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Procedures are performed to obtain evidence that the financial statements and annual performance report do not contain material misstatements and that key laws and regulations have been complied with.

Terms of the engagement are communicated and agreed to ensure a clear understanding of responsibilities of the parties, the objectives of the audit, access to information and the reports to be provided.

An understanding of the auditee is obtained for risk assessment purposes and an audit plan is prepared.

A risk assessment is performed to determine the number and type of procedures to perform.

Procedures are performed to obtain evidence that the financial statements and annual performance report do not contain material misstatements and that key laws and regulations have been complied with.

The report is only provided to the management of the auditee and the executive authority at the end of the audit. It details the findings from procedures performed, identifies the root causes of these findings and makes recommendations for improvement.

The report is published in the auditee’s annual report. It informs those responsible for oversight, the public and others of material misstatements in the financial statements, material findings on the usefulness and reliability of the performance report, material non-compliance with key laws and regulations in specific focus areas, and the deficiencies in internal control that were identified during the audit.
The public sector auditor assesses the stewardship of public funds, implementation of government policies and compliance with key laws and regulations in an objective manner. The scope of the annual audit performed for each auditee is prescribed in the Public Audit Act and the General Notice issued in terms thereof. It includes the following:

- Providing assurance that the financial statements are free from misstatements that will affect the users of the financial statements
- Reporting on the usefulness and reliability of the information in the annual performance report
- Reporting on material non-compliance with key laws and regulations
- Identifying the key internal control deficiencies that should be addressed to achieve a clean audit.

Performance audits may also be performed to determine whether resources have been procured economically and are used effectively and efficiently.

Due to the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some, even material, misstatements in reported information may not be detected, and the completeness and accuracy of the information reported is not guaranteed. Due to the focus on specific areas in key legislation the audit does not provide assurance that all applicable laws and regulations have been complied with. Although possible fraud may be identified during the audit this is not the main purpose of the audit. The audit does not provide assurance that service delivery has been achieved, only that the annual performance report is useful and reliable.

A clean audit relates only to three aspects:

- The financial statements are free from material misstatements
- There are no material findings on the annual performance report
- There are no material findings on compliance with key laws and regulations

Matters reported by external and internal auditors should receive timeous management attention. Internal controls should address the following key areas:

**Leadership**

- Establish a culture of honesty, ethical business practices and good governance
- Exercise oversight responsibility
- Ensure effective human resource practices
- Implement appropriate policies and procedures
- Approve and monitor the implementation of action plans to address internal control deficiencies
- Approve appropriate IT governance framework

**Financial and performance management**

- Ensure proper record keeping of all transactions
- Maintain effective controls over daily and monthly processing and reconciling of transactions
- Produce regular, accurate and complete financial and performance (service delivery) reports
- Review and monitor compliance with applicable laws and regulations
- Design and implement formal controls to mitigate IT risks

**Governance**

- Ensure that risks are periodically identified, assessed and effectively mitigated
- Maintain adequately resourced and functioning internal audit unit
- Maintain audit committee that performs its legislated duties and promotes accountability and service delivery
AUDIT OPINIONS

CLEAN AUDIT:

The financial statements of the auditees are free of material errors or omissions (financially unqualified audit opinion) and there are no material findings on reporting by them on their performance objectives or compliance with laws and regulations.

FINANCIALLY UNQUALIFIED WITH FINDINGS:

The financial statements are unqualified but findings have been raised on predetermined objectives and/or compliance with laws and regulations.

QUALIFIED AUDIT OPINION:

The financial statements contain material misstatements in specific amounts or there is insufficient evidence for the auditor to conclude that specific (identified) amounts included in the financial statements are not materially overstated or understated.

ADVERSE AUDIT OPINION:

The financial statements contain misstatements that are not confined to specific amounts or the misstatements represent a substantial portion of the financial statements.

DISCLAIMER OF AUDIT OPINION:

The auditee provided insufficient evidence (documentation) on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts or represents a substantial portion of the information contained in the financial statements.
All provincial and national general reports are available for free download at www.agsa.co.za
ACCOUNTABILITY AND REMEDIES TO ADDRESS TRANSGRESSIONS AND POOR PERFORMANCE - DEPARTMENTS

Introduction

The AGSA general reports (consolidated and provincial) summarise the findings in the audit reports, additional findings reported to the accounting officer and management and the critical matters disclosed in the financial statements of auditees. Some of the matters in the general reports are indicators of transgressions and/or poor performance by officials, accounting officers/authorities, executive authorities, oversight authorities and even suppliers that do business with the state.

A common reaction to the general reports relates to the questions posed by many, including key role players in government, about the need for accountability and consequences and how these can be enforced. Legislation provides the answer to this question as it clearly defines accountability and the remedies. The full power of the law is yet to be activated in this regard, which will result in improved audit outcomes but also improved governance and accountability.

