The 2015 Budgetary Review and Recommendations Report of the Standing Committee on Finance on the National Treasury, dated 21 October 2015

The Standing Committee on Finance, having assessed the performance of the National Treasury (NT) for the 2014/15 financial year based on its latest Annual Report and its interaction with the committee, reports as follows:

1. CORE FUNCTIONS AND POLICY PRIORITIES OF THE NATIONAL TREASURY

The NT is responsible for managing the country's finances, and draws its mandate from Chapter 2 of the Public Finance Management Act, as well as Chapter 13 of the Constitution.

The legislative mandate of the NT includes developing and prescribing measures to ensure equitable resource allocation and proper expenditure control in each sphere of government, as well as to ensure that this function is executed in a transparent manner. The Treasury's role in this regard is to ensure that appropriated funds are transferred to departments and entities for implementation of government priorities, and that government expenditure is continuously monitored. The primary function of the NT is to support economic growth and development, promote good governance and social progress through fostering accountable, economical, efficient, equitable and sustainable management of public finances.

2. FINANCIAL PERFORMANCE – 2014/15

Table 1: Overall Performance of the National Treasury for 2014/15

Programmes	Final Appropriation (R'000)	Actual Expenditure (R'000)	Variance	% of Expenditure	Number of Targets	Achieved	Partly Achieved	Not Achieved	Not measurable/ not reported
Programme 1: Administration	372 382	362 527	9 855	97.4%	9	8 (88.9 %)		1 (11.1 %)	
Programme 2: Economic Policy, Tax, Financial Regulation and Research	134 358	124 329	10 029	92.5%	18	13 (72.2 %)		1 (5.6 %)	4 (22.2 %)
Programme 3: Public Finance and Budget Management	259 877	245 271	14 606	94.4%	53	43 (81.1 %)	6 (11.3 %)	1 (1.9 %)	3 (5.7 %)
Programme 4: Asset and Liability Management	3 343 372	3 089 403	253 969	92.4%	29	22 (75.9 %)	4 (13.8 %)		3 (10.3 %)
Programme 5: Financial Accounting and Supply Chain Management Systems	770 035	731 495	38 540	95.0%	57	22 (38.6 %)	9 (15.8 %)	13 (22.8 %)	13 (22.8 %)
Programme 6: International Financial Relations	1 199 717	1 198 652	1 065	99.9%	13	9 (69.2 %)	2 (15.4 %)	2 (15.4 %)	
Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits	3 730 971	3 730 935	36	100.0%	5	2 (40.0%)	3 (60.0 %)		
Programme 8: Technical Support and Development Finance	3 086 640	2 893 348	193 292	93.7%	40	25 (62.5 %)	9 (22.5 %)	2 (5.0 %)	4 (10.0 %)
Total	**12 897 352**	**12 375 960**	**521 392**	**96.0%**	**224**	**144 (64.3 %)**	**33 (14.7 %)**	**20 (8.9 %)**	**27 (12.1 %)**

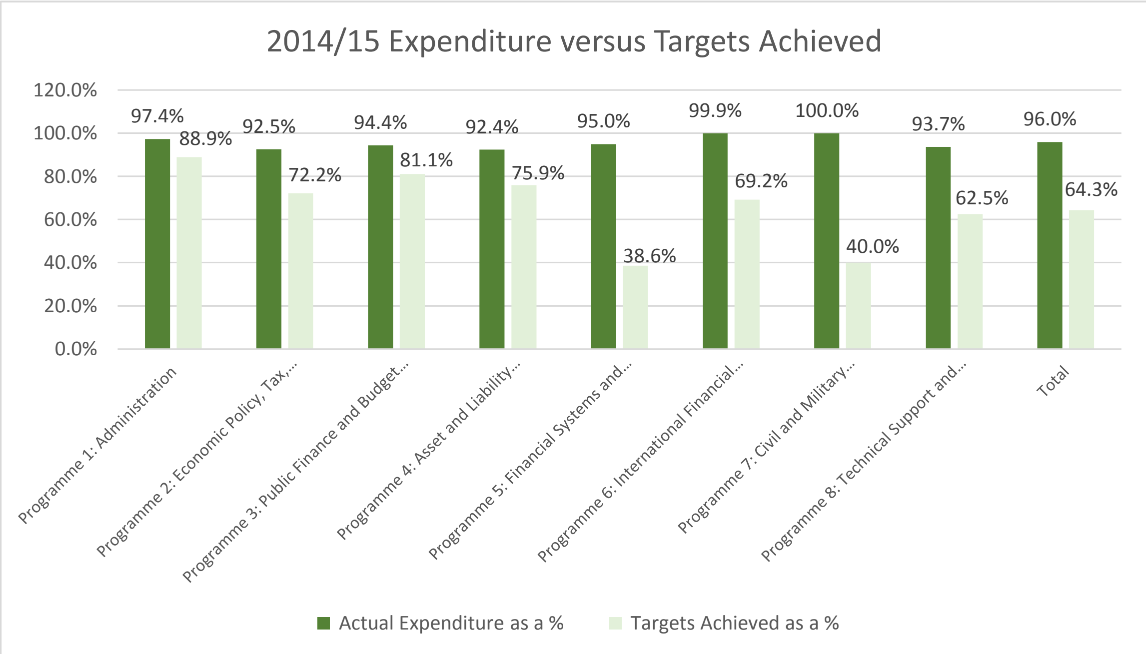
(Source: NT 2014/15 Annual Report)

Table 1 above, shows the overall performance of the Department in terms of actual expenditure and targets achieved.

