	✓	✓	✓
Mr Michael Sachs	Deputy Chairperson	✓	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓
Prof Lourens Erasmus	Commissioner	✓	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Prof Trevor Fowler	Commissioner	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Nthabeleng Khabutlane	Commissioner	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	A	A
Mr Sikhumbuzo Kholwane	Commissioner	A	A	A	A	A	A	A	A	A	A	A	A
Prof Aubrey Mokadi	Commissioner	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Mandla Nkomfe	Commissioner	✓	✓	A	✓	✓	A	A	✓	✓	✓	✓	A
Ms Elzabe Rockman	Commissioner	✓	✓	✓	✓	✓	✓	A	A	✓	✓	✓	A

Key: ✓ = Attended; A = Apology; Chairperson appointed on 17 August 2021



3. Committees

The Commission may appoint one or more committees to assist in the performance of any of its functions or the exercise of any of its powers. The establishment of committees strengthens the overall governance of the Commission. The audit and risk committee is a mandatory committee that is established in terms of the PFMA. The Commission has established a research working group to ensure effective implementation of its objectives. The audit and risk committee and research working group have their own terms of reference that are reviewed annually.

3.1 Audit and risk committee

The audit and risk committee is independent in accordance with the PFMA and the legislative prescripts. The Chairperson is an independent member appointed by the Accounting Officer, as mandated by the Treasury Regulations. All members comply with statutorily required competencies and have no conflicts of interest. The Commission, with the assistance of the audit and risk committee, needs to ensure that an effective, efficient and transparent system of internal control is implemented and maintained so that the Commission can meet its strategic objectives and goals. The audit and risk committee primarily assists the Commission in overseeing the quality and integrity of the financial statements, its public disclosures, the scope and effectiveness of the external audit function, and the effectiveness of the Commission's internal controls and internal audit function. The Accounting Officer, executive management and Auditor-General are invited to all meetings thus ensuring that such meetings are as effective and transparent as possible. The assertions and assurance provided by external audit are relied on to determine the effectiveness of the internal control systems.

3.2 Research working group

The research working group assists the Commission to oversee its research programme. Meetings are held four times a year, or more frequently if needed. Activities involve monitoring research plans, outputs and external expertise utilised in reviewing research proposals, and ultimately providing strategic direction and guidance during the research process. Equally critical is the role in managing the policy impact of the Commission's recommendations.



The table below indicates the composition of the research working group, frequency of meetings and attendance during 2021/2022.

Name of Member	Position	29/04/2021	17/06/2021	15/07/2021	18/08/2021	15/10/2021	15/11/2021	03/12/2021	14/01/2022	15/02/2022	25/02/2022	28/02/2022
Dr Patience Nombeko Mbava	Chairperson					✓	✓	✓	A	✓	A	✓
Mr Michael Sachs	Deputy Chairperson	A	A	✓	A	✓	✓	A	A	A	A	✓
Prof Lourens Erasmus	Commissioner	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓
Prof Trevor Fowler	Commissioner	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓
Ms Nthabeleng Khabutlane	Commissioner	A	A	A	A	A	A	A	✓	✓	A	A
Mr Sikhumbuzo Kholwane	Commissioner	A	A	A	A	A	A	A	A	A	A	A
Prof Aubrey Mokadi	Commissioner	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Mandla Nkomfe	Commissioner	✓	✓	A	✓	✓	✓	✓	A	✓	✓	✓
Ms Elzabe Rockman	Commissioner	✓	✓	A	✓	A	✓	✓	✓	✓	✓	✓

Key: ✓ = Attended; A = Apology; Chairperson appointed on 17 August 2021

4. Fraud and corruption prevention

All staff members have a duty to report knowledge or suspicion of fraud and corruption. The monitoring of fraud and corruption are done through the compliance and risk reporting. The Commission has intensified the focus on fraud awareness and prevention, including reviewing and strengthening internal controls, as a result of the forensic investigations underway.

5. Health, safety and environmental issues

The Commission cares for its employees and their work environment and seeks to ensure, as far as is reasonably possible, the health and safety of all employees in the workplace and of all other persons conducting business on its premises. The Commission is committed to the fulfilment of the requirements stipulated in the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993). No material health, safety or environmental issues were raised during the year.

6. Internal controls

The CEO is responsible for the formation and development of efficient administration including the organisation, control, management and discipline of staff. The CEO is responsible for implementing the decisions of the Commission. The Secretariat has three divisions:

6.1 Research programme

The research programme translates and implements the Commission's strategic direction for research, ensuring that key recommendations and messages are consistent, and maintains and builds the reputation of the Commission. To this end, quality research is a critical core business enabler of evidence-based recommendations. Excellence in research is unlikely to have impact, however, unless policy analysis is

packaged in a way that is understood by stakeholders and adds value to their processes. Accordingly, effective dissemination of research insights and recommendations, and effective stakeholder management, is key to the programme's work. This includes following up on the implementation of recommendations and innovation in how the Commission engages.

6.2 Finance

The responsibility of the finance function is to support and assist the Commissioners and the CEO as the Accounting Officer in the effective, efficient and transparent financial management of the resources of the Commission, including sound budgeting and budgetary control practices, ongoing implementation of internal controls, and timely production of financial reports.

Supply chain management is the responsibility of the finance function. The internal controls have been reviewed and will be monitored on a continuous basis to ensure that they are efficient, effective and adequate.

6.3 Corporate services

Corporate services translates and implements the strategic direction of the Commission for human resource management, ICT and facilities management. The human resource focus is to provide support to the Commission's employees, as they are regarded as the Commission's primary asset. In the ICT arena, focus is on the establishment of coordinated, coherent, high quality, innovative and cost effective systems and processes that meet the needs of the Commission. The facilities management unit supports a secure and conducive working environment.

7. Commission members



Dr Patience Nombeko Mbava (Chairperson) (17 August 2021 - 16 August 2026)

Dr Patience Nombeko Mbava holds a PhD: Public and Development Management and an MBA both from Stellenbosch University as well as a Bachelor of Arts in Economics (Smith College, Massachusetts, USA). She brings a wealth of expertise as a member of various boards. Dr Mbava has taught Public Policy at the Department of Political Studies at the University of Cape Town and headed monitoring and evaluation units in public entities where she provided strategic leadership for activities related to organisational strategy development and governance. She is a Research Fellow - Public Sector Monitoring and Evaluation at the Stellenbosch University School of Public Leadership and a Brand Ambassador of the Stellenbosch Business School Alumni Association Future Fund. Dr Mbava has exemplary academic awards and achievements.



Mr Michael Sachs (Deputy Chairperson) (26 May 2020 – 25 May 2025)

Michael Sachs is Adjunct Professor at the Southern Centre for Inequality Studies at the University of the Witwatersrand, where he leads the centre's research projects on public economics and fiscal policy. He teaches public economics and policy analysis at the Wits Schools of Economics and Finance and the Wits School of Governance. Prior to joining Wits he worked for over twenty-five years in public policy and political strategy in South Africa. He is a former head of the budget office at National Treasury. Prior to this Michael also worked for more than a decade at the headquarters of the African National Congress, where he coordinated economic policy development and led the party's research agenda. His research interests include public economics, macro and international economics and social policy.





Prof Lourens Jacobus Erasmus (1 April 2019 – 31 March 2024)

Prof. Erasmus is currently a Professor in Financial Governance at Unisa where he is primarily involved with research and research supervision. He is a rated researcher by the National Research Foundation (C2-rating) and has to date published 40 articles in accredited national and international academic journals and conference proceedings, focusing on public sector financial governance and internal auditing, one research book on accounting education, and eight industry reports. Prof Erasmus is the Editor-in-Chief of the DHET accredited academic journal, the Southern African Journal of Accountability and Auditing Research, and Associate Editor of the Scopus listed, South African Journal of Accounting Research. He chairs the Education and Professional Development Committee of the Southern African Institute of Government Auditors and also chairs the UNISA College of Accounting Science's Research Ethics Review Committee. He is the leader of the registered Community Engagement projects, Research on Audit Committees South Africa (RACSA), and Continuous Auditing for Public Sector Internal Auditing (CAPIA). Prof Erasmus is a general member of the Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO), the Southern African Accounting Association (SAAA) and Research Ethics Association of South Africa (REASA). His qualifications are: D Tech Cost and Management Accounting (TUT); M Tech Cost and Management Accounting (Tech PTA); B Tech Finance and Accounting (Public) (Cum Laude) (Tech PTA); Nat. Dip. Government Finance (Cum Laude) (Tech PTA).



Prof Trevor Fowler (1 April 2019 – 31 March 2024)

Prof Fowler is a Visiting Adjunct Professor at the University of Witwatersrand, School of Governance. He is a graduate Civil Engineer of the University of Manitoba in Canada. He has more than forty (44) years of experience in civil engineering research, design, construction, project management, political and administrative leadership/ management/ negotiations, governance, community/ national / international stakeholder management, water supply planning and development. Prof Fowler was the City Manager/ CEO of the City of Johannesburg until December 2016. Previously, he was an Executive Director of Murray and Roberts and Head of SADC Construction Cluster responsible for subsidiary companies in South Africa, Botswana and Zimbabwe, the Chief Operations Officer and Accounting Officer/ Deputy Head of the SA Presidency under Presidents Mbeki, Motlanthe and Zuma, advisor to Premier Mbhazima Shilowa, the MEC of Development Planning & Local Government and Leader of the House, Speaker of the Gauteng Legislature, Head of Transition Management Team and advisor to first Minister of Water Affairs and Forestry, Hon K Asmal. Prior to the democratic government in 1994. Prof Fowler was research officer/ lecturer at Wits, Faculty of Engineering, a member of the National Local Government Negotiating Forum (LGNF negotiated transitional arrangements for CODESA) and member of the Technical Committee of Codesa to Demarcate the Provincial Boundaries.



Ms Nthabeleng Khabutlane (1 April 2019 - 31 March 2024)

An accountant with Certified Internal Auditor and Chartered Tax Advisor qualifications and has recently completed her Masters in Business Administration at the University of Free State, Ms Nthabeleng Khabutlane is a seasoned professional with a track record of auditing and evaluating highly computerised and manual business environments. Her industry experience includes working in the Financial Sector, Services Sector, Manufacturing Sector, Construction Sector, Engineering sector, Government Institutions and Parastatals. Her areas of expertise include IT post implementation reviews, application control reviews, operational audits, compliance audits, finance audits, value for money audits, audit turnaround, AFS compilations, Risk Management, Governance, and special investigations. She has experience at junior level, middle and executive management levels in a career spanning over 16 years with appropriate qualifications in both Auditing and Accounting. She has served on various boards and chaired many Audit Committees. Her recent business expansion is into short-term insurance.