Purpose

This AGSA booklet highlights the legislation that enables remedies to be applied where national and provincial departments are guilty of transgressions and poor performance. It addresses the following typical matters reported in the general reports:

- Failure to comply with legislated obligations and responsibilities
- Unauthorised, irregular and fruitless and wasteful expenditure
- Possible fraud and corruption
- Poor work performance – officials and suppliers
Other non-compliance with legislation

The failure to comply with legislated obligations and responsibilities and the occurrence of unauthorised, irregular and fruitless and wasteful expenditure can be indicators of **financial misconduct** by accounting officers or officials. In terms of the Public Finance Management Act (PFMA) an accounting officer commits financial misconduct if he/she:

- **wilfully or negligently** fails to comply with a requirement in the PFMA that defines the **responsibilities of accounting officers** [section 38 (general responsibilities), section 39 (budgetary control), section 40 (reporting), section 41 (information to be submitted) and section 42 (transfer of assets and liabilities)] or

- **incurs or permits** an unauthorised expenditure, an irregular expenditure or a fruitless and wasteful expenditure.

An **official** is guilty of financial misconduct if he/she **wilfully or negligently** fails to exercise a power or perform a duty delegated by the accounting officer in terms of the PFMA.

It is presented in two parts to distinguish between the different roles played by oversight and those with executive powers assigned by legislation.

An annexure is included with the relevant sections in the legislation for easy reference.
PART 1: RESPONSIBILITIES OF KEY ROLE PLAYERS IN NATIONAL AND PROVINCIAL GOVERNMENT AND OVERSIGHT BODIES

The table below summarises the legislated responsibility of key role players to take action in response to the matters reported.

<table>
<thead>
<tr>
<th>Actions required</th>
<th>Reference to legislation</th>
<th>Accounting officer</th>
<th>Executive authority</th>
<th>National/provincial treasuries</th>
<th>National or provincial legislatures</th>
<th>Other role players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial misconduct by the accounting officer</td>
<td></td>
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</tr>
<tr>
<td>Report possible financial misconduct</td>
<td>Any person, institution or oversight body can report possible financial misconduct by an accounting officer to the relevant executive authority, which has a legislated duty to investigate the allegations. It can also be reported to the relevant treasury or audit committee.</td>
<td></td>
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<tr>
<td>Required to report alleged misconduct to executive authority when made aware of it</td>
<td>TR 4.1.3 TR 3.1.14</td>
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<td></td>
<td></td>
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<tr>
<td>• Investigation into allegation</td>
<td>PFMA s84 TR 4.1.3 TR 4.1.4</td>
<td></td>
<td>Responsible</td>
<td></td>
<td></td>
<td>May get involved</td>
</tr>
<tr>
<td>• Disciplinary hearing if allegation is confirmed</td>
<td></td>
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<tr>
<td>Actions required</td>
<td>Reference to legislation</td>
<td>Accounting officer</td>
<td>Executive authority</td>
<td>National/ provincial treasuries</td>
<td>National or provincial legislatures</td>
<td>Other role players</td>
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<tr>
<td>Sanction if found guilty – including criminal charges</td>
<td>PFMA s86</td>
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</tr>
<tr>
<td>Reporting and monitoring of process</td>
<td>PFMA s65(1)(b)</td>
<td>Report</td>
<td></td>
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<td></td>
<td>Receive reports</td>
</tr>
</tbody>
</table>

**Financial misconduct by officials**

- Report possible misconduct

Any person, institution or oversight body can report possible financial misconduct by an official to the relevant accounting officer, who has a legislated duty to investigate the allegations.

- Investigation into allegation
- Disciplinary hearing if allegation is confirmed

