



Internal Audit Report

Review of the 2021-22 Annual Report

Ref: IA-22/23-11

To: General Secretary
Cc: Senior Managers
From: Senior Manager, Internal Audit
Audit Ref. IA-22/23-11
Subject: **Review of the 2021-22 Annual Report**

The review of the Annual 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

A handwritten signature in blue ink, appearing to read 'R. B. G. O.', is positioned above a horizontal line.

Senior Manager, Internal Audit
20 May 2022

INTRODUCTION

The review of the quality of the annual report (annual performance information report and financial statements) was carried out as part of the planned Internal Audit assignments for the 2022-23 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 the 2021/22 Annual 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 Annual Financial Statements to ensure that reporting is in line with the IFRS for SMEs and the existence of the AFS file.

SCOPE AND APPROACH

The scope of the review was limited to determine whether:

- The annual reported performance against predetermined objectives is relevant, reliable and useful (presentation, consistency, validity, accuracy and completeness) in all material respects, based on predetermined criteria.
- Annual Financial Statements against the supporting documentation file.
- The accuracy and completeness of the FAR against the year-end asset verification outcome.

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

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

ANALYSIS OF PROGRAMMES PERFORMANCE

Below is the recorded annual performance per business unit:

Business Unit	Planned Targets	Achieved	Not Achieved	Achieved %
Collective Bargaining Services National	4	4	0	100%
PELRC KwaZulu Natal	7	5	2	71%
PELRC Eastern Cape	9	8	1	89%
PELRC Western cape	6	6	0	100%
PELRC Northern Cape	12	0	12	0%
PELRC Free State	12	11	1	92%
PELRC Gauteng	10	8	2	80%
PELRC Mpumalanga	14	11	3	79%
PELRC Limpopo	10	9	1	90%
PELRC North-West	13	0	13	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	4	4	0	100%
Finance ❄	2	2	0	100%
Internal Audit	4	4	0	100%
TOTAL	121	86	35	71%

❄ - excludes the performance target of “achieve unqualified audit opinion from external audit”. The audit opinion will be provided after the annual audit.

TOTAL Annual Achievement is 71%

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

Summary of targets verified by the Auditor as not achieved:

1. PELRC Eastern Cape (1) - Quality Learning and Teaching Campaign (QLTC).
2. PELRC Free State (1) - Quality Learning and Teaching Campaign (QLTC).
3. PELRC Gauteng (2) - Safety in Schools, and Quality Learning and Teaching Campaign (QLTC).
4. PELRC KwaZulu Natal (2) - Incentives for Educators, and Quality Learning and Teaching Campaign (QLTC).
5. PELRC Limpopo (1) - Quality Learning and Teaching Campaign (QLTC).
6. PELRC Mpumalanga (4) – Quality Management System (QMS), Early Childhood Development (ECD), Incentives for Educators, and Post Provisioning.
7. PELRC Northern Cape (12) – ALL
8. PELRC North West (13) – ALL

RESULTS

Noted areas of good/sound practices

Performance information and financial statements:

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

The following issues were raised by the Auditor during the review of the report and subsequently cleared by Management:

1. Issues of inconsistencies (performance indicators and targets) between the Annual Performance Plan and the Annual Report (Eastern Cape, Free State, Limpopo, Mpumalanga, Northern Cape, North West, Western Cape. Dispute Management, Human Resources, Information Communication Technology and Supply Chain Management).
2. Submission of insufficient portfolio of evidence (Mpumalanga, KwaZulu Natal, Human Resources).
3. Target incorrectly reported as achieved (Eastern Cape).
4. No logical and relevant link between planned targets and the reported actual achievement (Eastern Cape).
5. Omission under the “Actual Achievement 2021/22” column of whether target is “achieved or not achieved” (Information Communication Technology, Human Resources).
6. The numbers for achieved targets (cases in jurisdiction, arbitration and sexual misconduct were misstated (Dispute Management Services).

7. Issues of discrepancies between the FAR and assets on the floor, the inconsistencies between the FAR and the year-end verification working papers were identified by IA and brought to the attention of management for correction.

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

CONCLUSION

All review notes raised by the Auditor were resolved and cleared accordingly.

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 for consolidation and editing and to Internal Auditor for reviewing against the set criteria.

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.