The NT spent R12.4 billion or 96.0 percent of its final appropriation of R12.9 billion for the 2014/15 financial year and achieved 144 or 63.0 percent of the 224 targets planned for 2014/15. This represents an increase of 8.6 percent in actual expenditure compared to the R11.4 billion spent in 2013/14 and a marginal improvement of 1.3 percent in the targets achieved when compared to the overall 63.0 percent achieved in 2012/13.

Figure 1 compares actual expenditure and the achievement of targets per programme for the 2014/15 financial year.

Figure 1: Actual expenditure versus Targets achieved



Source: NT (2014 and 2015)

While the overall target achievement for the Department is at 64.3 percent, at a programme level, the matching of expenditure and actual performance has improved compared to the previous financial year. The performance of Programmes 5 and 7 in particular, needs to be reviewed by the Department and corrective actions need to be taken to ensure that non-financial performance is commensurate with expenditure (i.e. value for money).

3. Key Achievements and Challenges per programme

Table 2 provides a summary of the key achievements and challenges per programme for the 2014/15 financial year.

Table 2: Key Achievements and Challenges per programme

Programme	Key Achievements and Challenges

Programme 1: Administration	**Achievements** - Achieved 8 of 9 planned targets. - 100% compliance with regulatory reporting requirements - 100% implementation of risk management strategy. - Improved percentage of funded posts filled (i.e. 93.3% compared to target of 92%) - Improved retention rate (i.e. 90.2 % compared to target of 85%) - Achieved savings of 3% on the costs of goods and services for 2014/15. **Challenge** - Failed to achieve 1005 vetting of employees per year, due to the limited capacity of the Vetting Unit and the vetting review process taking longer than anticipated.
Programme 2: Economic Policy, Tax, Financial Regulation and Research	**Achievements** - - Achieved 13 of 18 planned targets (i.e. APP lists 18 targets but AR only reported on 15 targets). - 85 academic and research paper and 6 department papers were published compared to the targeted 40 and 4 papers, respectively. - Legislation and regulations for tax free savings was completed and became available to the public in March 2015 as part of the savings and retirement reforms. - The Department extensively engaged in a number of activities to strengthen the financial regulatory system, of which the tabling of the Bank Amendment Bill (which was enacted as Act No. 3 of 2015) is but one. The Act strengthens the framework for the resolution of banks. - The framework for hedge funds was finalised, making South Africa the first country to regulate hedge funds at a fund level, thereby complying with international commitments and standards. **Challenges** - Failed to implement the Twin Peaks legislation, due to the legislation still being under consultation. - The AR failed to report performance information against 4 of the planned targets listed in the APP in relation to the following indicator: Quarterly economic forecast and high-quality policy and scenario monitoring.

Programme 3: Public Finance and Budget Management	**<u>Achievements</u>** - Achieved 43 of 53 planned targets (i.e. 52 targets appear in the APP and the AR reports on one additional target). - Completed 10 expenditure reviews compared to the 6 targeted. - Produce and published national budget documentation within scheduled deadlines as per APP targets. - 364 government officials were trained on the infrastructure delivery management system compared to the 150 targeted. - Reviews of the 8 metropolitan municipalities' built environment performance plans were completed as per APP target. -Assessments of all provincial health and education departments' infrastructure plans were completed as per APP target. **<u>Challenges</u>** - Comprehensive parliamentary briefings of conditional grants of at least three provincial government departments could not take place due to cancellations, postponements and not being scheduled. - The draft amendment of the Municipal Fiscal Powers and Functions Act could not be completed, as the consultation process with external stakeholders was delayed due to the urgency of to consider the proposed amendment as part of a new proposed fiscal package for cities as announced in the 2015 Budget.
Programme 4: Asset and Liability Management	**<u>Achievements</u>** - Achieved 22 of 29 planned targets (i.e. 26 targets appear in the APP and the AR reports on an additional 3 targets). - 32 corporate plans and 33 annual financial statements of public entities and Development Finance Institutions were reviewed as per APP. - The Government Debt Management Unit successfully financed the gross borrowing requirement of R227.7 billion, which was originally budgeted for R229.9 billion. **<u>Challenges</u>** - The review of corporate plans and annual reports for all 13 water boards could not be achieved due to Pelladrift and Botshelo Water Boards being dis-established and Bushbuckridge Water Board being incorporated into Rand Water. - A number of targets were reported as achieved, but failed to state whether it was achieved within the scheduled deadlines.

Programme 5: Financial Accounting and Supply Chain Management Systems	**Achievements** - Achieved 22 of 57 planned targets (i.e. APP lists 57 targets but AR only reported on 53 targets). - 16 of 17 transversal contract were renewed. One contract could not be finalised due to delayed submission of technical specification by user departments. - A price referencing system was fully developed and contains 650 items per province compared to the target of 20 common items across government. - A Strategic Procurement Framework for government was approved. - A total of 27 fraud and corruption investigation and performance audits were completed compared to the 20 targeted. This was achieved due to efficiency of Specialised Audit Services (SAS) staff. - A total of 48 criminal cases was referred compared to the 25 targeted. This was achieved due to efficiency of SAS staff. - 1034 municipal officials are enrolled in the minimum financial management competency programme compared to the targeted 1000 learners. - 95% of MFMA helpdesk queries were responded to within 28 days compared to the targeted 75%. **Challenges** - The failure to achieve some of the targets under Programme 5 was attributed to insufficient staff capacity and delays in the recruitment process.
Programme 6: International Financial Relations	**Achievements** - Achieved 9 of 13 planned targets. - South Africa's position was effectively represented in discussions and negotiations during meetings with G20 Finance Ministers and Central Bank Governors through the compilation of position papers and outreach activities. - Successfully hosted the Infrastructure Consortium for Africa conference in terms of the strategic goal to support African economic development. - South Africa increased its shareholding in the African Development Bank (AfDB) to 4.85% in 2014/15 towards the Cabinet mandated target of 6%. **Challenges** - No progress could be made with the implementation of the 2010 International Monetary Fund (IMF) reform due the fact that it still has not been ratified by the United States Congress. - A new Southern Africa Customs Union (SACU) revenue sharing formula was not finalised, due to it being referred for further consultation between SACU Ministers.
Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits	**Achievements** - Achieved 2 of 5 planned targets. - 100% of customer service complaints received were resolved within seven days. - Undertook quarterly focused communication initiatives for injury on duty and post-retirement medical subsidies with four employer departments. - 96 % compliance with National Treasury's Service Level Agreement (SLA) **Challenges** - The re-engineering of core business processes was finalised and not implemented. - Payments for all benefits could not be made within the scheduled timeframes due to documentation not being submitted on time. - 100% compliance with National Treasury's SLA could not be achieved due to insufficient staff capacity.