<p>| Sanction if found guilty – including criminal charges | TR 4.2                  | Responsible        |                     |                                | May get involved                      |                   |</p>
<table>
<thead>
<tr>
<th>Actions required</th>
<th>Reference to legislation</th>
<th>Accounting officer</th>
<th>Executive authority</th>
<th>National/provincial treasuries</th>
<th>National or provincial legislatures</th>
<th>Other role players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting and monitoring of process</td>
<td>TR 4.2.1 TR 4.3.1 TR 4.3.4</td>
<td>Report</td>
<td>Receive reports</td>
<td>Receive reports</td>
<td></td>
<td>Department of Public Service Administration and Public Service Commission - Receive reports</td>
</tr>
<tr>
<td>Unauthorised, irregular and fruitless and wasteful expenditure</td>
<td>PFMA s40(3)(b)(i) and (ii) TR 9.1.1 TR 9.1.5</td>
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<tr>
<td>Actions required</td>
<td>Reference to legislation</td>
<td>Accounting officer</td>
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<td>Other role players</td>
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<tr>
<td>UIFW incurred or permitted by official*</td>
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<tr>
<td>• Investigation</td>
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<tr>
<td>• Disciplinary hearing if required</td>
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<tr>
<td>• Sanction if found guilty – including recovery of resultant loss</td>
<td>PFMA s38(1)(h) (iii)</td>
<td></td>
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</tr>
<tr>
<td>* Refer financial misconduct actions if UIFW was incurred or permitted by</td>
<td>TR 9.1.3 and 9.1.4</td>
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<tr>
<td>accounting officer</td>
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<tr>
<td>Reporting and monitoring of process</td>
<td>PFMA s38(1)(g)</td>
<td>Responsible</td>
<td></td>
<td>Receive reports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approval/non-approval of unauthorised expenditure</td>
<td>PFMA s34</td>
<td></td>
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<tr>
<td>Actions required</td>
<td>Reference to legislation</td>
<td>Accounting officer</td>
<td>Executive authority</td>
<td>National/provincial treasuries</td>
<td>National or provincial legislatures</td>
<td>Other role players</td>
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<tr>
<td>Possible fraud and corruption</td>
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<tr>
<td>Report possible fraud and corruption</td>
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<tr>
<td>Required to report to executive authority if accounting officer has been implicated in fraud and corruption when made aware of it</td>
<td>TR 3.1.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Audit committee</td>
</tr>
<tr>
<td>• Investigation into allegation</td>
<td>TR 16A9.1(b)</td>
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<tr>
<td>• Take steps and report to SAPS</td>
<td>TR 16A9.3</td>
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<tr>
<td>Duty to report possible fraud and corruption involving an amount of R100 000 or more to SAPS</td>
<td>PRECCA s34(1) and(4)</td>
<td></td>
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<td></td>
<td></td>
<td>Senior managers in departments</td>
</tr>
<tr>
<td>Actions required</td>
<td>Reference to legislation</td>
<td>Accounting officer</td>
<td>Executive authority</td>
<td>National/provincial treasuries</td>
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<tr>
<td>Cancel contract awarded to supplier if any corrupt or fraudulent act is committed by supplier, officials or other role player</td>
<td>TR 16A9.1(f)</td>
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<tr>
<td>Reporting and monitoring of process</td>
<td>TR 16A9.1(b)</td>
<td>Report</td>
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<tr>
<td>Poor work performance – officials</td>
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<tr>
<td>Establish performance management process at a department</td>
<td>PSR 1/VIII/B1 PSR 4/III/A</td>
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<tr>
<td>Assess performance and identity unsatisfactory performance</td>
<td>PSR 1/VIII/D1 PSR 4/III/B2(c)</td>
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<td>Supervisor of official</td>
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<tr>
<td>Manage unsatisfactory performance through development or discharge</td>
<td>PSR1/VIII/E</td>
<td></td>
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<tr>
<td>Actions required</td>
<td>Reference to legislation</td>
<td>Accounting officer</td>
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<tr>
<td><strong>Poor work performance – suppliers</strong></td>
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<tr>
<td>Establish systems of financial management and internal control to ensure effective, efficient and economic use of resources and to prevent fruitless and wasteful expenditure</td>
<td>PFMA s38(1)(a)(i); (b) and (c) (ii)</td>
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<tr>
<td>Manage unsatisfactory performance through penalties or cancellation of contract</td>
<td>PPR 13(1) (b) and 13(2)</td>
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</table>
## Key Role Players

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<tr>
<th>Actions required</th>
<th>Reference to legislation</th>
<th>Accounting officer</th>
<th>Executive authority</th>
<th>National/provincial treasuries</th>
<th>National or provincial legislatures</th>
<th>Other role players</th>
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<tbody>
<tr>
<td><strong>Other non-compliance with legislation – PFMA</strong></td>
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<tr>
<td>Report possible non-compliance</td>
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<td>Any person, institution or oversight body can report non-compliance with the PFMA to the accounting officer, who has a legislated duty to take steps against the official.</td>
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<tr>
<td><strong>Non-compliance by official</strong>*</td>
<td>PFMA s38(h)(i)</td>
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<tr>
<td>• Investigation</td>
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<tr>
<td>• Disciplinary hearing if required</td>
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<td>• Sanction if found guilty – including recovery of resultant loss</td>
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<tr>
<td>* Refer financial misconduct actions if non-compliance by accounting officer</td>
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</table>
PART 2: OVERSIGHT RESPONSIBILITIES OF NATIONAL AND PROVINCIAL LEGISLATURE AND ACCOUNTABILITY OF THE EXECUTIVE

The powers and functions of the National Assembly in Parliament and the Provincial Legislatures to provide oversight and ensure accountability are defined in the Constitution as follows:

<table>
<thead>
<tr>
<th>ASPECT</th>
<th>SECTION IN CONSTITUTION</th>
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<tbody>
<tr>
<td>Reference</td>
<td>Detail</td>
</tr>
<tr>
<td>42(3)</td>
<td>The National Assembly is elected to represent the people and to ensure government by the people under the Constitution. It does so by choosing the President, by providing a national forum for public consideration of issues, by passing legislation and by scrutinyising and overseeing executive action.</td>
</tr>
</tbody>
</table>
| 55(2)                                                                 | The National Assembly must provide for mechanisms—
| a) to ensure that all executive organs of state in the national sphere of government are **accountable** to it; and
| b) to maintain **oversight** of:
| i) the exercise of national executive authority, including the implementation of legislation; and
| ii) any organ of state.                                                   |
| 114(2)                                                                | The provincial legislature must provide for mechanisms—
| a) to ensure that all provincial executive organs in the province are **accountable** to it; and
| b) to maintain **oversight** of:
| i) the exercise of provincial executive authority in the province, including the implementation of legislation; and
<p>| ii) any provincial organ of state.                                        |</p>
<table>
<thead>
<tr>
<th>ASPECT</th>
<th>SECTION IN CONSTITUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Power to determine rules for proceedings and procedures</strong></td>
<td><strong>Reference</strong> 57 (1)(a) 116 (1)(a) <strong>Detail</strong> The National Assembly/ provincial legislature may — a) determine and control its internal arrangements, proceedings and procedures; and b) make rules and issue orders concerning its business, with due regard for representative and participatory democracy, accountability, transparency and public involvement.</td>
</tr>
<tr>
<td><strong>Power to obtain reports, information and evidence</strong></td>
<td><strong>Reference</strong> 56 and 115 <strong>Detail</strong> The National Assembly/ provincial legislature or any of its committees may— a) summon any person to appear before it to give evidence under oath or affirmation, or to produce documents; b) require any person or institution to report to it; c) compel, in terms of national/ provincial legislation or the relevant rules and orders, any person or institution to comply with a summons or requirement in terms of paragraph (a) or (b); and d) receive petitions, representations or submissions from any interested persons or institutions.</td>
</tr>
<tr>
<td><strong>Accountability of executive and requirement for full and regular reporting</strong></td>
<td><strong>Reference</strong> 92(2) &amp; (3) (b) 113(2) &amp; 3(b) <strong>Detail</strong> Members of the Cabinet/ executive council of the province are accountable collectively and individually to Parliament/ legislature for the exercise of their powers and performance of their functions. Members must provide Parliament/ legislature with full and regular reports concerning matters under their control.</td>
</tr>
<tr>
<td>LEGISLATION</td>
<td>SECTION</td>
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<tr>
<td><strong>PFMA</strong></td>
<td>Section 81(1)(a) &amp; (b)</td>
</tr>
<tr>
<td><strong>Treasury Regulations</strong></td>
<td>4.1.3</td>
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<tr>
<td><strong>Treasury Regulations</strong></td>
<td>3.1.14</td>
</tr>
<tr>
<td><strong>PFMA</strong></td>
<td>Section 84</td>
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<tr>
<td>LEGISLATION</td>
<td>SECTION</td>
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<tr>
<td>Treasury Regulations</td>
<td>4.1.4</td>
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<tr>
<td>PFMA</td>
<td>Section 86</td>
</tr>
<tr>
<td>PFMA</td>
<td>Section 65(1)(b)</td>
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<tr>
<td><strong>Financial misconduct of officials</strong></td>
<td></td>
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<tr>
<td>PFMA</td>
<td>Section 81(2)</td>
</tr>
<tr>
<td>PFMA</td>
<td>Section 84</td>
</tr>
<tr>
<td>Treasury Regulations</td>
<td>4.1.1</td>
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<tr>
<td><strong>LEGISLATION</strong></td>
<td><strong>SECTION</strong></td>
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<tr>
<td><strong>Treasury Regulations</strong></td>
<td>4.2.1</td>
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<tr>
<td><strong>Treasury Regulations</strong></td>
<td>4.2.2</td>
</tr>
</tbody>
</table>
| **Treasury Regulations** | 4.3.1       | The accounting officer must, as soon as the disciplinary proceedings have been completed, report to the executive authority, the Department of Public Service and Administration and the Public Service Commission on the outcome, including—  
  a) the name and rank of the official against whom the proceedings were instituted;  
  b) the charges, indicating the financial misconduct the official is alleged to have committed;  
  c) the findings;  
  d) any sanction imposed on the official; and  
  e) any further action to be taken against the official, including criminal charges or civil proceedings. |
| **Treasury Regulations** | 4.3.4       | The accounting officer of an institution must, on an annual basis, submit to the provincial treasury (if applicable), the National Treasury and the Auditor-General a schedule of—  
  (a) the outcome of any disciplinary proceedings and/or criminal charges;  
  (b) the names and ranks of officials involved; and  
  (c) the sanctions and any further actions taken against these officials. |
<table>
<thead>
<tr>
<th>LEGISLATION</th>
<th>SECTION</th>
<th>REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unauthorised expenditure, irregular and fruitless and wasteful expenditure</strong></td>
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</tbody>
</table>
| **PFMA** | Section 1 | “unauthorised expenditure” means—
(a) overspending of a vote or a main division within a vote;
(b) expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division. |
| **PFMA** | Section 1 | “fruitless and wasteful expenditure” means expenditure which was made in vain and would have been avoided had reasonable care been exercised. |
| **PFMA** | Section 1 | “irregular expenditure” means expenditure, other than unauthorised expenditure, incurred in contravention of or not in accordance with a requirement of any applicable legislation, including—
(a) this act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that act; or
(c) any provincial legislation providing for procurement procedures in that provincial government. |
<p>| <strong>PFMA</strong> | Section 40(3)(b) | The annual report and audited financial statements must include particulars of any material losses resulting from criminal conduct, and any unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year. |
| <strong>Treasury Regulations</strong> | 9.1.1 | The accounting officer of an institution must exercise all reasonable care to prevent and detect unauthorised, irregular and fruitless and wasteful expenditure, and must for this purpose implement effective, efficient and transparent processes of financial and risk management. |
| <strong>Treasury Regulations</strong> | 9.1.5 | The amount of the unauthorised, irregular and fruitless and wasteful expenditure must be disclosed as a note to the annual financial statements of the institution. |</p>
<table>
<thead>
<tr>
<th>LEGISLATION</th>
<th>SECTION</th>
<th>REQUIREMENT</th>
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</table>
| **PFMA**    | Section 38(1)(h) | The accounting officer for a department or trading entity must take effective and appropriate disciplinary steps against any official in the service of the department who—i) contravenes or fails to comply with a provision of this act  
ii) commits an act which undermines the financial management and internal control system of the department; or  
iii) makes or permits an unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure. |
| **Treasury Regulations** | 9.1.3 | When an accounting officer determines the appropriateness of disciplinary steps against an official in terms of section 38(1)(g) of the act, the accounting officer must take into account—  
(a) the circumstances of the transgression;  
(b) the extent of the expenditure involved; and  
(c) the nature and seriousness of the transgression. |
<p>| <strong>Treasury Regulations</strong> | 9.1.4 | The recovery of losses or damages resulting from unauthorised, irregular or fruitless and wasteful expenditure must be dealt with in accordance with regulation 12. |
| <strong>PFMA</strong>    | Section 38(1)(g) | On discovery of any unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer must immediately report, in writing, particulars of the expenditure to the relevant treasury and, in the case of irregular expenditure involving the procurement of goods or services, also to the relevant tender board. |</p>
<table>
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<tr>
<th>LEGISLATION</th>
<th>SECTION</th>
<th>REQUIREMENT</th>
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| **PFMA**    | Section 34 | 1) Unauthorised expenditure does not become a charge against a revenue fund except when:  
 a) the expenditure constitutes overspending of a vote and Parliament or a provincial legislature, as may be appropriate, approves, as a direct charge against the relevant revenue fund, an additional amount for that vote which covers such overspending; or  
 b) the expenditure is unauthorised for another reason and Parliament or a provincial legislature, as may be appropriate, authorises the expenditure as a direct charge against the relevant revenue fund.  
 2) If Parliament or a provincial legislature does not approve in terms of subsection (1)(a) an additional amount for the amount of any overspending, that amount becomes a charge against the funds allocated for the next or future financial years under the relevant vote. |