Mr Sikhumbuzo Eric Kholwane (26 May 2020 – 25 May 2025)

Mr Kholwane has an LLB degree from the University of South Africa. He also has the following educational qualifications: Nursing diploma from the Mpumalanga Nursing College, advanced diploma in Human Resources; and advanced diploma in economic policy from the University of Western Cape, Industrial Policy and Research for leaders from the University of Johannesburg School of Leadership; and is currently studying for a post- graduate diploma in public policy and African studies.



Prof Aubrey Mokadi (1 April 2018 - 31 March 2023)

Prof Aubrey Mokadi studied at various institutions of higher learning: Fort Hare University, University of the Witwatersrand, University of South Africa, Stanford University (USA), and University of Oxford (United Kingdom). He has lectured in the English departments of various universities and published widely in several accredited journals nationally and internationally in various fields and topics. Prof Mokadi is a former chairperson of Vaal Triangle Technikon, first black Rector and Vice Chancellor of Vaal University of Technology, former director of Dorbyl Steel and Engineering, former director of ABSA Bank, first black manager of ISCOR (now Acelor Mittal), former chair of the Committee of Technikon Principals (CTP), former joint chair of (SAUVCA/CTP), founder member of Higher Education South Africa (HESA), currently known as Universities of South Africa (USA), former executive committee member of SERTEC (Certification and Quality Assurance Statutory Body of Universities of Technology), former trustee of National Tertiary Retirement Fund (NTRF) and the Recipient of several awards of merit and leadership. Prof Mokadi is a former president of Vaal Civic Association, (now SANCO), chair and trustee of Vaal Career College, Chair of Vaal Broad Forum (comprising all community and political structures), chair of Vaal Education and Training Forum (VETF) and recipient of various community recognition awards. Prof Mokadi is a former Special Advisor to the Premier of the Free State Government. He is now director of The South Africa Institute of Leadership (SAIL), a skills-based company offering SAQA accredited qualifications and leadership programmes; director of Jubilee Management Services, chairperson of Leadership Enterprise Development Organisation (LEDO). Prof Mokadi is currently a member of the board of directors of the O R School of Leadership, an ANC NEC initiative to train and develop all its members from MPs to MPLs, councillors, and general membership on critical aspects of leadership and cadreship in the organisation.





Mr Mandla Nkomfe (1 April 2018 - 31 March 2023)

Mr Nkomfe is currently working as special advisor to the Minister of Public Enterprises. He has acted in this capacity since 2014, firstly in the Department of Cooperative Governance and Traditional Affairs (COGTA), the Department of Finance and lately public enterprises. Mr Nkomfe has a Bachelor of Arts (BA) degree, Postgraduate Diploma in Public and Development and Master of Management in Public and Development, all obtained from the University of Witwatersrand. He also has obtained a diploma in International and Central Banking from the University of South Africa. He was a Member of the Executive Council (MEC) for Economic Affairs and Finance in 2008 and MEC for Finance up to 2014. Mr Nkomfe is a member of the board of trustees of the Ahmed Kathrada Foundation; and a member of the board of trustees of the Johannesburg Philharmonic Orchestra.



Ms Elizabeth Cornelia Rockman (26 May 2020 – 25 May 2025)

Ms Elzabe Rockman obtained her BA Educationis (Languages) and Hons BA Languages (English) from the University of the Free State. She is also a Certified Fraud Examiner and a member of the Association of Certified Fraud Examiners (ACFE – International and South African Chapters). She was a Member of the Executive Council (MEC) for Finance in the Free State from 2013 to 2019. Prior to that she served as the Director General of the Free State Province (2011 - 2013), the Head: Monitoring and Evaluation (FS Premier's Office, 2009 – 2011) and the Secretary to the Free State Legislature (1994 to 2009). She served as the regional election administrator of the ANC Southern Free State region and participated in a training programme focusing on parliamentary management and administration facilitated by the ANC in Zimbabwe, Canada and South Africa in preparation of the 1994 general elections. Ms Rockman is the Chairperson of The Elf Foundation, a non-profit organisation focusing on socio-economic interventions and poverty relief programmes in poor and disadvantaged communities in the Free State Province.



PART D

Human resource management



Part D: Human resources management

The Human Resources Unit provides essential internal support services to ensure the smooth functioning of the FFC. This section indicates the workforce profile in terms of the total number of people on the staff establishment, inclusive of fixed-term contract employees. The vacant positions as of 31 March 2022 are also shown. Plans are in progress to fill these vacancies, and currently most of the vacant positions indicated have been filled.

1. Employment and vacancies by salary band

Salary band	Total headcount 31 March 2021	Vacant positions 31 March 2021	Total headcount 31 March 2022	Vacant positions 31 March 2022
Salary levels 1–2	1	0	2	0
Salary levels 3–5	2	0	2	0
Salary levels 6–8	1	0	2	0
Salary levels 9–12	13	2	13	4
Salary level 13	4	3	3	4
Salary levels 14–15	5	0	5	0
Total	30	12	27	8

2. Personnel expenditure

The personnel expenditure table provides an overview of the Commission's personnel cost composition by salary level for the year ending 31 March 2022.

2.1 Personnel costs by salary band

Salary levels	Personnel expenditure (R)	% of total personnel cost	Average personnel cost per employee (R)
Salary levels 1–2	191 023.10	1%	95 511.55
Salary levels 3–5	984 585.00	4%	492 292.61
Salary levels 7–8	1 139 019.36	4%	569 509.68
Salary levels 9–12	10 498 777.29	38%	749 912.66
Salary level 13	5 637 711.07	21%	805 387.30
Salary levels 14–15 (executive management)	7 732 732.65	28%	966 591.58
Salary level 17 (chairperson)	1 196 952.96	4%	1 196 952.96

3. Employment changes

3.1 Appointment and terminations

Salary band	Appointments	Terminations	Total headcount 31 March 2022
Salary levels 1–2	1	0	2
Salary levels 3–5	0	0	2
Salary levels 6–8	1	0	2
Salary levels 9–12	2	1	13
Salary level 13	2	4	3
Salary levels 14–15 (executive management)	2	2	5
Total	8	7	27

A further breakdown is provided in section 3.2. and 3.3

3.2 Employment and vacancies by programme

The following table indicates the employment and vacancy trends by programme as at 31 March 2022.

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy Rate (%)	Number of employees additional to the establishment
Research	12	7	41.67	0
Administration	23	20	13.04	0
Total	35	27	28.86	0

3.3 Senior Management Service (SMS) posts*

The following table shows the filling of posts defined as SMS in the public service as at 31 March 2022.

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	Percentage of SMS posts filled (%)	Total number of SMS posts vacant	Percentage of SMS posts vacant (%)
Salary level 15	1	1	100.00	0	0
Salary level 14	4	4	100.00	0	0
Salary level 13	7	3	42.86	4	57.14
Total	12	8	66.67	4	33.33

The following table shows the SMS post information as at 30 September 2021

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	Percentage of SMS posts filled (%)	Total number of SMS posts vacant	Percentage of SMS posts vacant (%)
Salary level 15	1	1	100.00	0	0
Salary level 14	4	4	100.00	0	0
Salary level 13	7	4	57.14	3	42.86
Total	12	9	75.00	3	25

* The Commission voluntarily aligns itself to the principle of SMS as defined in the Public Service Act, 1994 (Act No. 47 of 1994).

The following table shows the advertising and filling of SMS posts for the period 1 April 2021 to 31 March 2022.

SMS Level	Advertising	Filling of posts	
	Number of vacancies per level advertised in 6 months of becoming vacant	Number of vacancies per level filled in 6 months of becoming vacant	Number of vacancies per level not filled in 6 months but filled in 12 months
Salary level 14	1	1	0
Salary level 13	3	1	0
Total	4	2	0



The following table shows the reasons for not having complied with the filling of funded vacant SMS posts which were advertised within six months after becoming vacant for the period 1 April 2021 to 31 March 2022.

Reasons for vacancies advertised but not filled within six months
One position was not filled due to organisational structure changes, while the other was re-advertised.
Reasons for vacancies not filled within twelve months
Not applicable
Disciplinary steps taken for vacancies advertised but not filled within six/twelve months
Not applicable

3.4 Reasons for staff terminations

In terms of the staff categories, the Commission reports seven terminations. During 2021/22, there were five voluntary resignations and two fixed term contracts expired.

Termination type	Number
Resignation	5
Retirement	0
Contract expiry	2
Dismissal	0
Mutual termination	0
Total	7

4. Total number of employees per occupational level as of 31 March 2022

4.1 Headcount

The table below shows the Commission's headcount classification per occupational level as of 31 March 2022. The headcount includes employees appointed permanently and on fixed-term contracts. Analysis shows that in terms of gender, females account for 68.42 per cent and males for 31.58 per cent of the Commission's headcount. The distribution of race is African 68.42 per cent, Coloured 15.79 per cent, Indian 5.26 per cent and White 10.53 per cent.

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Executive management	2	0	0	0	1	0	1	1	5
Senior management (SMS)	2	0	0	0	0	1	0	0	3
Professionally qualified and experienced specialists and mid-management	3	1	0	0	2	0	0	1	7
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3	0	0	0	9	4	1	2	19

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Semi-skilled and discretionary decision making	1	0	0	0	1	0	0	0	2
Unskilled and defined decision making	0	0	0	0	2	0	0	0	2
Total	11	1	0	0	15	5	2	4	38
Persons who have declared disabilities	0	0	0	0	0	0	0	0	0

5. Training and development philosophy

The Commission is committed to developing a workforce that can realise its current and future vision. It will achieve this by providing appropriate learning and development opportunities for employees at all organisational levels. All new employees, both permanent and fixed-term contract employees, receive orientation within their first months of employment regarding the Commission's philosophy, organisational values, and mandate. A blended approach to learning and development is adopted which recognises both formal, including bursaries, and on-the-job training and internships. The tables below indicate training interventions provided by service providers that were attended during 2021/22 and statistics on the internship programme.

Salary levels	Number of employees	Number of employees trained	Number of training interventions attended	Total training cost/payment (R)	Average training payment per employee (R)
Salary levels 1–2	2	1	1	7 560.00	7 560.00
Salary levels 3–5	2	1	1	6 999.00	6 999.00
Salary levels 6–8	13	1	1	16 686.25	16 686.25
Salary levels 9–12	13	4	11	42 083.50	10 520.88
Salary level 13	3	2	2	12 634.00	6 317.00
Salary level 14-15 (executive management)	5	3	3	34 206.25	11 402.08
Total	38	12	19	120 169.00	10 014.08

Internship programme as at 31 March 2022

Number of interns as at 31 March 2021	Number of interns appointed	Number of interns as at 31 March 2022	Interns' expenditure (R)
4	7	11	3 143 100.35

6. Performance rewards

The table below illustrates the breakdown of the performance reward distribution for non-management services, management services and executive management respectively. The total cost of the performance reward to all employees for the financial year ended 31 March 2021 was, R479 466.00 which was paid in May 2022. The below table is based on employee numbers as at 31 March 2021 who were eligible for bonus payments for the year.