Programme 8: Technical Support and Development Finance	**Achievements** - Achieved 25 of 40 planned targets. - A total of 14 spatial transformation integration zones were identified compared to a target of 12 in terms of the strategic objective to develop more inclusive and productive built environment in metropolitan municipalities. - 3 integrated catalytic integrated city development projects are currently underway compared to a target of 2 in terms of the strategic objective to develop more inclusive and productive built environment in metropolitan municipalities. - R1.571m in grant funding for the Jobs Fund was approved compared to the targeted R1.155m. - A total of R3.587m in matched funding was achieved compared to the targeted R1.0m targeted (no explanation provided in the AR for the variance). - A total of 30 357 placement contracts was achieved compared to the 7 000 targeted. The variance is due to two new approved projects providing more placements than anticipated. - A total of 42 957 training placement was achieved compared to the 11 915 targeted. The variance is due to two new approved projects providing more placements than anticipated. **Challenges** - The 20 projects targeted for approval in 2014/15 could not be achieved due to the Development Bank of Southern Africa (DBSA) experiencing a delay in contracting 3rd call for proposals (CFP) projects, which implied that there was no capacity to open a new general funding round.

Source: NT 2015 annual reports

4. Report of The Auditor General for the 2014/15 Financial Year

The NT received an unqualified audit opinion with findings for the 2014/15 financial year - which is the same as in the previous three financial years.

The Auditor-General (A-G) highlighted the following findings in terms of matters of emphasis - predetermined objectives, non-compliance with legislation, internal controls and investigations underway.

5. Findings and Recommendations

5.1. Performance achievements

Overall, NT performed relatively well. However, NT has achieved fewer of its targets in the 2014-15 financial year than in previous years. The Committee notes that NT spent 96 percent of its budget but achieved only 63 per cent of its targets, and recommends that NT more comprehensively explain this discrepancy during the next presentation of its quarterly reports to the Committee.

5.2. Investigations Outcomes

The Committee recommends that NT reports on progress on the investigations underway in its quarterly reports to the Committee.

5.3 Capacity building for other government institutions

The Committee supports NT's efforts to assist departments. While recognising the resource and capacity constraints, the Committee recommends that NT seeks to do more to assist municipalities to strengthen their financial governance in order to manage their finances better.

5.4 Developments around SOEs

The Committee welcomes efforts by the NT to finalise appropriate frameworks for state-owned entities on their developmental mandates. The Committee believes that if such a framework is developed through consensus and is implemented effectively it will contribute to better financial management of SOEs. The Committee recommends that NT work not just with the Department of Public Enterprises and SOES, but the widest range of stakeholders, and briefs the Committee on progress in this regard. The Minister should initiate a discussion with all the relevant ministries in order to identify the disposal opportunities of SOE's in line with the stated policy of disposal of non-core assets and report to the Committee during the next quarterly report briefing.

5.5 Transformation compliance

While recognising NT's progress on employment equity and other transformation requirements, the Committee recommends that NT focus more on gender representativity especially at higher management levels.

5.6 Improvement of Asset Management

The Committee recommends that NT works with the Department of Public Works and other relevant departments to address the perennial problems relating to the leasing of buildings by Departments and entities. The Committee would like NT to report on progress in this regard in its quarterly reports to the Committee.

5.7 Overall Assessment

The Committee believes that NT is performing reasonably well in difficult circumstances, but could do better. The Committee recommends that NT reports on progress on addressing the AG's matters of emphasis referred to in section 4 above in its quarterly reports to the Committee. The report should be submitted within 21 days of the adoption of this report.

5.8 Staff capacity

The NT should report on how they plan to address the issue of staff capacity at their next quarterly report briefing before the Committee.

5.9 There are more challenges not addressed in the AR and the Committee will request the NT to report on all challenges that hamper the achievement of challenges per specific programmes.

5.10 DBSA to brief the Committee on their long term approach to funding at a date to be confirmed by the Committee.

2. South African Revenue Service (SARS)

1. CORE FUNCTIONS AND POLICY PRIORITIES OF SARS

SARS is a revenue collection entity and was established in 1997 by South African Revenue Service Act of 1997, to collect all state revenue as they become due, to ensure maximum compliance with tax and customs legislation and to provide a customs service that will maximise revenue collection, protect South African borders and facilitate trade.

In part, SARS as a revenue collector relies on global and local economic factors to attain targeted revenues. The low global economic growth; energy constraints; and inadequacies of skills were among the factors that led low economic growth and increased unemployment, which reduced the tax base.

With divisions within SARS and the exit of senior managers, and the media coverage of this, the image of SARS was affected in the public domain.