**Possible fraud and corruption**

| **Treasury Regulations** | 16A9.1(b) | The accounting officer must investigate any allegations against an official or other role player of corruption, improper conduct or failure to comply with the supply chain management system, and when justified—  
 a) take steps against such official or other role player and inform the relevant treasury of such steps; and  
 b) report any conduct that may constitute an offence to SAPS. |
| **Treasury Regulations** | 16A9.3 | The National Treasury and each provincial treasury must establish a mechanism—  
 (a) to receive and consider complaints regarding alleged non-compliance with the prescribed minimum norms and standards; and  
 (b) to make recommendations for remedial actions to be taken if non-compliance with any norms and standards is established, including recommendations for criminal steps to be taken in the case of corruption, fraud or other criminal offences. |
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<tr>
<th>LEGISLATION</th>
<th>SECTION</th>
<th>REQUIREMENT</th>
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| Prevention and Combating of Corrupt Activities Act (PRECCA) | Section 34 | 1) Any person who holds a position of authority and who knows or ought reasonably to have known or suspected that any other person has committed an offence under the act or the offence of theft, fraud, extortion, forgery or uttering a forged document involving an amount of R100 000 or more, must report such knowledge or suspicion or cause such knowledge or suspicion to be reported to any police official.  
2) Any person who fails to comply with subsection (1) is guilty of an offence.  
3) The following persons hold a position of authority:  
   • The director-general or head, or equivalent officer, of a national or provincial department;  
   • In the case of a municipality, the municipal manager appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);  
   • Any public officer in the senior management of a public body;  
   • Any head, rector or principal of a tertiary institution;  
   • The manager, secretary or a director of a company as defined in the Companies Act, 1973 (Act No. 61 of 1973), including a member of a close corporation as defined in the Close Corporations Act, 1984 (Act No. 69 of 1984);  
   • The executive manager of any bank or other financial institution;  
   • Any partner in a partnership;  
   • Any person who has been appointed as chief executive officer or an equivalent officer of any agency, authority, board, commission, committee, corporation, council, department, entity, financial institution, foundation, fund, institute, service or any other institution or organisation, whether established by legislation, contract or any other legal means;  
   • Any other person who is responsible for the overall management and control of the business of an employer; or  
   • Any person contemplated in paragraphs (a) to (i), who has been appointed in an acting or temporary capacity. |
<table>
<thead>
<tr>
<th>LEGISLATION</th>
<th>SECTION</th>
<th>REQUIREMENT</th>
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<tbody>
<tr>
<td><strong>Treasury Regulations</strong></td>
<td>16A9.1(f)</td>
<td>The accounting officer must cancel a contract awarded to a supplier of goods or services—</td>
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<tr>
<td></td>
<td></td>
<td>i) if the supplier committed any corrupt or fraudulent act during the bidding process or the execution of that contract; or</td>
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<td></td>
<td></td>
<td>ii) if any official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of that contract that benefited that supplier.</td>
</tr>
<tr>
<td><strong>Poor work performance – officials</strong></td>
<td></td>
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</tr>
<tr>
<td>Public Service Regulation (PSR)</td>
<td>Chapter 1, part VIII/B1</td>
<td>An executive authority shall determine a system of performance management and development for employees in her or his department other than employees who are members of the senior management, consistent with the principles in regulation VIIIA.</td>
</tr>
<tr>
<td>Public Service Regulation (PSR)</td>
<td>Chapter 4, part III/A</td>
<td>The performance of a person appointed to a post in the senior management shall be managed in accordance with a performance agreement. Such an agreement shall be linked to the department’s strategic goals and shall meet with the criteria prescribed in this part.</td>
</tr>
<tr>
<td>Public Service Regulation (PSR)</td>
<td>Chapter 1, part VIII/D1</td>
<td>The employee’s supervisor shall inform the employee in writing of the outcome of the assessment and, if the employee’s performance is unsatisfactory, of the reasons for that assessment.</td>
</tr>
<tr>
<td>Public Service Regulation (PSR)</td>
<td>Chapter 4, part III/B2(c)</td>
<td>Such performance agreement shall enable the person to whom that member reports to assess his or her work and provide appropriate support.</td>
</tr>
<tr>
<td>Public Service Regulation (PSR)</td>
<td>Chapter 1, part VIII/E</td>
<td>In the case of unsatisfactory performance, an executive authority shall—</td>
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<tr>
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<td>(a) provide systematic remedial or developmental support to assist the employee to improve her or his performance;</td>
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<td>(b) if the performance is so unsatisfactory as to be poor and the desired improvement cannot be effected, consider steps to discharge the individual for unfitness or incapacity to carry out his or her duties.</td>
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<tr>
<td>LEGISLATION</td>
<td>SECTION</td>
<td>REQUIREMENT</td>
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<tr>
<td><strong>PFMA</strong></td>
<td>Section 38(1)(a)(i)</td>
<td>The accounting officer for a department must ensure that the department has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</td>