6.1 Performance reward by salary band

Salary levels	Number of employees	Number of bonus-qualifying employees	% of total in group	Total bonus cost/ payment (R)	Average bonus payment per employee (R)
Salary levels 1–2	1	1	100.00	3 834.08	3 834.08
Salary levels 3–5	2	2	100.00	24 913.38	12 456.69
Salary levels 6–8	5	1	20.00	11 546.74	11 546.74
Salary levels 9–12	13	12	92.31	232 743.02	19 395.25
Salary level 13	4	4	100.00	100 538.55	25 134.64
Salary level 14-15 (executive management)	5	3	60.00	105 890.05	35 296.68
Total	30	23	76.66	479 465.82	20 846.34

7. Leave utilisation

7.1 Annual and sick leave

The leave utilisation table below shows the annual leave and sick leave trends in the Commission.

Salary levels	Number of employees	Total days annual leave taken	Average annual leave days per employee	Total days sick leave taken	Average annual sick leave days per employee
Salary levels 1–2	2	20.5	10.3	10	5
Salary levels 3–5	2	73.0	36.5	0	0
Salary levels 6–8	13	193.5	14.9	29	2.2
Salary levels 9–12	13	374.5	28.8	75	5.8
Salary level 13	3	129.0	43.0	28	9.3
Salary level 14-15 (executive management)	5	89.5	17.9	19	3.8
Total	38	880.0	23.2	161	4.2

7.2 Disability leave (temporary and permanent)

Employee wellness information is always shared with employees, and such information helps them to adopt and maintain healthy behaviours and lifestyles. Healthy behaviours lead to lower health risks, and lower health risks lead to less chronic disease. As a result, the Commission recorded no temporary disability leave during 2021/22.

7.3 Leave pay-out

Leave pay-out on termination of service	Total amount (R)	Number of employees	Average payment per employee (R)
Total	263 920.69	6	43 986.78

8. Labour relations trends

8.1 Grievances lodged

No formal grievance was lodged during 2021/22.

8.2 Dismissal

No employee left the Commission as a result of dismissal during 2021/22.

8.3 Injury on duty

During 2021/22, no injury on duty cases were reported. This is due to preventative precautionary measures consistently taken by the Commission to create a safe and conducive working environment, and to be in compliance with the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993) and Regulations.



PART E

Financial information



Part E: Financial information

1. Statement of responsibility and approval of the annual financial statements for the year ended 31 March 2022

The Accounting Officer is responsible for the preparation of financial statements that fairly present the financial position, performance and cash flows for the financial period under review and for the related information contained in the annual report. For the Accounting Officer to discharge these responsibilities in terms of PFMA and other applicable legislation, the Commission has an established system of internal controls.

The Commission maintained and improved its maintenance of accounting records and an effective system of internal controls and risk management and complied in all material respects with applicable laws and regulations, except as reported by the Auditor-General. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. Monitoring of these controls includes regular review of the Commission's operations by the Accounting Officer and independent oversight by the audit and risk committee.

The Commission prepared the annual financial statements presented on pages 44 to 79 using Standards of Generally Recognised Accounting Practice (GRAP). Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been used consistently.

The external auditors are responsible for reporting on whether the financial statements are fairly presented. Their report is presented on page 37.

The Commission is financially dependent on a government grant from the nationally appropriated funds. On the basis that the government grant has been listed in the Estimates of National Expenditure, the Commission believes that it will continue to be a going concern in the year ahead. For this reason, the Commission prepared the annual financial statements on a going concern basis.

As the Accounting Officer, I have approved the annual financial statements for the year ended 31 March 2022 which were signed.



MR C W TSENG

Acting Chief Executive Officer

Date: 31 August 2022

2. Report of the audit and risk committee for the year ended 31 March 2022

2.1 Legislative requirements

The audit and risk committee (committee) presents herewith its report for the financial year ended 31 March 2022, as required by section 77 of the Public Finance Management Act, 1999 (Act No. 1 of 1999, as amended by Act No. 29 of 1999 (PFMA) read with Treasury Regulation 3.1.13.

2.2 Audit and risk committee members and attendance

The committee has been established in accordance with section 38(1) (a) (ii) and 77 of the PFMA. The committee charter requires that the committee should comprise a minimum of three and a maximum of six members.

The committee comprised six members, including the Chairperson, Ms Zipphora Mamabolo. In terms of section 77(b) of the PFMA, the committee must meet at least twice a year; however, the committee charter instructs that the committee should hold four meetings per year. During the financial year ended 31 March 2022, the committee met on seven occasions. The table below shows the attendance at these meetings:

Name of member	Position	22/04/2021	24/05/2021	20/07/2021	27/07/2021	21/10/2021	19/01/2022	14/02/2022
Mr Duncan Ntuli	Independent Chairperson	A	✓	✓	✓			
Ms Karen Muthen	Independent Member	✓	A	✓	A	✓	A	A
Ms Zipphora Mamabolo	Independent Member / Chairperson	✓	✓	✓	✓	✓	✓	✓
Ms Bongwiwe Mbomvu	Independent Member	✓	✓	✓	✓	A	✓	✓
Ms Shelmadene Petzer	Independent Member	✓	✓	✓	✓	✓	✓	✓
Ms Unathi Mkiva	Independent Member	✓	✓	✓	✓	✓	✓	✓

Key: ✓ = Attended; A = Apology; Shaded = No longer members

The members committee held meetings with the CEO, senior management of the institution, and the external auditors, collectively and in certain instances individually, on matters related to governance, internal control and risk management in the institution, throughout the reporting period. The committee chairperson also attended the Commission meetings to report on governance, internal control, risk management, performance and financial information and other relevant matters concerning the institution.

2.3 Audit and risk committee responsibilities

The audit and risk committee has complied with its responsibilities arising from section 38(1)(a)(ii) of the PFMA read with treasury regulation 3.1.10, and reports that it operated in terms of the audit and risk committee charter.



2.4 Effectiveness of internal control

The audit and risk committee acknowledges management's efforts to strengthen internal controls in the institution. There is a need for increased technical support, monitoring and evaluation by management to unlock the full potential of these efforts. The audit and risk committee is concerned that in certain instances the matters reported by the external auditors in prior years have not been fully and satisfactorily addressed, and this resulted in repeated findings from the external auditors.

Management has provided assurance that effective corrective action will be implemented in respect of all internal control weaknesses, and the committee will monitor these going forward. Vacancies undermine the effective functioning of the system of internal control, and it is imperative that management reviews its recruitment procedures and processes to ensure that vacancies are filled expeditiously with properly qualified, skilled and experienced personnel.

The Commission has not adopted aggressive anti-corruption measures to curb the possible risk of fraud and corruption. The committee is not completely satisfied with the prevention of fraud and these concerns have been raised with management. The committee has requested that a detailed fraud prevention plan, including consequence management plan and progress reports on the action plans for addressing the fraud risks, be tabled at each quarterly meeting of the committee.

During the year under review, the CEO was put on suspension, and an acting CEO, Mr Chen Wei Tseng, was appointed. The disciplinary process of the CEO is still underway, and the Acting CEO will be in the position until the matter has been finalised.

2.5 Quality of monthly and quarterly reports submitted in terms of the PFMA

The committee is concerned about the content and quality of management and quarterly reports prepared and issued during the year under review in compliance with the statutory framework. The concerns emanate from the lack of implementation of the recommendations to improve submissions tabled. The committee has engaged with management to remedy this and management has committed to improve its submissions.

The committee raised concerns with the Annual Performance Plan (APP) targets set, as the targets are mostly quantitative in nature rather than qualitative which fails to give assurance that the Commission is adequately fulfilling its mandate. These quantitative measures hamper the Commission in making critical adjustments in the execution to achieve the strategic goals and be able to monitor the impact that the outcomes have on the mandate of the Commission. Management has made an undertaking to review the 2022/23 APP targets to address the committee's concerns.

The committee receives interim financial statements on a quarterly basis. Care needs to be taken to ensure that they are complete and accurate in accordance with the supporting documentation and are in compliance with the financial reporting framework, GRAP. This assists in the performance of reconciliations timeously as well as reducing the year-end adjustments.

The committee reviewed and commented on the institution's annual financial statements and report on performance information prior to their submission to the external auditors by 31 May 2022.

2.6 Internal audit function

The CEO, as the Accounting Officer, is obliged in terms of the PFMA to ensure that the institution has a system of internal audit under the control and direction of committee.

The committee reports that despite continuous reminders and enquiries the Commission failed to appoint internal auditors during the year. This failure impacted on the committee's functions as there was no independent monitoring of the internal control environment.

The Commission has submitted a three-pronged approach to the sourcing of the internal audit function in the new financial year, namely:

- Insourcing of internal audit services
- Procurement of outsourced internal audit services
- Shared internal audit services.

The audit and risk committee awaits completion of this process.

2.7 Risk management function

The committee is responsible for the oversight of the risk management function. The Commission's management prepared quarterly risk reports, which were submitted to the Committee for review and monitoring.

The committee reviewed the risk register and the reports from management and is generally satisfied with the maturity of the risk management process.

A risk management assessment workshop was held in the period under review and a strategic risk register was developed and approved by the Commission for year 2021/22.

2.8 Evaluation of the finance function

The Commission appointed a permanent Chief Financial Officer (CFO), Mr Kwandiwe Mviko during the previous financial year. During the year, the committee ensured, through the CFO, that the financial internal controls were operating efficiently, effectively, and economically. The concern from the function of the Office of the CFO is with regards to procurement in terms of bid evaluations. The Commission does not have capacity to properly and timeously evaluate and award tenders and the tender committees lack the necessary skills and capacity to drive the procurement process. Management resolved to source services outside the Commission for assistance in bid evaluation in order to speed up the process of procurement. This has also resulted in the delayed appointment of the internal audit services among others.

Overall, the committee is satisfied with the improvement in the finance function of the Commission, with the exception of the procurement department performance in the finance function, during the year under review.



2.9 Performance management

Part of the responsibilities of the audit and risk committee includes the review of performance management. The committee has performed the following functions in evaluating the performance of the Commission:

- Reviewed and commented on compliance with statutory requirements and performance management best practices and standards
- Reviewed and commented on the alignment of the annual performance plan, budget, strategic plan. Performance agreements, however, were not reviewed
- Reviewed and commented on the relevance of performance indicators to ensure that they are measurable and relate to services performed by the institution
- Reviewed and reported non-compliance with legislation
- Reviewed the overall compliance with the reporting requirements
- Reviewed the quarterly performance reports
- Reviewed and commented on the Commission's performance management system and made recommendations for its improvement.