Despite these challenges, SARS was able to increase its revenue collection by 9.6% compared to the 2013/14 financial year, improve its information technology; and infrastructure at the border posts. It also improved its public awareness programs, and opened small business desks to support small medium enterprises (SME) in many SARS branches.

In responding to the challenges of illicit trade, tax avoidance and other threats, SARS is in the process of reviewing its operating model and its information technology (ICT) systems. But the aims of this also include:

- Improving turnaround for customs and excise;
- Addressing the tax gap and increasing taxpayer compliance;
- Becoming a costumer centric organisation; and
- Building a high performance culture and operations.

2. FINANCIAL POSITION AND PERFORMANCE OF SARS – 2014/15

Table 1: Financial Performance and Position- with comparative analysis

Description	FY-2015	FY-2014	Variance
R million			
Total Revenue (TR)	9 967 617	10 015 474	0.48% -decrease
Total Expenditure (TE)	(9 582 553)	(8 764 196)	(9.34%)-increase
Employee Costs	(6 520 946)	(5 890 571)	(10.7%)-increase
Operating surplus (TR-TE)	385 064	1 551 278	75.18%-decrease
Surplus for the year	381 335	1 248 111	69.45%-decrease
Total Assets	6 119 710	5 658 762	8.15%-increase
Current Assets	3 601 700	3 043 886	18.33%-increase
Non-Current Assets	2 518 010	2 614 876	3.70%-increase
Total Liabilities	1 551 120	1 537 174	0.91%-increase
Current Liabilities	1 151 961	998 663	(15.35)%-increase
Non-Current Liabilities	399 159	538 511	25.88%-decrease
Net Cash Flow From Operating Activities	987 303	1 786 805	44.74%-decrease
Net Cash flow from Investing Activities	(480 615)	(597 254)	19.53%-decrease
Cash and cash equivalent at the end of the year	3 423 512	2 925 324	17.03%-increase

(Source: SARS 2014/15 Annual Report)

SARS own revenue – mainly government transfers—decreased by 0.5% compared to the prior financial year. However it continued to do well in attaining its revenue collection targets. Interestingly, its expenditure grew by 9% in 2014/15 compared to the previous year. The biggest increase in SARS' expenditure was on employees, which has grown by almost 11% year on year. There was a significant reduction in the operating surplus. Its total assets - R 6. 1 billion - exceeds its total liabilities - R1.5 billion.

3. Overview and assessment Of Service Delivery Performance – 2014/15

While overall SARS exceeded its revenue collection targets it failed to meet its target of processing vat refunds within 14 days by 1.17%. Some of key SARS performance areas for 2014/15 are highlighted in Table 2 as follows:

Table 2: Service delivery performance – Highlights

SERVICE DELIVERY PERFORMANCE

Performance Area	Performance Indicator	Achievements/ Challenges
Increased customs compliance	- Customs revenue collected target	- SARS exceeded its target by 1.3%
Increased tax compliance	- Total revenue (excluding customs revenue) collected target	- SARS exceeded its target by 0.64 % mainly due to Personal Income Taxes
Increased ease and fairness of doing business with SARS	- % of VAT refunds processed within 14 days	- SARS underperformed by 1.17 % on the target of processing VAT refunds
Increased cost effectiveness, internal efficiency and institutional respectability	- Leadership Effectiveness (LEI) Index in % - Employment Equity (EE): Demographics and Disability (%) -	- LEI attainment was below target by 0.97%, although is an increase compared to baseline, - SARS exceeded its EE demographics target by 1.12%, but has a .07% shortfall in attaining disability EE

(Source: SARS 2014/15 Annual Report)

4. Audit Report of SARS Annual Financial Statements and Performance Information

SARS received a clean audit with no material findings on the usefulness and reliability regarding service delivery performance information reported. Despite a clean audit report and lack of material findings in performance information, the AG pointed out that SARS failed to realise all its targets.

5. FINDINGS and RECOMMENDATIONS

5.1 Performance Achievements

Despite the challenging economic climate and its internal divisions, SARS is to be commended for performing well overall, and especially for raising revenue collected by 9.6% compared to 2013/14 financial and which R 7.3 billion more than its 2014/15 targeted

However, the Committee also questioned whether SARS was not perhaps choosing too modest targets. As one MP asked: "Is SARS not maybe under-targeting in the first place?. The Committee recommends that SARS briefs it at a future meeting on how exactly it decides on its targets.

5.2 Audit Outcomes

The Committee commends SARS for receiving a clean audit opinion with no material findings in reported service delivery performance and compliance to relevant legislations. The following were noted as matters drawn to SARS management by the AG:

- Inadequacies in respect of IT governance, IT service continuity, security management and user access control

The Committee recommends that SARS gives a progress report on these issues in its next quarterly report briefing to the Committee.

5.3. Investigations into "Rogue Spy Unit"

The Committee reiterates its position it took in the 2015 Budget Report on National Treasury and SARS on the divisions within SARS on the role of the "spy unit", in particular that while "recognizing the complexities, the Committee believes that there should be an amicable settlement of the divisions." The majority in the Committee also believe that any outstanding intelligence matters related to this unit have to be dealt with by the Joint Standing Committee on Intelligence, as agreed previously with that Committee. The Finance Committee, as agreed, will "deal with the consequences of the exit of senior managers from SARS on its performance and the role of the Judge Kroon Commission in this regard."

5.4. SARS Customs Modernisations Initiatives

SARS has been undertaking major Custom Modernisation Initiatives to improve its methods of revenue collection and ensuring taxpayers comply with legislation. The Committee would like SARS in its quarterly reports to the Committee to provide progress on this.