</tr>
<tr>
<td><strong>PFMA</strong></td>
<td>Section 38(1)(b)</td>
<td>The accounting officer for a department is responsible for the effective, efficient, economical and transparent use of the resources of the department or trading entity.</td>
</tr>
<tr>
<td><strong>PFMA</strong></td>
<td>Section 38(1)(c)(ii)</td>
<td>The accounting officer for a department must take effective and appropriate steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct.</td>
</tr>
<tr>
<td>Preferential Procurement</td>
<td>13(1)(b)</td>
<td>An organ of state must, upon detecting that any of the conditions of the contract have not been met, act against the tenderer or person awarded the contract.</td>
</tr>
<tr>
<td>Preferential Procurement</td>
<td>13(2)</td>
<td>An organ of state may, in addition to any other remedy it may have against the person contemplated in regulation 13(1)—</td>
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<tr>
<td></td>
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<td>• disqualify the person from the tendering process;</td>
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<td>• recover all costs, losses or damages it has incurred or suffered as a result of that person’s conduct;</td>
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<td></td>
<td>• cancel the contract and claim any damages which it has suffered as a result of having to make less favourable arrangements due to such cancellation;</td>
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<td></td>
<td>• restrict the tenderer or contractor, its shareholders and directors, or only the shareholders and directors who acted on a fraudulent basis, from obtaining business from any organ of state for a period not exceeding 10 years, after the <em>audi alteram partem</em> (hear the other side) rule has been applied; and</td>
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<td>• refer the matter for criminal prosecution.</td>
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<tr>
<td>LEGISLATION</td>
<td>SECTION</td>
<td>REQUIREMENT</td>
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<tr>
<td><strong>PFMA</strong></td>
<td>Section 38(h)(i)</td>
<td>The accounting officer for a department must take effective and appropriate disciplinary steps against any official in the service of the department who contravenes or fails to comply with a provision of this act.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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<td>-----------------------------------------------------------</td>
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<tr>
<td><strong>Accounts payable/accruals/liabilities</strong></td>
<td>Money owed by the entity to those who have supplied goods and services.</td>
<td></td>
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<tr>
<td><strong>Accounts receivable (debtor)</strong></td>
<td>Money owed to the entity by those who have received goods or services from the entity.</td>
<td></td>
</tr>
<tr>
<td><strong>Accruals</strong></td>
<td>List of expenses that have been incurred and expensed but not paid or services rendered but not yet billed.</td>
<td></td>
</tr>
<tr>
<td><strong>Adverse audit opinion</strong></td>
<td>The financial statements contain misstatements that are not confined to specific amounts or the misstatements represent a substantial portion of the financial statements.</td>
<td></td>
</tr>
<tr>
<td><strong>Asset</strong></td>
<td>Any item belonging to the entity, which may constitute property, plant, cash or debtors.</td>
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<tr>
<td><strong>Asset impairment</strong></td>
<td>The reduction in value of an asset below its normal realisable value.</td>
<td></td>
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<tr>
<td><strong>Balance sheet</strong></td>
<td>Summary of an entity's financial status, including assets, liabilities and equity.</td>
<td></td>
</tr>
<tr>
<td><strong>Carrying value</strong></td>
<td>Also referred to as book value - the cost of a plant asset less the accumulated depreciation since the asset was acquired and less any impairment.</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow</strong></td>
<td>The flow of monies from operations: incoming funds are revenue and outgoing funds are expenses.</td>
<td></td>
</tr>
<tr>
<td><strong>Clean audit outcome</strong></td>
<td>The financial statements of the auditee are free of material misstatements (financially unqualified audit opinion) and there are no material findings on the report on performance against predetermined objectives or compliance with key laws and regulations.</td>
<td></td>
</tr>
<tr>
<td><strong>Commitments (financial)</strong></td>
<td>This represents the cost of goods and services to be received in the next year in respect of which the entity has already entered into an agreement to purchase.</td>
<td></td>
</tr>
<tr>
<td><strong>Comparative figures</strong></td>
<td>The figures recorded in the previous year which correspond to the figures for the same item in the current year.</td>
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<tr>
<td><strong>Consolidated financial statements</strong></td>
<td>Financial statements that reflect the combined financial position and results of a department and those of public entities under its control.</td>
<td></td>
</tr>
<tr>
<td><strong>Contingent liability</strong></td>
<td>A potential liability, the amount of which will depend on a future event.</td>
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</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>Current assets comprise cash and other assets, such as inventory or debtors, which will be traded or consumed or converted to cash within a period not exceeding 12 months. All other assets are classified as non-current and typically include property, plant and equipment and long-term investments.</td>
<td></td>
</tr>
<tr>
<td><strong>Disclaimer of audit opinion</strong></td>