The committee is satisfied that the performance report has been prepared in terms of the PFMA, the Treasury Regulations and any other related regulatory requirements for reporting performance, except for the quantitative APP targets, and the possibility of including qualitative targets in order to measure performance.

The external auditors commended management as it has achieved 100 per cent of the targets set out in the annual performance plan for selected programme 2 research (100 per cent of core mandate targets) and recommends that management continue providing an oversight role in this area.

With that comment, a concern was raised about the indicators and targets not capturing the essences of functions of the commission. The planned indicators and targets relate to number of submissions made by the Commission as opposed to the recommendations provided by the Commission, which capture the core function of the Commission.

2.10 Evaluation of the annual financial statements

The audit and risk committee has reviewed the annual financial statements, focusing on the following:

- Significant financial reporting judgements and estimates contained in the annual financial statements
- Clarity and completeness of disclosures and whether disclosures made have been set properly in context
- Quality and acceptability of, and any changes in, accounting policies and practices
- Compliance with the financial reporting framework and legal requirements
- Significant adjustments and/or unadjusted differences resulting from the audit
- Reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted
- Reasons for major year-on-year fluctuations
- Asset valuations and revaluations
- Calculation and levels of general and specific provisions
- Write-offs and reserve transfers
- The basis for the going concern assumption, including any financial sustainability risks and issues.

Except for the matters identified by the Auditor-General of South Africa in the audit report, the committee is comfortable that the annual financial statements have been prepared in accordance with GRAP and the PFMA.

2.11 External auditor's report

The committee concurs with and accepts the conclusion and audit opinion of the external auditors on the annual financial statements. The committee is of the view that the audited financial statements be accepted and read together with the report of the external auditors.

The committee concurs with the findings on the reported performance information and compliance with legislation. The external audit function, performed by the Office of the Auditor-General of South Africa, is independent of the Commission.

The committee has met with the external auditors to ensure that there are no unresolved issues and acknowledges the diligence and cooperation of the external audit team.

On behalf of the audit and risk committee:



MS ZIPPHORA MAMABOLO

Chairperson, Audit and risk committee

Financial and Fiscal Commission

Date: 31 August 2022



3. Statement of responsibility of the Accounting Officer for the annual financial statements for the year ended 31 March 2022

The annual financial statements have been prepared in accordance with the Standards of GRAP, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Commission and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Commission sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the Commission, and all employees are required to maintain the highest ethical standards in ensuring that the institution's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Commission is on identifying, assessing, managing and monitoring all known forms of risk across the institution. While operating risk cannot be fully eliminated, the Commission endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Based on the information and explanations given by management in respect of 2021/22, the Accounting Officer is of the opinion, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatements or deficit.

The Accounting Officer has reviewed the Commission's cash flow forecast for the year to 31 March 2023 and, in the light of this review and the current financial position, is satisfied that the Commission has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the Commission is a going concern and that the government has neither the intention nor the need to liquidate or materially curtail the scale of the Commission.

The Commissioners are accountable for the fiduciary governance and management of the Commission. The Chief Executive Officer, as the Accounting Officer of the Commission, is responsible for its financial affairs.

The annual financial statements set out in this annual report were approved and signed by the Accounting Officer.



MR C W TSENG

Acting Chief Executive Officer

Date: 31 August 2022

4. Analysis of financial statements

4.1 Revenue

The Commission received its funding from non-exchange and exchange transactions.

4.1.1 Revenue received from exchange transactions

The Commission received interest of R613 329 (2021: R523 555) on its positive bank balance.

4.1.2 Revenue received from non-exchange transactions

The total appropriation from the National Treasury for the Commission for the year ending 31 March 2021 was R63 199 000 (2020: R63 821 000) representing a 1.0 per cent increase in revenue. This increase is in line with the Medium-Term Expenditure Framework (MTEF) and minimal increases are expected as part of the Commission's commitment to keep expenses and costs to the minimum. The funding from the national fiscus was exclusively used for the operations of the Commission.

4.2 Expenses

Operating expenditure slightly decreased from R66 775 765 (restated) to R65 519 424, representing a decrease of 1.8 per cent from the previous year. The main fluctuations in operating expenditure were derived from the following:

- The recognition of an expense related to the surrender of surplus amounting to R14 628 395 (2021: R16 283 431) as directed by the National Treasury instruction note 12 of 2020/21. The Commission is directed to surrender any surplus which it is not intending to request to retain, to fund commitments or other expenditure.
- Employee costs increased from R31 176 294 to R32 707 900. The cost of remuneration increased by 4.9 per cent due to the cost-of-living adjustment being implemented in the current financial year, in alignment with the DPSA guidelines for public sector employers. A significant driver for the increased cost of employment related to the increased recruitment drive of the Commission focusing on capacitating both core and support functions during the financial year.
- Professional services costs have increased during the year by 8.6 per cent, from R4 694 140 to R5 098 641. The Commission spent R3 360 813 on ICT support during the year in its ongoing bid to strengthen the processes and procedures and ICT services provision of the Commission, and to prepare for and allow the Commission to operate in the new work environment which includes hybrid structures. Commission research costs increased by 32.3 per cent from R1 498 503 to R1 982 699, due to an increase in the scope of work performed by the research division.

Other operating expenditure was relatively stagnant during the year. Continued savings were achieved in travelling costs as a result of the Commission conducting stakeholder engagements on virtual platforms which proved relatively successful and facilitated a larger reach for the Commission.



4.3 Assets

Current assets have decreased to R17.2 million from R22.4 million (restated). The decrease was mainly due to the return of surplus cash reserves of R19 million. A portion of the cash reserves will be surrendered to the National Revenue Fund as these relate to budgeted expenditure which is no longer required. Included in the receivables from exchange transactions are prepayments in respect of operating expenses of R1 038 145 (current portion) and R196 703 (non-current portion).

Property, plant and equipment and intangible assets have not increased significantly as additions of assets of only R194 623 were made during the financial year. Other movement is attributable to depreciation/amortisation of assets as well as disposal of assets at the end of their useful lives.

4.4 Liabilities

Liabilities include provisions for leave pay of R1 312 174 (2021: R1 705 487). A performance bonus provision of R479 466 has been raised in the current year as the Commission has approved the performance management outcomes of the 2020/21 financial year. Payables from exchange transactions include suppliers outstanding at year end. This has slightly increased in the current year to R1 680 623 (2021: R1 556 832).

4.5 Disclosures

4.5.1 Commitments

Commitments disclosed in the financial statements relate to committed and contracted capital expenditure which has been approved by the CEO of the Commission. The commitments for the year under review are predominantly driven by operational contracts which were not completed at year end.

Operating lease commitments have been disclosed in accordance with GRAP requirements for straight lining of lease commitments. These relate to leased office accommodation for the Commission. The Commission is currently assessing its office space needs and is planning to secure fit-for-purpose office accommodation.

4.5.2 Related party disclosures

Related parties of the Commission are all involved in arm's length transactions governed by legislative or contractual commitments entered into in compliance with relevant regulations.

4.5.3 Irregular and fruitless and wasteful expenditure

The Commission continues to incur significant irregular and fruitless and wasteful expenditure as a result of contracts entered into in previous financial years:

Type of expenditure	On contracts entered into prior to 2021/22	On contracts entered into in 2021/22 FY	Total
Irregular	3 345 034.79	282 181.53	3 627 216.32
Fruitless and wasteful	709 864.04	4 926.28	714 790.34

Although improvements in relation to new contracts/transaction have been made, management is committed to ensure that no irregular or fruitless and wasteful expenditure is incurred by the Commission.

The Commission has appointed forensic investigators to look into the irregular expenditure incurred and to recommend the appropriate process to be followed by the Commission in an effort to ensure effective consequence management is implemented.

4.6 Major event expenditure

The Commission did not incur any expenditure in respect of any major event during the period under review that was not related to its mandate.

4.7 Constraints

In a knowledge intensive domain, the Commission remains critically aware of the importance of its staff. The Commission will prioritise its research programme to strengthen its ability to generate influential policy advice, based on credible research, and to increase its empirical data capacity. Suitable research expertise is difficult to secure, however. The specialist technical skills required mean there is a limited number of researchers from which to recruit. The attraction of talent, and the management and retention of competent staff remains a key imperative.

4.8 Corporate governance arrangements

4.8.1 Internal audit function

The Commission did not have an internal audit function in the 2021/22 financial year and this has hampered its ability to improve its internal control environment. The Commission is determined to capacitate this function in order to improve its assurance levels.

4.8.2 Risk management

Because of its size, the Commission does not have a separate enterprise risk management (ERM) unit. The discharge of this responsibility devolves to all members of executive management and is coordinated by the Chief Financial Officer.

Management has reviewed the Commission's risk management strategy, which informed the continuous integration of risk management into the daily activities of the Commission.

Management has created awareness and instituted risk management processes and procedures in alignment with the public sector risk management framework in the form of an independent risk review process. The Commission updated its risk profile, which is monitored on an ongoing basis by internal governance structures, including the executive management team and the audit and risk committee.

While it was developing its risk profile, the Commission paid special attention to identifying and assessing strategic risks.

4.9 New activities

Except for requests received from stakeholders in terms of Section 3 of the Financial and Fiscal Commission Act, 1997, there were no other new activities during the course of the reporting period.



4.10 Asset management

In terms of Section 38(1)(b) of the PFMA, the CEO as the Accounting Officer of the Commission is responsible for the effective, efficient, economical and transparent use of its resources.

In addition to the normal daily administration and management of the Commission's asset register, appropriate activities were undertaken to improve on the overall asset management environment of the Commission. The Commission ensured that its assets are properly tagged, verified and accounted for. Any lost or redundant assets were identified and removed from the asset register. An asset verification process was also conducted in order to ensure that Commission assets are accounted for and accurately reported in the annual financial statements.

4.11 Performance information

Divisional heads report to the CEO on a regular basis on the progress made regarding functional delivery and measurable outputs, as contained in the Commission's strategic plan.

4.12 Standing Committee on Public Accounts (SCOPA)

There were no SCOPA resolutions in 2021/22 relating to the Commission.

4.13 Surplus and reserves

The Commission received approval at the beginning of the year to use its accumulated surplus towards operations. The impact of the Covid-19 pandemic has altered the manner in which the Commission has expended its budget, resulting in savings and deferral of expenditures on its budget items. The Commission has assessed its budget requirements and will request to retain only part of the surplus related to contracted commitments in the upcoming year.

4.14 Budget

The Commission's budget was submitted to the National Treasury in terms of the PFMA. There was no surplus/deficit in the budget.

4.15 Executive Authority

The Executive Authority of the Commission is the Chairperson of the Commission in terms of the Treasury Regulations to the PFMA.

