



Internal Audit Report

Review of the 4th Quarter Report 2021-22

Ref: IA-22/23-10 (1)

Review of the 4th Quarterly Report 2021-22 – April 2022

To: General Secretary
Cc: Senior Managers
From: Senior Manager, Internal Audit
Audit Ref. IA-22/23-10 (1)
Subject: **Review of the 4th Quarterly Report 2021-22**

The review of the 4th Quarterly Report 2021-22 was conducted in terms of the approved 2022-23 Internal Audit Work Plan.

The review was conducted in accordance with Generally Accepted Auditing Standards, the International Standards for the Professional Practice of Internal Auditing and in line with the Code of Ethics. The standards require that we plan and perform the audit to obtain enough, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to management for their assistance and cooperation during the review.

Yours sincerely



Senior Manager, Internal Audit
19 April 2022

INTRODUCTION

The review of the quality of the quarterly report (annual performance information report and financial statements) was carried out as part of the planned Internal Audit assignments for the 2021-22 financial year.

Performance information reporting indicates how well the ELRC is performing against set strategic objectives. Strategic objectives set out what ELRC intends doing to achieve its legislative mandate, and this is included in the three-year strategic plan. The financial statements serve as the primary tool for management to deliver financial and operational information as management accountability and to meet the needs of internal and external parties who lack the authority to obtain the required information from the direct sources of the organisation.

Reporting on both financial and non-financial performance is important in measuring the performance of the Council. Financial information is critical for determining the costs and efficiencies of programmes/objectives/activities, and non-financial information is equally important for assessing progress towards predetermined performance targets.

The responsibility to ensure that the performance information complies against the criteria of presentation, consistency, validity, accuracy, and completeness lies with management. Internal audit team help to ensure that the criteria is being adequately and effectively managed.

OBJECTIVE

The objective of the review was to verify the level of 4th Quarterly Report's Performance Information against the criteria of:

1. Compliance with legislative requirements
 - **Presentation** - Actual performance information in tables and other information included in the annual report must be consistent; and material differences between actual and planned performance must be explained.
2. Usefulness
 - **Consistency** - objectives, indicators and targets must be consistent between planning and reporting documents.
3. Reliability
 - **Validity** - actual performance reported has occurred and pertains to the entity.
 - **Accuracy** - amounts, numbers and other data relating to actual performance reported have been recorded and reported appropriately.
 - **Completeness** - all actual results and events that should have been recorded have been included in the annual performance reports.

Review of the Quarterly Financial Statements to ensure that reporting is in line with the:

- IFRS for SMEs, and
- Existence of the QFS file.

SCOPE AND APPROACH

The scope of the review was limited to determine whether:

- The quarterly reported performance against predetermined objectives is relevant, reliable and useful (presentation, consistency, validity, accuracy and completeness) in all material respects, based on predetermined criteria.
- Quarterly Financial Statements against the supporting documentation file.

The approach included review of the 4th Quarterly Report 2021-22 and relevant supporting documentation, namely,

- Quarterly Performance Information Report against the Annual Performance Plan,
- Portfolio of evidence to the performance information, and
- Quarterly Financial Statements and the working papers file.

ANALYSIS OF PROGRAMMES PERFORMANCE

Below is the recorded 4th quarter performance per business unit:

Business Unit	Planned Targets	Achieved	Not Achieved	Achieved %
Collective Bargaining Services National	2	2	0	100%
PELRC KwaZulu Natal	5	4	1	80%
PELRC Eastern Cape	9	8	1	89%
PELRC Western cape	6	6	0	100%
PELRC Northern Cape	11	0	11	0%
PELRC Free State	11	10	1	91%
PELRC Gauteng	8	8	0	100%
PELRC Mpumalanga	12	12	0	100%
PELRC Limpopo	10	9	1	90%
PELRC North-West	10	0	10	0%
Dispute Management Services	6	6	0	100%
Information Communication Technology	2	2	0	100%
Research and Media	2	2	0	100%
Human Resources	4	4	0	100%
Supply Chain Management	5	4	1	80%
Finance	5	5	0	100%
Internal Audit	5	5	0	100%
TOTAL	113	87	26	77%

TOTAL Achievement is 77%

All achieved targets were validated against the relevant portfolio of evidence.

RESULTS

Noted areas of good/sound practices

Performance information and financial statements:

1. A logical and relevant link exists between objectives, indicators, and targets on the reported performance information.
2. Material differences between actual and planned performance were explained.
3. Performance information is reported against predetermined objectives, indicators, and targets.
4. Targets reported as “achieved” were verified against valid portfolio of evidence.
5. A comprehensive supporting documentation file exist for the financial statements.
6. All the notes were supported by Lead Sheets, Reconciliations, General Ledgers, Journals, Spreadsheets, Invoices and Statements where applicable.

Issues raised by the Auditor and cleared by Management prior the finalisation of the report

1. Inconsistencies (performance indicators and targets) between the Annual Performance Plan and the Quarterly Report.
2. The wording for targets reported as achieved not aligned with the planned targets (the narrative for achieved target not talking to the planned target)
3. Submission of insufficient portfolio of evidence.
4. Incomplete quarterly report (omission of performance indicators with “not applicable” targets).
5. Lead sheets rounding off differences (financial statements).
6. Total number of employees (note 10 of the financial statements) misstated.

The above issues were since corrected and verified by the Auditor.

Issue of noting

The year-end asset verification was performed between February and March 2022, however the reconciliation of the outcome from the verification to the Evolution system FAR was still in progress at the time of closing and signing off this report. As a result, the year-end verification outcome, the FAR and the PPE figures were only noted by the Auditor and will be verified once process of the updating the FAR is complete. The Auditor will perform a follow-up and report on the outcome when reviewing the annual report.

CONCLUSION

Review notes raised by the Auditor were resolved and cleared taking into consideration the issue of noting.

Management is continuously recommended to strengthen the preventive and detective controls to enable the prevention or timely detection and correction of errors contained in their reports; collating and submission of relevant and sufficient portfolio of evidence prior to reports being submitted to the Manager, Research and Media and for auditing purposes.

ACKNOWLEDGEMENT

Internal Audit would like to thank officials who positively contributed to ensuring that all areas of concern as raised by the Auditor were timely cleared.

DISTRIBUTION LIST

This report is distributed to the General Secretary, Senior Managers, Managers / Supervisors, and Audit and Risk Committee.