<td>There was insufficient appropriate evidence (documentation) on which the auditor could base an opinion concerning the items reported in the financial statements. The lack of sufficient evidence is not confined to specific amounts or represents a substantial portion of the information contained in the financial statements.</td>
<td></td>
</tr>
<tr>
<td><strong>Financial and performance management</strong></td>
<td>Management of resources in order to achieve the financial and services delivery objectives of the auditee. This is one of the three key overall drivers of internal control which should be addressed to improve audit outcomes.</td>
<td></td>
</tr>
<tr>
<td><strong>Financially unqualified audit opinion</strong></td>
<td>The financial statements contain no material misstatements.</td>
<td></td>
</tr>
<tr>
<td><strong>Fruitless and wasteful expenditure</strong></td>
<td>Expenditure that was made in vain and could have been avoided had reasonable care been exercised. This includes penalties and interest on late payments, as well as payments for services not utilised or goods not received.</td>
<td></td>
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<tr>
<td><strong>General ledger</strong></td>
<td>A record of all financial transactions concluded by an entity.</td>
<td></td>
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<tr>
<td><strong>Governance</strong></td>
<td>In the context of this general report it refers to the governance structures (audit committees) and processes (internal audit and risk management) as one of the three key overall drivers of internal control that should be addressed to improve audit outcomes.</td>
<td></td>
</tr>
<tr>
<td><strong>Information technology (IT)</strong></td>
<td>Computer systems used for recording and reporting financial and non-financial transactions.</td>
<td></td>
</tr>
<tr>
<td><strong>IT service continuity</strong></td>
<td>Processes of managing the availability of hardware, system software, application software and data to enable auditees to recover/establish information system services in the event of a disaster.</td>
<td></td>
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<tr>
<td><strong>IT security management</strong></td>
<td>Controls preventing unauthorised access to the networks, operating systems and application systems that generate and prepare financial information.</td>
<td></td>
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<tr>
<td><strong>IT user access management</strong></td>
<td>Procedures through which the auditees ensure that only valid, authorised users are allowed segregated access to initiate and approve transactions on the system.</td>
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</tr>
<tr>
<td><strong>Internal control (key controls)</strong></td>
<td>Internal control is the process designed and implemented by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of the auditee's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with the applicable laws and regulations. Internal controls consist of all the policies and procedures implemented by auditee management to assist in achieving the orderly and efficient conduct of business, including adherence to policies, safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of the accounting records and the timely preparation of reliable financial and service delivery information.</td>
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<tr>
<td><strong>Inventory</strong></td>
<td>Goods held for resale or for internal use.</td>
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<tr>
<td><strong>Irregular expenditure</strong></td>
<td>Expenditure incurred without complying with applicable laws and regulations.</td>
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<tr>
<td><strong>Leadership</strong></td>
<td>Leadership refers to the administrative leaders. This is also one of the three key overall drivers of internal control that should be addressed to improve audit outcomes.</td>
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<tr>
<td><strong>Leading department</strong></td>
<td>Leading departments are those auditees that monitor and set an example for other auditees in national and provincial government. Leading departments comprise Parliament, the nine provincial legislatures, the nine Offices of the Premier, National Treasury and the nine provincial treasuries.</td>
<td></td>
</tr>
<tr>
<td><strong>Material finding</strong></td>
<td>An audit finding on reporting on predetermined objectives or non-compliance with laws and regulations which is significant enough in terms of value and/or nature to influence the understanding of the reported information.</td>
<td></td>
</tr>
<tr>
<td><strong>Material misstatement</strong></td>
<td>Misstatements which are significant enough to influence the opinions of users of the reported information. Materiality is considered in terms of the rand value and/or the nature and cause of the misstatement.</td>
<td></td>
</tr>
<tr>
<td><strong>Misstatement</strong></td>
<td>Incorrect information in or information omitted from the financial statements or annual performance report.</td>
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</tr>
<tr>
<td><strong>Modified opinion</strong></td>
<td>Qualified, adverse or disclaimer of opinion.</td>
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<tr>
<td><strong>Payroll</strong></td>
<td>A list of employees and their wages.</td>
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<tr>
<td><strong>Pervasive findings</strong></td>
<td>Findings that are not confined to specific items in the reported information or that represent a substantial proportion of the reported information.</td>
<td></td>
</tr>
<tr>
<td><strong>Property, plant and equipment</strong></td>
<td>Includes land, buildings, leasehold improvements, equipment, furniture, fixtures, delivery trucks, vehicles, etc. that are owned by the entity.</td>
<td></td>
</tr>
<tr>
<td><strong>Qualified audit opinion</strong></td>
<td>The financial statements contain material misstatements in specific amounts or there is insufficient evidence for the auditor to conclude that specific amounts disclosed in the financial statements are not materially misstated.</td>