5.5. Double Tax Treaties

The Committee welcomes SARS progress on combatting Base Erosion and Profit shifting (BEPS). The Committee understands the complexities of the issues and SARS resource constraints, but believes that SARS should do more in this regard. The Committee recommends that in future when National Treasury and SARS brings tax agreements between South Africa and other countries that it spells out more clearly how these agreements seek to avoid BEPS.

5.6. Governance Structures

The Committee recommends that SARS give a more comprehensive briefing on how it is strengthening its governance structures, including through the SARS Advisory Committee set up by the Minister of Finance.

5.7. Border Management Agency (BMA) Bill

The Committee reiterates its previous recommendation that SARS maximise revenue from customs and excise. The Committee noted the SARS Commissioner's concerns that the Border Management Agency Bill 2015 (BMA) before the Home Affairs Committee at the moment could have the effect of removing remove customs duty from SARS mandate. The Committee is concerned about the potential negative impact this move might have on revenue. The Committee Chairperson will raise this matter with the Minister of Finance and engage with the Chairperson of the Home Affairs Portfolio Committee. —

5.8. Balanced Revenue Collection

The Committee believes that SARS should aim for a better balance between revenues raised from personal, corporate, customs, VAT and other sources of tax. It seems that increasing emphasis is being paid to raising personal income taxes. The Committee recommends that SARS explains in more comprehensive detail in its next quarterly report to the Committee how it decides on what share of revenue it will raise from each of the sources of tax.

5.9. Overall Assessment

Given the external and internal difficulties referred to above that SARS has had to face in the year under review, it has done well, and is commended.

3. FINANCIAL AND FISCAL COMMISSION

1. INTRODUCTION

The Financial and Fiscal Commission (FFC) was established as an independent and impartial advisory institution that Government has to consult with regard to 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. The mandate of the Commission is derived from the Constitution as well as legislation such as the Intergovernmental Fiscal Relations Act No. 97 of 1997 as amended, the Financial and Fiscal Commission Act No. 99 of 1997 as amended, the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009, the Municipal Systems Act No. 32 of 2000 as amended, the Provincial Tax Regulation Process Act No. 53 of 2001 as amended, the Municipal Finance Management Act No. 56 of 2003 as amended, the Intergovernmental Relations Framework Act No. 13 of 2005 as amended, and the Municipal Fiscal Powers and Functions Act No. 12 of 2007 as amended.

2. OVERALL PRERFORMANCE AND ACHIEVEMENTS FOR 2014/15

The FFC reported the following achievements and challenges for the 2013/14 financial year:

2.1 Achievements

- Passing of the Financial and Fiscal Amendment Bill, which rectified the structure that combined the position of Chairperson (Accounting Officer) with that of the Chief Executive. This is expected to eliminate governance challenges within the Commission.
- Four positions of commissioners were filled, and the Chairperson's term was extended for a further 18 months, thus ensuring more stability to the commission.
- The work on the Public Sector Wage Bill that the Commission is doing with the Public Service Commission has been subsumed into the work of the Presidential Remuneration Review Commission (PRRC).
- Addressing governance issues emanating from the Financial and Fiscal Commission Act, as well as finance and Information Technology (IT) issues that were raised by the Auditor-General and the Standing Committee on Finance.
- The Commission has placed the relevant governance structures in place to evaluate its internal and external risk areas. The Commission indicates that it has implemented the relevant strategies, while also achieving operational efficiencies.
- The Commission successfully hosted the 20th IGFR International Conference, and also implemented cost-containment measures to reduce the accumulated deficit of previous years.
- All irregular expenditure incurred in previous years was condoned.

2.2 Challenges

- Budget constraints impact on the Commission's ability to meet the increased requests from stakeholders, as well as extending its work and presence across all three spheres of government.
- Striking a balance between the Wage Bill of the Commission, which constitute more than 48 percent of total operational expenditure, and other activities.
- The impact of postponed spending on ICT and other assets are beginning to show with the constant breakdown of systems. Ongoing discussions are underway with the National Treasury in this regard.
- Issues related to the Commission's offices are being resolved with the Department of Public Works.
- The position of the Acting Chairperson remains a challenge as it is extended and not filled.

3. Financial Performance

3.1 Audit Opinion
The Commission received an unqualified Audit Report with findings regarding procurement and contract management. This is an improvement from the previous financial year, in which several pertinent findings were raised by the Auditor-General, such as irregular expenditure, misstatement of financial statements and capacity within the Commission. This year the Auditor-General raised a concern regarding non-compliance with the Preferential Procurement Regulations in terms of Treasury Regulation 16A6.3.

3.2 Revenue
The FFC received total revenue amounting to R45.5 million, which was made up as follows:
- Government grants amounting to R45.288 million: R39.5 million was the main appropriation plus an additional R5.8 million for the 20th Anniversary IGFR conference and replacement of obsolete IT equipment.
- Donor Funds: R28 180. All donor funds were received from the International Development Research Centre (IDRC)
- Sundry Income:R16 900
- Interest Received: R192 818
- Gains on disposal of assets: R3 142

3.3 Operating Expenses:
Employee costs amounted to R21.9 million, which is 48.4 percent of operational expenditure. Employee costs are constituted as follows:

Basic	19 764 191	32%
Bonus	702 073	3%
13th Cheque	74 613	5%
Leave pay provision charge	108 621	2%
UIF	50 799	12%
Long-service awards	249 026	45%
Other personnel costs	997 431	0%
Total employee costs	21 946 754	100%

Professional services: increased as follows in the year under review:

Type of Service	2013/14	2014/15	Variance/Increase
External Audit Fees	1 077 341	1 120 436	43 095
Risk Management Fees	52 857	224 003	171 146
Internal Audit Fees	840 958	1 417 966	577 008
Commissioned Research	3 384 454	4 230 168	845 714
Total	5 355 610	6 992 573	1 636 963

Other operational expenditure: increased by R6 million from R7.2 million in 2013/14 to R13.2 million in 2014/15 due to the following increases:

- Internet connection increased from R349 121 to R653 088
- Workshops and meetings increased from R734 632 to R5.8 million
- Printing and publications increased from R764 279 to R848 562
- Office Rent increased from R429 189 to R 513 679
- Travel expenses increased from R2.1 million to R3.3 million

4. Service Delivery Performance

The Commission achieved 88 percent of its targets in the period under review, 18 percent of which were exceeded. This is an improvement from the last financial year, wherein the Commission had achieved 75 percent of its measurable targets.
The current annual report does not reflect the breakdown in the FFC's divisional expenditure, therefore the comparisons between expenditure cannot be measured accurately. Nevertheless, the Commission spent 99.46 percent of its budget in the current financial year.

Targets not achieved					
Measurable Strategic Objective	**Output**	**Key Strategic Indicator**	**Target**	**Actual**	**Reasons for Deviation**
Plain language editing: Convert Commission research to policy advice and recommendations written in language that policy-makers can understand	Accessible Commission briefings	Number of plain language edited submissions, reports and policy briefs by year-end	3 official language grass-roots versions of 2015/16 submission for the	None	Budgetary and human capital constraints. The Commission is currently drafting an official language policy to be implemented in 2015/16 financial year

			Division of Revenue in Q1		
Human Resource Management: progressive and innovative HRM that attracts, develops and retains key talent, and leverages external expertise	People organised effectively for performance	Annual number of employees disciplined for misconduct	Less than 3%	3%	Commission could not go below that 3% as targeted but the reason was not given
Human Resource Management: progressive and innovative HRM that attracts, develops and retains key talent, and leverages external expertise	People organised effectively for performance	Annual ratio of male to female staff	SMS: 60%/40% Professional 60/40 Non-SMS 60/40 Organisation 60/40 By Q4	SMS: 80%/20% Professional 31/69 Non-SMS 27/73 Organisation 44/56 By Q4	Reasons for variation not provided
ICT Management: coordinated , coherent, high quality, innovative and cost-effective approach to ICT that meets the needs of the Commission , the Commission Secretariat and Stakeholders	ICT organised effectively for performance	Duration of downtime per incident by Q4	Not more than 3 hours per incident for desktop support by Q4	Not provided	Not provided
Information management, Enterprise content management and knowledge management: creation, institutionalisation and transfer of new knowledge to other role players within the IGFR system	Advance IGFR Knowledge	File plan, systems, infrastructure and digitisation by Q4	Draft file plan by Q4	Not Provided	Infrastructure and digitisation not achieved due to budgetary controls
Targets Partially Achieved					
Measurable Strategic Objective	**Output**	**Key Strategic Indicator**	**Target**	**Actual**	**Reasons for Deviation**
Legislature and Government Plan: Commission's Mandate, Role, Approach Achievements, Challenges and Recommendations	Dissemination of Commission Proffering, engagement with stakeholders and issues management	Number of briefings on Commission submission on Appropriation Bill	2	1	The budget process was incomplete, the Commission received invitation subsequent to year-end
Library: coordinated,	Unrestricted	Number of	12 000	11 842	Demand less than

cost-effective and innovative acquisition and management of commission data, information and knowledge resources in support of delivery on the Commission's mandate	access to information in many formats from a variety of sources	successful referencing transactions by the end of Q4		(98.68%)	expected, thus efforts were focussed on reference works
Targets not Measurable					
Measurable Strategic Objective	**Output**	**Key Strategic Indicator**	**Target**	**Actual**	**Reasons for Deviation**
Human Resource Management: progressive and innovative HRM that attracts, develops and retains key talent, and leverages external expertise	People organised effectively for performance	Annual number of Reviewed HRM policies and procedures	EXCO approved revised policies in Q4: No Quantifiable target provided	8	No Quantifiable target provided
ICT Management: coordinated , coherent, high quality, innovative and cost-effective approach to ICT that meets the needs of the Commission , the Commission Secretariat and Stakeholders	Space, infrastructure, people and organisation effectively coordinated for performance	Number of facilities management policies and procedures revised by Q4	CE approved facilities management policies by Q4 (No target provided)	1	Not provided

5. Findings and Recommendations

5.1 Overall Conclusion

It is evident from the Annual Report that the Commission prioritised the strengthening of its internal control systems and other findings by the Auditor-General in the previous financial year. The Commission specifically strengthened its Supply Chain Management activities to comply with legislation and National Treasury Regulations.
The performance of the Commission also improved compared to the previous financial year as a result of a more focussed attention to addressing weaknesses. A shortcoming however, relates to the technical quality of the report, e.g. incomplete tables and figures that don't match the total (page 69), and wrong dates (pages 86-87). More careful attention needs to be paid to Annual Reports in future.

The gap between expenditure and service delivery performance seems to be closing as the Commission tightened up performance in its finance division in particular, which did not perform as well in the last financial year.

5.2 Service Delivery

The Committee congratulates the FFC for spending 99.46 percent of its budget in the current financial year. But the Committee notes at the same time that the FFC did not achieve 12% of its targets. The Committee requires the FFC to provide reasons for not achieving targets or for deviations where these are not indicated in the Annual Report. The Committee would like explanations for this be provided within 10 days of the FFC receiving this report.