Name	Position	Period served during the 2020/21 financial year
Mr M Sachs	Acting Chairperson	01 March 2021 – 16 August 2021
Dr N Mbava	Chairperson	17 August 2021 – 31 March 2022

4.16 Approval

The annual financial statements set out on pages 44 to 79 have been approved by me as the Accounting Officer.



MR C W TSENG

Acting Chief Executive Officer

Date: 31 August 2022

Report of the Auditor-General to Parliament on the Financial and Fiscal Commission

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Financial and Fiscal Commission (commission) set out on pages 44 to 79, which comprise the statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial and Fiscal Commission as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice statement of (Standards of GRAP) and the requirements of the Public Finance Management Act (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the commission in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting officer for the financial statements

6. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting officer is responsible for assessing the commission's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the commission or to cease operations, or has no realistic alternative but to do so.



Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the commission's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the commission enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the commission's annual performance report for the year ended 31 March 2022:

Programmes	Pages in the annual performance report
Outcome 2.1: strengthen co-operative governance through harmonising the fiscal system	10

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on page 10 for information on the achievement of planned targets for the year and management's explanations provided for the over achievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the commission's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. The material findings on compliance with specific matters in key legislation are as follows:

Expenditure management

19. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R3 549 752, as disclosed in note 27 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1.
20. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R676 058, as disclosed in note 26 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the fruitless and wasteful expenditure was caused by payment of rental amounts for office space not utilised by the commission and subsequent cancellation fee paid by the commission in order to prevent future losses. Fruitless and wasteful expenditure amounting to R 632 400 was incurred on unutilised office space.

Financial statements, performance report and annual report

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and as required by section 40(1)(a) and (b) of the PFMA. Material misstatements of non-current assets identified by the auditors in the submitted financial statement were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified opinion

Procurement and contract management

22. Some of the goods and services were procured without obtaining at least three written price quotations in accordance with treasury regulation 16A6.1, paragraph 3.3.1 of practice note 8 of 2007/08 and paragraph 3.2.1 of SCM instruction note 2 of 2021/22. Similar non-compliance was also reported in the prior year.

Consequence management

23. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 38(1)(h)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.



Other information

24. The commission's accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the chairperson of the commission report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
27. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary

Internal control deficiencies

28. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the compliance with legislation included in this report.
29. The leadership did not exercise oversight responsibility regarding financial and compliance and related internal controls to ensure that compliance requirements were met in order to prevent irregular, fruitless and wasteful expenditure
30. Effective system of internal control were not implemented to ensure accurate financial statements. The preparation of financial statements was not adequately executed to resulting in material adjustments identified through the audit process, which were subsequently corrected
31. The commission was not effective in developing and monitoring the implementation of action plans, it put in place to address internal control deficiencies. Management was also not effective in the implementation of effective human resource management to ensure that adequate and sufficiently skilled resources were in place and that their performance was monitored

Auditor General



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Pretoria
31 July 2022

Annexure – Auditor-General's responsibility for the audit

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the commission's compliance with respect to the selected subject matters.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the commission's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting officer
- conclude on the appropriateness of the accounting officer use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the commission to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the commission to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

33. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
34. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



Statement of Financial Position

as at 31 March 2022

Figures in Rand	Note(s)	2022	2021 Restated
Assets			
Current Assets			
Receivables from exchange and non-exchange transactions	3	1 038 145	1 131 758
Cash and cash equivalents	4	16 255 724	22 272 319
		17 293 869	23 404 077
Non-Current Assets			
Property, plant and equipment	5	1 991 925	2 125 749
Intangible assets	6	596 767	658 239
Receivables from exchange and non-exchange transactions	3	196 703	601 246
Deposit	7	219 290	280 654
		3 004 685	3 665 888
Total Assets		20 298 554	27 069 965
Liabilities			
Current Liabilities			
Operating lease liability	8	84 842	141 633
Payables from exchange transactions	9	1 680 623	1 556 832
Provisions	10	14 455 329	19 450 635
		16 220 794	21 149 100
Non-Current Liabilities			
Operating lease liability	8	51 207	194 544
Total Liabilities		16 272 001	21 343 644
Net Assets		4 026 552	5 726 321
Accumulated surplus		4 026 552	5 726 324
Total Net Assets and Liabilities		20 298 554	27 069 965

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated
Revenue			
Revenue from exchange transactions			
Interest received		613 329	523 555
Other income		7 326	32 366
Total revenue from exchange transactions		620 655	555 921
Revenue from non-exchange transactions			
Transfer revenue			
Government grants		63 199 000	63 821 000
Total revenue	11	63 819 655	64 376 921
Expenditure			
Employee related costs	12	(32 707 900)	(31 176 294)
Depreciation and amortisation	13	(294 959)	(230 287)
Impairments	14	-	(2 119 088)
Interest and penalties	28	(563 283)	-
Professional services	15	(5 098 641)	(4 694 140)
Surrender of surplus	10	(14 628 395)	(16 283 431)
Loss on disposal of assets		(15 726)	(49 732)
Operating Expenses	16	(12 210 520)	(12 222 793)
Total expenditure		(65 519 424)	(66 775 765)
Deficit for the year		(1 699 769)	(2 398 844)



Statement of Changes in Net Assets

Figures in Rand	Note(s)	Accumulated surplus	Total net assets
Balance at 01 April 2020		8 125 166	8 125 166
Changes in net assets			
Deficit for the year	25	(2 236 295)	(2 236 295)
Prior period adjustment		(162 547)	(162 547)
Total changes		(2 398 842)	(2 398 842)
Restated* Balance at 01 April 2021		5 726 321	5 726 321
Changes in net assets			
Deficit for the year		(1 699 769)	(1 699 769)
Balance at 31 March 2022		4 026 552	4 026 552

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated
Cash flows from operating activities			
Receipts			
Grants		63 199 000	63 821 000
Interest income		613 329	523 555
Other income		-	32 366
		<u>63 812 329</u>	<u>64 376 921</u>
Payments			
Employee costs		(30 869 608)	(30 958 643)
Suppliers		(18 539 762)	(25 856 958)
Interest and Penalties		(563 283)	-
Surplus surrendered		(19 709 955)	-
		<u>(69 682 608)</u>	<u>(56 815 601)</u>
Net cash flows from operating activities	17	(5 870 279)	7 561 320
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(131 091)	(1 505 315)
Proceeds from sale of property, plant and equipment	5	9 775	-
Purchase of intangible assets	6	-	(643 013)
Movement in deposits	7	(25 000)	-
Net cash flows from investing activities		(146 316)	(2 148 328)
Net (decrease)/increase in cash and cash equivalents		(6 016 595)	5 412 992
Cash and cash equivalents at the beginning of the year		22 272 319	16 859 327
Cash and cash equivalents at the end of the year	4	16 255 724	22 272 319



Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Actual amount on accrual basis	Adjustment of actual amounts from accrual to cash basis	Actual amounts on cash basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received	428 897	613 329	-	613 329	(184 432)	1
Other income	-	7 326	-	7 326	(7 326)	1
Total revenue from exchange transactions	428 897	620 655	-	620 655	(191 758)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants	63 199 000	63 199 000	-	63 199 000	-	
Total revenue	63 627 897	63 819 655	-	63 819 655	(191 758)	
Expenditure						
Employee costs	(37 657 755)	(32 707 900)	15 468	(32 692 432)	(4 965 325)	2
Depreciation and amortisation	-	(294 959)	294 959	-	-	
Interest and Penalties	-	(563 283)	-	(563 282)	563 282	3
Professional Services	(10 926 056)	(5 098 641)	305 509	(4 793 132)	(6 132 924)	4
Surrender of surplus	-	(14 628 395)	12 663 589	(1 964 806)	1 964 806	
Operating expenditure	(13 096 086)	(12 210 520)	2 191 711	(10 018 809)	(3 077 277)	5
Loss on disposal of assets	-	(15 726)	15 726	-	-	
Total expenditure	(61 679 897)	(65 519 424)	15 486 962	(50 032 461)	(11 647 438)	
Operating (deficit)/ surplus	1 948 000	(1 699 769)	15 486 963	13 787 194	(11 839 194)	
Capital expenditure	(1 948 000)	(194 624)	63 532	(131 091)	(1 816 909)	6
Surplus/ (Deficit)	-	(1 894 393)	15 550 495	13 656 103	(13 656 103)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(1 894 393)	15 550 495	13 656 103	(13 656 103)	

Refer to note 25

Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Commission.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the Commission will continue to operate as a going concern for at least the next 12 months.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the Commission; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.



Accounting Policies

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed in current and prior periods as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures/Office Equipment	Straight line	25 years
Motor vehicles	Straight line	15 years
Computer equipment	Straight line	10 years
Leasehold improvements	Straight line	Amortised over the period of the lease

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Commission. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The Commission assesses at each reporting date whether there is any indication that the Commission expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Commission revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Commission; and
- the cost or fair value of the asset can be measured reliably.

The Commission assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	10 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised.



Accounting Policies

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Credit risk is the risk that one entity to a financial instrument will cause a financial loss for the other entity by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by the Commission in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Accounting Policies

Recognition

The Commission recognises a financial asset or a financial liability in its statement of financial position when the Commission becomes a party to the contractual provisions of the instrument.

Measurement

The Commission measures a financial asset or financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Receivables from exchange and non-exchange transactions

Receivables from exchange transactions are categorised as loans and receivables and consist of prepaid expenses and rental deposits. These are initially measured at fair value, and subsequently measure at amortised costing being the initially recognised amount, plus any interest accrued, less any repayments, less any impairments.

Receivables from non-exchange transactions are categorised as staff debtors. These are initially measured at fair value, and subsequently measure at amortised costing being the initially recognised amount, plus any interest accrued, less any repayments, less any impairments..

Cash and cash equivalents

Cash equivalents are short-term highly liquid investments readily convertible into known amounts of cash that are held with registered banking institutions, with maturities of three months or less and are subject to an insignificant risk of change in value. For purposes of the Cash Flow Statement, as well as the Statement of Financial Position, cash and cash equivalents comprise cash on hand and other short term investments.

Financial Liabilities

Payables from exchange transactions

Payables from exchange transactions are initially measured at fair value and subsequently measured at amortised cost. The Commission's trade and other payables relate to amounts owed to suppliers and 3rd party creditors.

1.6 Tax

Income Tax

No provision for taxation has been made as the Commission is exempt from income tax in terms of the Section 10 of the Income Tax Act (Act No 58 of 1962).



Accounting Policies

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Impairment

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation(amortisation).

Identification

When the carrying amount of an asset exceeds its recoverable service amount, it is impaired.

The Commission assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Commission estimates the recoverable service amount of the asset.