<td></td>
</tr>
<tr>
<td><strong>Reconciliation</strong></td>
<td>The process of matching one set of data to another, i.e. the bank statement to the cheque register, the accounts payable journal to the general ledger, etc.</td>
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<tr>
<td><strong>Reporting against predetermined</strong></td>
<td>Reporting by auditees on their actual service delivery achievements against their annual objectives performance plans.</td>
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<tr>
<td><strong>Residual value</strong></td>
<td>The estimated scrap or salvage value at the end of the asset’s useful life.</td>
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<tr>
<td><strong>Root causes</strong></td>
<td>The underlying causes or drivers of audit findings, i.e. why the problem occurred. Addressing the root cause helps to ensure that the actions address the real issue or opportunity, thus preventing or reducing incidents of recurrence as opposed to simply providing a one-time or short-term fix.</td>
<td></td>
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<tr>
<td><strong>Supply chain management</strong></td>
<td>Procurement by auditees of goods and services through a tender or quotation process and monitoring the quality and timeliness of goods and services provided.</td>
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<tr>
<td><strong>Transversal findings</strong></td>
<td>Findings that are cross-cutting or occurring in a number of entities.</td>
<td></td>
</tr>
<tr>
<td><strong>Unauthorised expenditure</strong></td>
<td>Expenditure that was in excess of the amount budgeted or allocated by government to the entity or that was not incurred in accordance with the purpose for which it was intended.</td>
<td></td>
</tr>
<tr>
<td><strong>Useful lives</strong></td>
<td>This is the period of time that it will be economically feasible to use an asset. Useful life is used in calculating the depreciation of an asset.</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>AFS</td>
<td>annual financial statements</td>
<td></td>
</tr>
<tr>
<td>AG</td>
<td>auditor-general (the person)</td>
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<tr>
<td>AGSA</td>
<td>Auditor-General of South Africa (the institution)</td>
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<tr>
<td>BAS</td>
<td>Basic Accounting System</td>
<td></td>
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<tr>
<td>BCP</td>
<td>business continuity plan</td>
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<tr>
<td>CEO</td>
<td>chief executive officer</td>
<td></td>
</tr>
<tr>
<td>CFO</td>
<td>chief financial officer</td>
<td></td>
</tr>
<tr>
<td>CIDB</td>
<td>Construction Industry Development Board</td>
<td></td>
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<tr>
<td>CIO</td>
<td>chief information officer</td>
<td></td>
</tr>
<tr>
<td>CoGTA</td>
<td>Department of Cooperative Governance and Traditional Affairs</td>
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<tr>
<td>DLGTA</td>
<td>Department of Local Government and Traditional Affairs</td>
<td></td>
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<tr>
<td>DPSA</td>
<td>Department of Public Service and Administration</td>
<td></td>
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<tr>
<td>DRP</td>
<td>disaster recovery plan</td>
<td></td>
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<tr>
<td>FMS</td>
<td>Financial Management System</td>
<td></td>
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<tr>
<td>GAAP</td>
<td>Generally Accepted Accounting Practice</td>
<td></td>
</tr>
<tr>
<td>GITO</td>
<td>government information technology officer</td>
<td></td>
</tr>
<tr>
<td>GRAP</td>
<td>Generally Recognised Accounting Practice</td>
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<tr>
<td>HoD</td>
<td>head of department</td>
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<tr>
<td>HR</td>
<td>human resources</td>
<td></td>
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<tr>
<td>IDP</td>
<td>integrated development plan</td>
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<tr>
<td>IT</td>
<td>information technology</td>
<td></td>
</tr>
<tr>
<td>Logis</td>
<td>Logistical Information System</td>
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<tr>
<td>MEC</td>
<td>member of the executive council</td>
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<tr>
<td>MPAC</td>
<td>municipal public accounts committee</td>
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<tr>
<td>ACRONYM</td>
<td>DESCRIPTION</td>
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<tr>
<td>MSA</td>
<td>Municipal Systems Act, 2000 (Act No. 32 of 2000)</td>
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<tr>
<td>NT</td>
<td>National Treasury</td>
<td></td>
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<tr>
<td>PAA</td>
<td>Public Audit Act, 2004 (Act No. 25 of 2004)</td>
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<tr>
<td>PDOs</td>
<td>predetermined objectives</td>
<td></td>
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<tr>
<td>Persal</td>
<td>Personnel and Salary System</td>
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<tr>
<td>PFMA</td>
<td>Public Finance Management Act, 1999 (Act No. 1 of 1999)</td>
<td></td>
</tr>
<tr>
<td>PPAC</td>
<td>provincial public accounts committee</td>
<td></td>
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<tr>
<td>PPPFA</td>
<td>Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)</td>
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<td>SALGA</td>
<td>South African Local Government Association</td>
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<td>service delivery and budget implementation plan</td>
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<td>service level agreement</td>
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<tr>
<td>VAT</td>
<td>value-added tax</td>
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