5.3 Auditor-General

The Commission received an unqualified Audit Report with findings regarding procurement and contract management. The Auditor-General raised a concern regarding non-compliance with the Preferential Procurement Regulations in terms of Treasury Regulation 16A6.3.
The FFC needs to provide the Committee with a report as to why irregular expenditure incurred in the previous year was condoned.
The Committee also requests a report on how the FFC will address the non-compliance with the Preferential Procurement Regulations in terms of Treasury Regulation 16A6.3. This report should be provided within 30 days of receiving this report.

5.4 Human Resources

The Chairperson of the FFC indicated that the Commission had all the human resources it needed, and that it is shifting away from using consultants. The FFC preferred not to engage consultants, as it affected the salary bill.

The Committee expressed dissatisfaction about the Commission's gender composition and will pursue this matter further with the Minister. In respect of the gender composition of the staff, the Committee, the FFC needs to provide the Committee with an action plan on how it will go about attracting suitably qualified woman candidates.

This plan should be submitted within 30 days of receiving this report.

The Committee also feels the position of the chairperson of the Commission should be looked at as it has been vacant for a number of years. This should be prioritised.

5.5 Office accommodation

The Committee notes the accommodation problems faced by the FFC and the challenging nature of the problem.
The Commission indicated that the Department of Public Works (DPW) acted on behalf of the FFC for accommodation. There had been a protracted tussle with the DPW, which the FFC thought the Treasury could resolve. Since 2008, the FFC had been unable to resolve the problem. The lease had expired in the previous year. Currently, there was a month to month lease. The Public Investment Corporation (PIC) had agreed to make a building available. Recent discussions were held with the DPW Director General and discussions are underway with a view to finalising the matter.
The Committee noted that the accommodation challenge was urgent from a financial point of view. Departments had to be encouraged to institute cost containment measures. There had been a similar situation with Statistics SA, which was currently renting its own building.
The Committee Chairperson had raised this matter with the NT Director General some months ago and had understood that the matter would be resolved. The Committee Chairperson will raise this more vigorously with the DG and the Minister.

4. Land Bank

1. CORE FUNCTIONS AND POLICY PRIORITIES OF THE LAND BANK

The Land Bank was established in 1912 to play a pivotal role in advancing agriculture and rural development, and is wholly owned by the South African government. The Bank generates income through agricultural loans, earning interest on cash invested, and portfolio insurance investments. Recently, the bank has been accessing developmental capital from multilateral institutions. In addition, the government occasionally provides additional capital as well as guarantees.

In 2009, the Bank launched a turnaround strategy in order to address a wide range of organisational challenges. The strategy consisted of three implementation phases. The first phase was the *clean-up phase*, which focussed on addressing audit findings and the improvement of existing systems and processes. The second phase – the *stabilisation phase* – was designed to address the deterioration of the balance sheet, enhance human capacity and ensure effective systems. The third phase – the *sustainability phase* – aims to ensure the sustained performance of the Land Bank through the building of a strong loan book, prioritising development and improving efficiencies.

The Land Bank is currently implementing the sustainability phase through its 2016 Corporate Landscape and it's Fit for Future (FFF) programme. The FFF programme aims to create predictable and enhanced customer service; a sustainable delivery channel network and a growing business based on clear, achievable targets.

2. FINANCIAL PERFORMANCE – 2014/15

Table 1: Financial Performance 2014/15

	FY2015	FY2014	Variance
R million			
Net interest income	**1 059.9**	**931.9**	**13.7%**
Impairment (charges)/releases	**(166.7)**	**(140.9)**	**(18.3%)**
Non-interest (expense)/income	**(130.5)**	**(53.5)**	**(+100%)**
Operating income from banking activities	**762.8**	**737.4**	**3.4%**
Investment income	**242.9**	**56.3**	**+100%**
Fair value gains/losses	**9.2**	**5.0**	**84.0%**
Operating expenses	**(510.5)**	**(525.8)**	**2.9%**
Non-trading capital items	**14.5**	**9.5**	**52.6%**
Loss from discontinued operations	**(41.1)**	**(29.0)**	**(41.7%)**
Other comprehensive income	**(19.1)**	**34.8**	**(+100%)**
Total comprehensive income	**420.5**	**260.7**	**61.3%**
Cash and cash equivalent	**1 369.4**	**1 227.7**	**11.5%**
Loans and advances	**36 711.6**	**33 281.3**	**10.3%**
Funding liabilities	**30 847.1**	**28 206.6**	**9.4%**
Funding liabilities (incl. discontinued operations)	**31 671.8**	**28 990.6**	**9.3%**

(Source: Land Bank 2014/15 Annual Report)

The Bank's net interest income increased from R931.9 million in 2013/14 to R1 059.9 million in 2014/15 despite the challenging economic conditions and the reduction in liquidity in money markets as a result of the collapse of African Bank Investments Limited (ABIL).

Investment income of banking operations as a whole increased from R56.3 million to R242.9 million due to a R200 million intercompany dividend received from the group's insurance arm.

Impairment charges, however, increased by 18.3% while operating expenses decreased by 2.9 per cent due to reduced staff costs. The net effect of these changes resulted in the Bank's cost-to-income ratio improving from 59.9% in 2013/14 to 54.9% in 2014/15. The improved performance led to the 11.5% increase in cash and cash equivalents accumulated in 2014/15 when compared with the previous financial year.

The balance sheet showed an increase in properties in possession of R500 000. This relates to assets held by the Bank for disposal in an effort to recover outstanding debts from defaulting clients. Investments increased from R343.8 million in the previous financial year to R568.6 million in 2014/15. Trade and other receivables also increased by 2.7%. Gross loans increased by 10.9 percent from 34.1 billion in 2013/14 to 37.8 billion in 2014/15. Moreover, performing loans increased by 10.4% from R33 billion in 2013/14 to R36.4 billion in 2014/15.