Recognition and measurement

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.9 Employee benefits

Employee benefits are all forms of consideration given by the Commission in exchange for service rendered by employees. The Commission operates a defined contribution plan, the assets of which are generally held in separate trustee-administered funds. This plan is funded by payments from employees and the Commission.

The cost of short-term employee benefits, which are those payable within 12 months after the service is rendered, such as annual leave, sick leave and bonuses, are recognised in the period in which the service is rendered and are not discounted.

Accounting Policies

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.
- as a consequence of a mutual separation agreement between the employer and employee; or as a determination of the court

1.10 Provisions

Provisions are recognised when:

- the Commission has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Commission settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

1.11 Commitments

Items are classified as commitments when the Commission has committed itself to future transactions that will normally result in the outflow of cash.

The Commission has included disclosures in respect of unrecognised contractual commitments.



Accounting Policies

1.12 Revenue recognition

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the Commission receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Non-exchange transactions are those transactions where an entity either receives value from another entity without directly giving approximately equal value in exchange.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Commission and these benefits can be measured reliably. Revenue comprises of government grants, other income, gains on disposals and interest received.

Government Grants

Government grants are the Commission's main source of revenue and are treated with reference to the guidance provided by GRAP 23: Revenue from Non-exchange Transactions. The Commission has developed an appropriate accounting policy for this basis, namely that revenue from non-exchange sources is only recognised to the extent that a corresponding asset satisfies the recognition criteria, but limited to the amount of any outstanding obligation in the form of conditions attached to the grant.

Other Income

Other Income is recognised in the reporting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

The gain arising from the derecognition of an item of plant and equipment is included in revenue when the item is derecognised. The gain arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Interest received

Revenue arising from the use by others of entity assets yielding interest or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Commission, and
- The amount of the revenue can be measured reliably.

Interest received is recognised on a time proportion basis, taking into account the principal outstanding or invested and the effective rate over the period to maturity when it is determined that such income will accrue to the Commission.

Accounting Policies

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.14 Comparative figures

Where necessary, comparative figures have been restated or reclassified to achieve fair presentation and to conform to changes in presentation that arise due to changes in accounting policies, errors, reporting standards and legislation.

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) the PFMA; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or Treasury regulations made in terms of the PFMA; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.



Accounting Policies

National Treasury practice note no. 2 of 2019/2020 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following:

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If a liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.17 Budget information

The Commission is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the Commission shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 22.

Accounting Policies

1.18 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the Commission, including those charged with the governance of the Commission in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Commission.

The Commission is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Commission to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the Commission is exempt from the disclosures in accordance with the above, the Commission discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.19 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Commission will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Commission will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.20 Use of estimates

The preparation of financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statement. Estimates are based on current conditions and on other assumptions that are believed to be reasonable under the circumstances. Significant items subject to judgement and such estimates include estimated useful lives and the recoverability of the carrying value of assets.



Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2021	Unlikely
• Directive 7 (revised): The Application of Deemed Cost	01 April 2021	Unlikely
• GRAP 20: Related parties	01 April 2021	The standard has been early adopted and the impact of the standard is not material.
• GRAP 108: Statutory Receivables	01 April 2021	Unlikely
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2021	Unlikely

3. Receivables from exchange and non-exchange transactions

Other receivables	182 247	81 839
Prepayments Non-Current	196 703	601 246
Prepayments - Current	855 898	1 049 919
	1 234 848	1 733 004
Receivables from exchange and non-exchange transactions - Non-current	196 703	601 246
Receivables from exchange and non-exchange transactions - Current	1 038 145	1 131 758
	1 234 848	1 733 004

Prepayments related to expenses such as subscriptions (Software licences, Publications, Insurance and membership fees) which have been paid by the Commission annually in advance. The benefits of which will be enjoyed in accordance with duration of the prepayments. Depending on the length of the prepayment, this will determine the classification between Current and Non-current.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

Receivables past due but not impaired

Receivables which are less than 12 months past due are not considered to be impaired. At 31 March 2022, R 182 247 (2021 restated: R 51 973) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	-	50 973
3 months or more past due	182 247	1 000

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Purchase cards	9 391	3 054
Bank balances	16 246 333	22 269 265
	16 255 724	22 272 319

Purchase cards are used in place of Petty cash for incidental office expenditure below R2 000.

5. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold improvements	109 598	(104 617)	4 981	109 598	(101 296)	8 302
Motor vehicles	236 829	(227 724)	9 105	236 829	(224 689)	12 140
Office equipment	1 180 092	(959 425)	220 667	1 658 814	(1 443 258)	215 556
IT equipment	2 479 913	(761 547)	1 718 366	2 920 770	(1 069 825)	1 850 945
Artwork	38 806	-	38 806	38 806	-	38 806
Total	4 045 238	(2 053 313)	1 991 925	4 964 817	(2 839 068)	2 125 749



Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Adjustments	Depreciation	Total
Leasehold improvements	8 302	-	-	-	(3 321)	4 981
Motor vehicles	12 140	-	-	-	(3 035)	9 105
Office equipment	215 556	16 000	920	770	(12 579)	220 667
IT equipment	1 850 945	178 623	(96 639)	-	(214 563)	1 718 366
Artwork	38 806	-	-	-	-	38 806
	2 125 749	194 623	(95 719)	770	(233 498)	1 991 925

Adjustments are correction of assets which were depreciated over and above the carrying value. At disposal this has resulted in the release of the over-depreciation into the statement of financial performance.

Reconciliation of property, plant and equipment - 2021 restated

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Leasehold improvements	11 622	-	-	-	(3 320)	-	8 302
Motor vehicles	15 175	-	-	-	(3 035)	-	12 140
Office equipment	196 330	111 111	-	(19 731)	(14 434)	(57 720)	215 556
IT equipment	837 324	1 394 204	(49 732)	18 936	(180 168)	(169 619)	1 850 945
Artwork	38 806	-	-	-	-	-	38 806
	1 099 257	1 505 315	(49 732)	(795)	(200 957)	(227 339)	2 125 749

The Transfers relate to reclassification of assets between asset classes and the resultant change in depreciation.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

6. Intangible assets

	2022			2021		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 616 119	(2 019 352)	596 767	2 665 814	(2 007 575)	658 239

Reconciliation of intangible assets - 2022

	Opening balance	Disposals	Amortisation	Total
Computer software	658 239	(11)	(61 461)	596 767

Computer software no longer in use with a net book value of R11 was scrapped in the current year.

Reconciliation of intangible assets - 2021 restated

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	1 936 304	643 013	(29 328)	(1 891 750)	658 239

7. Deposit

Deposit held in trust

Opening Balance	280 654	280 654
Deposit refund due to cancellation of portion of lease	(86 364)	-
Deposit in respect of staff accommodation - current portion	25 000	-
	219 290	280 654

Rental deposit of R194 290 (2021: R280 654) relates to the security deposits paid for the Cape Town office lease. A refund in relation to the cancellation of the Cape Town office annex has been requested from the landlord in the current year. Also included in the current year, is a deposit amounting to R25 000 held for lease agreement in relation to staff accommodation in Cape Town for a period of three months.



Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

8. Operating lease liability

Non-Current portion of operating lease liability	(51 207)	(194 544)
Current portion of operating lease liability	(84 842)	(141 633)
	(136 049)	(336 177)

The operating lease liability has been reduced due to the cancellation of the Cape Town office annex office space.

9. Payables from exchange transactions

Trade payables	1 050 037	783 119
Accrued expense	630 586	773 713
	1 680 623	1 556 832

Trade payables and accruals are as a result of supplier invoices and 3rd party contractors not paid at year end. The average payment period is less than 30 days.

Financial liability - Amex travel card

Remaining credit available at year end	808 683	850 003
Add: Accrual at year end	41 320	-
	850 003	850 003

Included in financial liabilities is the Amex travel card facility from Nedbank, available to the Commission at an interest rate of 14.5% The total credit limit available for use by the Commission is R850 003. The terms of payment are 30 days from statement date

Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

10. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Leave recovered	Total
Surrender of surplus	17 745 148	14 628 396	(19 709 955)	-	12 663 589
Performance Bonus	-	479 466	-	-	479 466
Leave benefits	1 705 487	2 662 179	(3 062 170)	6 778	1 312 274
	19 450 635	17 770 041	(22 772 125)	6 778	14 455 329

Reconciliation of provisions - 2021 Restated

	Opening Balance	Additions	Utilised during the year	Total
Surrender of surplus	1 461 717	16 283 431	-	17 745 148
Performance Bonus	488 766	45 234	(534 000)	-
Leave benefits	999 069	2 393 448	(1 687 030)	1 705 487
	2 949 552	18 722 113	(2 221 030)	19 450 635

Surrender of surplus provision	14 628 396	16 283 432
--------------------------------	------------	------------

Calculation of surplus provision

Cash and Cash equivalents	16 255 724	22 272 319
Add: receivables	1 234 848	-
Less: current liabilities	(3 557 205)	(3 282 839)
Less: Contingent liabilities	(1 269 778)	(633 350)
2020/21 Surplus surrendered	1 964 807	(2 072 698)
Surplus provision	14 628 396	16 283 432

Performance bonus provision has been recognised in the current financial year as per approval by the Commission.

In terms of the PFMA constitutional institutions should request approval to retain accumulated surplus and unused surplus should be deposited back to the Revenue Fund. The FFC has a present obligation to return the surplus of R12 663 589. In the current year the Commission has sufficient funds to cover year end commitments and therefore will not be requesting the full retention of surplus previously identified at previous financial year end.



Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

11. Revenue

Interest received	613 329	523 555
Other income	7 326	32 366
Government grants	63 199 000	63 821 000
	63 819 655	64 376 921

The amount included in revenue arising from exchanges of goods or services are as follows:

Interest received	613 329	523 555
Other income	7 326	32 366
	620 655	555 921

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

Government grants & subsidies	63 199 000	63 821 000
-------------------------------	------------	------------

12. Employee related costs

Basic Salary	30 523 902	26 509 734
Performance Bonus	479 466	45 234
UIF	80 954	51 447
Payroll costs	188 136	173 387
Leave pay provision charge	(136 069)	1 165 526
Termination benefits	-	1 115 814
Other personnel costs	288 423	358 396
Temporary staff costs	194 011	1 053 896
Recruitment costs	1 089 077	702 860
	32 707 900	31 176 294

Other personnel costs include training and development and staff welfare which are costs associated with employment. The classification of other personnel costs have been enhanced in the current year for better understanding of costs related to employees by users of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
13. Depreciation and amortisation		
Property, plant and equipment	233 498	200 957
Intangible assets	61 461	29 330
	294 959	230 287
14. Impairment of assets		
Impairments		
Property, plant and equipment	-	227 338
Impaired Assets relate to obsolete, redundant or broken assets which were identified during the asset verification process. Management shall proceed with the disposal of the assets in the following reporting period.		
Intangible assets	-	1 891 750
An intangible asset has been impaired where fruitless and wasteful expenditure was identified in the procurement of the asset.		
	-	2 119 088
15. Professional services		
Legal Fees	70 840	395 284
External audit fees	1 965 766	1 398 752
Financial and supply chain management consulting	833 696	180 234
Internal audit fees	80 730	800 925
Commissioned research	1 982 699	1 498 503
Human Resource consulting	-	132 067
Risk management	31 970	288 375
Office planning consulting fees	132 94	-
	5 098 641	4 694 140



Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
16. Operating expenses		
Bank charges	35 309	47 077
Cleaning	514 670	268 997
IT Support	3 360 813	3 753 092
Commission and committee costs	1 735 066	1 157 268
Workshops and meetings	54 620	43 885
Insurance	136 831	120 637
Internet Connection	38 732	466 825
Printing and stationery	591 251	274 909
Security	161 739	200 847
Software expenses	1 018 248	500 217
Subscriptions and membership fees	212 320	441 858
Telephone and fa	101 810	599 052
Travel - local	499 456	283 458
Water & Electricity	655 613	454 169
Utilities	89 317	151 808
Other expenditure	139 053	387 388
Office Rent	2 865 672	3 071 306
	12 210 520	12 222 793

Other expenditure relate to website costs, equipment maintenance and other day to day operation expenditure incurred in the operations of the Commission. The classification of other expenditure has been enhanced in the current year for better understanding of costs by users of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
17. Cash (used in) generated from operations		
Deficit	(1 699 769)	(2 398 844)
Adjustments for:		
Depreciation and amortisation	294 959	230 287
Loss on sale of assets	15 726	49 732
Impairment deficit	-	2 119 088
Movements in operating lease assets	(200 128)	121 502
Movements in provisions	86 253	217 651
Other non-cash items	-	795
Deposit due from supplier not received at year end	86 364	-
Reduction of operating lease liability due to lease cancellation	69 462	-
Changes in working capital:		
Receivables from exchange and non-exchange transactions	498 156	(1 392 684)
Payables from exchange transactions	123 791	(7 669 638)
Surplus provision	(5 081 561)	16 283 431
Additions for PPE - Liability	(63 532)	-
	(5 870 279)	7 561 320
18. Commitments		
Authorised capital expenditure		
Already contracted and provided for		
• Property, plant and equipment	636 428	-
• Intangible assets	633 350	633 350
	1 269 778	633 350
Total capital commitments		
Already contracted for	1 269 778	633 350
Authorised operational expenditure		
Already contracted for		
• Professional services	2 286 349	2 072 699
• Operating expenditure	4 298 986	4 672 952
	6 585 335	6 745 651
Total operational commitments		
Already contracted and provided for	6 585 335	6 745 651



Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
Total commitments		
Total commitments		
Authorised capital expenditure	1 269 778	633 350
Authorised operational expenditure	6 585 335	6 745 651
	7 855 113	7 379 001

This committed expenditure relates to purchase agreement entered into by the Commission and will be financed by retained surpluses and existing cash resources.

Operating leases - as lessee (expense)

Minimum lease payments due

• within one year	716 854	971 773
• in second to fifth year inclusive	372 213	1 594 455
	1 089 067	2 566 228

The lease was negotiated for five years and has an 8% escalation clause. No contingent rent is payable. The above operating lease payments represent rentals payable by the Commission for its Cape Town office premises.

Minimum lease payments dues

• within one year	180 053	2 150 443
• in second to third year inclusive	-	180 053
	180 053	2 330 496

The lease was negotiated for three years and has an 6% escalation clause. No contingent rent is payable. The above operating lease payments represent rentals payable by the Commission for its Midrand office premises.

19. Related parties

Controlling entity	National Treasury
Government Departments	Department of Justice
Government Departments	Department of Public Works and Infrastructure

All national departments of government and national state-controlled entities are regarded as related parties in accordance with GRAP 20. The Financial and Fiscal Commission is a constitutional institution reporting to Parliament. Grants are received via the National Treasury's budget vote. The Commission entered in transactions with related parties that are on the same terms as those generally available in the sector during the current year.

Notes to the Annual Financial Statements

	2022 Transactions	2021 Transactions	2022 Payables	2021 Payables
Department of Justice (legal expense/payable)	199 100	267 028	70 840	199 100
Department of Public Works (Rental expense)	2 257 965	2 122 108	-	-
National Treasury (Government grants)	63 199 000	63 821 000	-	-

Commissioners and key management remuneration

Commissioners
2022

Related Party Balances	2022 Receivables	2022 Payables	2021 Payables
Mr M Sachs	-	39 879	
Prof. A Mokadi	-	42 174	-
Prof. L Erasmus	-	23 430	23 430
Prof. T Fowler	-	37 488	-
Ms N Khawe	-	37 488	-
Ms E Rockman	42 483	-	-
	42 483	180 459	23 430

Name	Fees for services	Salary	Electronic communication allowance	Total
Dr. N. Mbava	-	1 169 421	26 115	1 195 536
Mr M Sachs	248 126	-	35 000	283 126
Prof. A Mokadi	344 225	-	35 000	379 225
Prof. L Erasmus	182 237	-	35 000	217 237
Prof. T Fowler	246 440	-	35 000	281 440
Ms N Khawe	28 850	-	35 000	63 850
Mr S Kholwane	53 596	-	-	53 596
Ms E Rockman	350 293	-	35 000	385 293
Mr M Nkomfe	-	-	36 500	36 500
	1 453 767	1 169 421	272 61	2 895 803



Notes to the Annual Financial Statements

2021 restated

	Fees for services	Salary	Leave pay	Total
Name				
Prof. D Plaatjies	-	1 015 643	298 958	1 314 601
Mr M Sachs	244 971	-	-	244 971
Prof. A Mokadi	73 561	-	-	73 561
Prof. L Erasmus	223 633	-	-	223 633
Prof. T Fowler	102 931	-	-	102 931
Mr S Kholwane	84 354	-	-	84 354
Ms E Rockman	325 372	-	-	325 372
	1 054 822	1 015 643	298 958	2 369 423

Executive management

2022

	Salary	Electronic communication allowance	Leave pay	Total
Name				
Dr. K Brown, Chief Executive Officer	1 759 809	35 500	-	1 795 309
Ms R Mokebe Head: Corporate Services (appointed July 2021)	1 070 662	27 000	-	1 097 662
Mr. P Makaneta Acting Chief Financial Officer (Term ended January 2021)	4 883	-	-	4 883
Mr. K Mviko Chief Financial Officer	1 450 275	37 000	-	1 487 275
Mr. S Ralekwa, Legal Analyst (Term ended November 2021)	648 959	18 896	77 063	744 918
Ms. S Xulu, Acting Head: Corporate Services (Term ended June 2021)	324 160	9 046	35 284	368 490
Mr. C Tseng, Head: Research	1 288 594	37 000		1 325 594
Mr. M Mavhungu, Acting Head: Corporate Services (Term ended April 2021)	109 889	3 500	56 999	170 388
Mr. G. Senna Acting Legal Analyst (Term ended November 2021)	96 535	2 919	14 908	114 362
Ms. S. Ndondlwana, Acting Legal Analyst (Term ended February 2022)	250 327	7 530	(6 778)	251 079
	7 004 093	178 39	177 476	7 359 960

Notes to the Annual Financial Statements

2021 restated

	Salary	Bonuses	Leave Pay	Termination benefits	Total
Name					
Dr. K. Brown, Chief Executive Officer	1 714 074	52 908	-	-	1 766 982
Ms N Mothibeli Acting Chief Financial Officer (Term ended April 2020)	159 185	-	14 426	-	173 611
Mr. P Makeneta Acting Chief Financial Officer (Term ended January 2021)	1 011 075	-	50 463	-	1 061 538
Mr. K Mviko Chief Financial Officer (appointed January 2021)	262 362	-	-	-	262 362
Mr. M. Vokwana Chief Financial Officer*	-	-	-	389 778	389 778
Mr. S Ralekwa, Legal Analyst	1 156 127	35 160	-	-	1 191 287
Mr. J Kruger, Head: Research (Term ended May 2020)**	242 012		72 601	726 036	1 040 649
Mr. C Tseng, Head: Research (appointed December 2020)	466 678	-	-	-	466 678
Mr. M Mavhungu, Acting Head: Corporate Services	1 289 495		-	-	1 289 495
	6 301 008	88 068	137 490	1 115 814	7 642 380

* Termination benefit paid to CFO as a directive from CCMA after the conclusion of the disciplinary process.

** Termination benefit paid to Head: Research as a mutual separation agreement concluded by the FFC and the employee.



Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

20. Risk management

Financial risk management

The Commission's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Liquidity risk

The Commission's risk to liquidity is a result of the funds available to cover future commitments. Considering the Commission's current funding structures and availability of resources, the Commission regards this risk to be low.

Financial liabilities which potentially subject the Commission to concentrations of liquidity risk are trade and other payables. The Commission's risk to liquidity is a short fall in funds available to pay its payables. The payables are all due within the short term. The Commission's manages its liquidity risk by holding sufficient cash in the bank account.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2022				
Trade and other payables	1 680 621	-	-	-
At 31 March 2021 - restated				
Trade and other payables	1 556 832	-	-	-

Credit risk

Financial assets which potentially subject the Commission to concentrations of credit risk are principally receivables. Loans and receivables are of a sundry nature and the credit risk is therefore limited, the credit risk is managed through periodic reviews of the level of bad debts. Accordingly the Commission has no significant concentration of credit risk.

Financial instrument		
Trade and other receivables	1 234 848	1 131 758

Market risk

Interest rate risk

The Commission has cash and cash equivalents placed with financial institutions and is therefore exposed to interest rate fluctuations and such changes in market interest rates affect the fair value of cash. The interest rate risk embodies not only the potential for loss but also the potential for gain and is managed through the cash management policy.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

The Commission has placed its cash and cash equivalents with Nedbank Limited carried in the functional currency of the Commission (South African Rand). The rating of Nedbank Limited is AA+ as at reporting date as rated by Fitch Rating Agency.

21. Going concern

We draw attention to the fact that at 31 March 2022, the Commission had an accumulated surplus of R 4 026 552 and that the Commission's total assets exceed its liabilities by R 4 026 552.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Commission to continue as a going concern largely depends on continued government support through an annual appropriation through National Treasury. The Commission will make a submission to request approval from National Treasury to retain part of the accumulated surplus.

Management has assessed the impact of the Covid-19 global pandemic on the Commission's operations to be currently low as no direct impact is anticipated that drastically affects the entity. The Commission is funded through the budget vote by National Treasury and no risk has been posed to its allocation for the 2022/23 financial year. Management will continuously assess the risk caused by the pandemic and make necessary adjustments where required so as to ensure the impact remains low.

22. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus with the surplus in the statement of financial performance:

Net deficit per the statement of financial performance	(1 699 769)	(2 398 844)
Adjusted for:		
Actual amounts not on cash basis	15 355 873	2 163 170
(1) Over collection in Revenue	(191 758)	(387 386)
(2) Budget remaining in employee costs	(4 965 325)	(1 411 142)
(3) Overspending in Interest and penalties	563 283	-
(4) Budget remaining in professional services	(6 132 924)	(5 930 867)
(5) Budget remaining in operating expenditure	(3 077 277)	(8 101 843)
(6) Budget remaining in fixed assets	(1 816 909)	(216 519)
(7) Surrender of surplus	1 964 806	16 283 431
Net surplus per approved budget	-	-



Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

23. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Audit and Risk Committee and includes a note to the annual financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the delegated official who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Type of deviation

Contract extension (Within AO Delegation)	196 632	38 530
Emergency	-	670 000
Other deviation (approved by NT)	-	1 373 883
Sole supplier	302 564	943 320
Single source	-	129 880
	499 196	3 155 613

24. Budget differences

Material differences between budget and actual amounts

Differences between budget and actual amounts basis of preparation and presentation

(1) Variance in revenue is due to interest received on favourable bank balances during the year	(191 758)
(2) Underspending in Employee costs is due to several vacant positions in the current year.	(4 965 325)
(3) Overspending in interest and penalties is due to cancellation of part of the CT office and was not budgeted for.	563 283
(4) Underspending in professional fees occurred due to underspending in legal costs and Commissioned research.	(6 132 924)
(5) Operating costs underspending is due to unused refurbishment budget and rental budget	(3 077 277)
(6) Underspending in Fixed assets is due to delayed procurement of computer equipment.	(1 816 909)
(7) Payment of surplus	1 964 806
	(13 656 104)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

25. Prior period errors

Commission claims relating to prior year were not recognised at year end as they were only received after reporting date. These expenses should have been recognised in the prior year as services had been rendered. The impact of these costs was an understatement of expenses and payables from exchange transactions.

A receivable that was due to the Commission from SARS was not recognised at year end. This related to previous years' assessments which were not taken into account in the preparation of the annual financial statements. The impact was an understatement of receivables.

Subscriptions relating to the prior year were not recognised at year end. These costs related to invoices received subsequent to reporting date and should have been accrued at year end. The impact of the costs was an understatement of expenses and payables from exchange transactions.

Prepayments which were to be realised in periods greater than 12 months were incorrectly recognised as current assets instead of non-current assets.

Subscriptions over a period of 3 years related to software utilised by the Commission were incorrectly recognised as intangible assets in the prior year, instead of prepayments.

The annual financial statements have been restated with the net impact of the prior period error of R162 547. The correction of the error results in adjustments as follows:

Statement of financial position

Intangible assets	(442 750)
Non-current prepayments	601 246
Intangible Assets - Accumulated amortisation	22 137
Accruals	(121 113)
Prepayments	(251 934)
Accumulated Surplus or Deficit	162 547
Receivables	29 866

Statement of financial performance

Commissioners Claims	88 506
Amortisation	(22 138)
Software licences	93 438
Other income	(29 866)
Subscription costs	32 607



Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

26. Fruitless and wasteful expenditure

Opening balance	2 909 038	-
Add: Expenditure identified - current	676 058	406 694
Add: Expenditure identified - prior period	38 732	2 504 801
Less: Amounts recoverable - current	(4 926)	(2 457)
Closing balance	3 618 902	2 909 038

The fruitless and wasteful expenditure identified above relates to various non-compliance to the PFMA and the Treasury Regulations. Please refer to the attached Appendix 1 for a detailed disclosure as per National Treasury practice note no. 2 of 2019/20.

Expenditure identified in the current year include those listed below:

Fruitless and wasteful expenditure related to prior periods but identified in comparative year.	-	2 504 801
Rental expense for unused Cape Town Annex	74 043	404 237
Payment for services after appointment of another service provider	77 464	-
Interest and penalties on submission of EMP501 to SARS	4 926	-
Early cancellation of contract for unused annex of Cape Town office	558 357	-
	714 790	2 909 038

27. Irregular expenditure

Opening balance as restated	12 753 328	685 583
Add: Irregular Expenditure - current	3 549 752	10 759 748
Add: Irregular Expenditure - prior period	77 464	2 018 220
Less: Amounts condoned	-	(710 223)
Closing balance	16 380 544	12 753 328

Incidents/cases identified in the current year include those listed below:

Competitive bidding not invited	275 979	1 323 584
Highest preference points not chosen	2 988 677	6 082 769
Declaration of interest not submitted	-	2 503 395
Tax clearances not obtained	-	815 274
Non compliance with applicable legislation	-	901 290
Extension of contract on irregular expenditure	362 561	1 127 016
Commission Remuneration not in accordance with proclamation	-	24 640
	3 627 217	12 777 968

Notes to the Annual Financial Statements

Figures in Rand	2022	2021 Restated
-----------------	------	------------------

The irregular expenditure identified above relates to various instances of non-compliance to the PFMA and the Treasury Regulations. Management is in the process of instituting investigations into these non-compliances. Please refer to the attached Appendix 1 for a detailed disclosure as per National Treasury practice note no. 2 of 2019/20.

28. Interest and Penalties

Interest and Penalties	563 283	-
------------------------	---------	---

Interest and Penalties relate to Fruitless and Wasteful expenditure identified during the year for the CT office cancellation amounting to R558 357. Also included is SARS interest and penalties of R4 926 related to the submission of the 2021 employer reconciliation, this was subsequently recovered during the year.

29. Contingencies

The FFC recognises a contingent liability of R1 269 778 (2021: R633 350) related to capital expenditure as per instruction note 12 of 2020/21 issued by the National Treasury on the 22nd of September 2020. The contingent liability exists related to the request for the retention of surplus to be submitted to the National Treasury between 1 August 2022 - 30 September 2022.

The contingent liability is disclosed due to the uncertainty in the approval of the request for surplus by National Treasury.

Cipherwave Dispute

The Commission recognises a contingent liability for amounts that are being disputed with the service provider. The Commission has received legal summons for the amounts arising from unauthorised services provided by the supplier. The Commission is uncertain regarding the veracity of the claim by the supplier, the financial effect would approximately be R 171 252.

Telkom Dispute

The Commission recognises a contingent liability for amounts that are being disputed with the service provider. The Commission is uncertain regarding the veracity of the claim by the supplier, the financial effect would approximately be R 7421.

Amusa Matter

The Commission recognises a contingent liability for amounts that are being claimed by a former employee. The Commission has received legal summons for the claim arising from the alleged failure by the Commission to honour an obligation to pay long service awards. The Commission is uncertain regarding the veracity of the claim, the financial effect would approximately be R 137 872 and interest from 2015 to date of settlement.



Unaudited Annexures

Annexure 1

This annexure is to be read together with Note 26 of the annual financial statements and is in line with Treasury Instruction Note No. 3 of 2019/20 on the Framework for Fruitless and Wasteful Expenditure.

Fruitless and wasteful expenditure to be recovered	Yes	N/A	Yes	N/A
Criminal Charges referred to SAPS5	N/A	N/A	N/A	N/A
Recovery Process Referred to LCF	Yes	N/A	Yes	N/A
Disciplinary Process referred to HRF4	N/A	N/A	N/A	N/A
Fruitless and wasteful Expenditure referred to for Determination and for investigation	Yes	No	Yes	No
Amount	558 357.00	74 043.06	4 926.28	77 464.00
Description of the transaction/incident	Cancellation of leased office	April to June Leased office space not used	SARS penalty and interest	Payment for services provided by another appointed service provider
Date reported to the AO/AA1	30/06/2021	30/06/2021	30/09/2021	26/01/2022
Transaction No.	4	4	5	6

Annexure 2

This annexure is to be read together with Note 27 of the annual financial statements and is in line with Treasury Instruction No. 2 of 2019/20 on the Framework for Irregular Expenditure.

Transaction No.	Date Reported to AO	Description	Amount	Does the transaction constitute non-compliance or irregular expenditure?	Investigations conducted?	Disciplinary process referred to HR?	Recovery/criminal charges referred to SAPS?	Condonation/removal referred to CEO?
1	30/09/2021	Extension of contract on irregular contract. Extension of contract of more than 15% without Treasury approval.	66 240.00	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2021.	N/A yet	N/A yet
2	30/09/2021	No existing contract. Historical contracts through debit order payment.	25 186.47	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2021.	N/A yet	N/A yet
3	30/09/2021	No existing contract. Historical contracts through debit order payment.	21 540.00	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2021.	N/A yet	N/A yet
4	30/09/2021	No existing contract. Historical contracts through debit order payment. Contract has been terminated.	1 635.30	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2021.	N/A yet	N/A yet
5	30/09/2021	No existing contract. Historical contracts through debit order payment. Contracts will be terminated as subscriptions expires.	66 966.43	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2021.	N/A yet	N/A yet
6	30/09/2021	No existing contract. Historical contracts through debit order payment. Subscriptions have been terminated.	4 736.64	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2022	N/A yet	N/A yet
7	30/09/2021	No existing contract. Historical contracts through debit order payment.	12 210.08	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2022	N/A yet	N/A yet
8	30/09/2021	Supplier with highest preference points not chosen.	2 802 860.56	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2022	N/A yet	N/A yet

Transaction No.	Date Reported to AO	Description	Amount	Does the transaction constitute non-compliance or irregular expenditure?	Investigations conducted?	Disciplinary process referred to HR?	Recovery/criminal charges referred to SAPS?	Condonation/removal referred to CEO?
9	30/09/2021	Supplier with highest preference points not selected. Objective criteria and manner of award not stated clearly upfront on bid document.	3 391.67	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2022	N/A yet	N/A yet
10	30/09/2021	Competitive bidding not followed.	236 803.64	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2022	N/A yet	N/A yet
11	30/09/2021	Competitive bidding not followed.	26 000.00	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2022	N/A yet	N/A yet
12	29/06/2021	Bid not awarded to highest point scoring bid due to oversight in bid closing process.	182 424.50	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2022	N/A yet	N/A yet
13	26/01/2022	Extension of contract without Treasury approval in January 2021.	77 464.00	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2022	N/A yet	N/A yet
14	31/03/2022	Competitive bidding not followed - contract limitations.	5 934.84	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2022	N/A yet	N/A yet
15	31/03/2022	Competitive bidding not followed - contract limitations.	5 947.19	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2022	N/A yet	N/A yet
16	31/03/2022	Competitive bidding not followed - contract limitations.	87 875.00	Irregular	Not started by 31 March 2022; Independent consultant to investigate	Process not yet started as at 31 March 2022	N/A yet	N/A yet