The Land Bank Insurance Operations (LBI) contributed R71.9 million (a decrease from R133.7 million in 2013/14) in net profit. The Bank contributed R220.5 million net profit (a decline from R260.7 million in 2013/14).

Group investment income declined from R181.9 million in 2013/14 to R151.8 million in 2014/15. This represents a decrease of 16% due to low performance on the stock market. Total impairments increased by 38.4 percent from R784 million in 2013/14 to R1.1 billion in 2014/15 due to some corporate clients going into distress.

3. Overview And Assessment Of Service Delivery Performance – 2014/15

The Land Bank achieved 79% of its targets in full, with 8% being substantially achieved, 6% partially achieved and 7% not achieved at all.

Table 2: Service delivery performance (performance areas shown are deemed to be of particular interest)

SERVICE DELIVERY PERFORMANCE		
Performance Area	**Performance Indicator**	**Achievements/ Challenges**
Retail credit turnaround time	- 12 working days maximum loan application response time (From credit analyst in the HUB to Retail Credit Committee decision)	Measured on the year-to-date average as at 31 March: - a) Both HUBS are within target - b) RCC is within target
Agricultural Finance Centre (AFC) network optimisation	- All new AFCs implemented	- Due to budget considerations, none of the new offices were implemented as recommended by FFF. Four offices were however converted
Enhanced product offering	- New product development framework developed.	- Group insurance product is under discussion with Land Bank Insurance Company (LBIC) and the discussions are likely to go into the next financial year. Target relating to re-branding the Land Bank to include insurance were partially achieved in 2014/15
Implement development as core to business	- R1.05 billion in loans disbursed	- R769.1 million in loans disbursed. No explanation for shortfall was provided

(Source: Land Bank 2014/15 Annual Report)

4. Report of The Auditor General and Annual Financial Statements

The Land Bank received a clean audit with additional matters raised regarding service delivery performance information.

The Audit Committee noted some instances of internal control breakdowns in the functioning of the group's systems, procedures and controls that could lead to losses, contingencies and uncertainties that would require disclosure in the financial statements. All control deficiencies were brought to the attention of the Audit Committee and corrective action was taken by management.

5. FINDINGS and RECOMMENDATIONS

5.1 Organisational Structure

The Chief Executive Officer (CEO) of the Land Bank explained to the committee that he had taken the decision to split the functions of what was previously the responsibility of a single key executive position. This was done to allow for a more dedicated focus on development finance. The management of the Bank's local branches now falls under the ambit of the executive responsible for development finance. Apart from the CEO's acknowledgement that the service provided by the branches could be improved, it is not clear how the splitting of executive functions will serve to address these challenges

Further, the committee noted that the Bank's Annual Report does not provide a breakdown of staff by salary level. This means that it is not possible to verify the number of previously disadvantaged staff employed in middle and senior management positions. The committee recommends that the Bank provides it with a more detailed breakdown of the demographics (gender, race, salary level etc.) of its staff.

5.2 Service Delivery

It is recommended that the Land Bank provide reasons for not achieving targets where these are not indicated in the Annual Report.

5.3 Accessibility

The committee discussed whether the bank had done enough to address the challenges faced by farmers in South Africa. The fact that South Africa does not subsidise agriculture, like some other countries do, was identified as having had a significant impact upon export competitiveness.

The committee enquired as to the extent to which the Bank had facilitated access to land by disadvantaged individuals; assisted emerging farmers; encouraged entrepreneurship and promoted job creation as well as agricultural productivity and food security.

The committee, therefore, expressed concern that the key performance area relating to development had only been partially achieved. As part of its deliberations, the committee highlighted the need for funding to be made more accessible to successful black commercial farmers battling to acquire land.

In this regard, it was noted that the Bank only provided a breakdown of its clientele by sector. It is, therefore, recommended that the Bank provide a breakdown of its clients by demographics including age, race and gender.

The committee also noted the challenges faced in attracting young people to the agricultural sector. As a result of this discussion, the committee queried whether the bank's funding model had taken into account the need to fund young agricultural entrepreneurs. The Bank needs to explain whether, based on its experience, it believes that South African youth are becoming increasingly uninterested in agricultural vocations. If so, does the Bank have a strong sense for the factors driving this trend?

5.4 Market Trends

The committee raised concerns about the relatively high percentage of agricultural good imports and the decline in local production.

It is recommended the Bank attends to this matter.

5.5 Auditor General

The Auditor General described the overall control environment for the Bank as "requiring improvement". The committee questioned the extent to which the effectiveness and financial efficiency of the Bank is affected by such an environment. The committee decided that the Land Bank should provide an explanation as to what the challenges are and how these affect its effectiveness.

5.6 Financial Performance and Position of the Land Bank

The committee noted that the turnaround strategy implemented by the Land Bank has resulted in notable improvements in the financial performance of the entity. This had clearly led to the strengthening of the balance sheet.

The decline in the Bank's net profit and investment income from the 2013/14 to the 2014/15 financial years as well as the increase in total impairments over the same period was, however, noted.

Further questions have been raised for further clarification and include:

- The non-performing loans ratio deteriorated from 3.2 per cent in 2014 to 3.7 per cent in 2015 as a result of two corporate clients experiencing financial distress. Does the Bank plan to assist in resuscitating these loans, and if so, what does that plan entail?
- What process does the Bank follow in determining its recovery target against non-performing loans?
- The Bank mentioned that it applies a relatively more subjective measure in its determination of impairments for bigger corporate loans. What process does it follow in this regard?
- The Bank explained that it considered the circumstances of non-performing loans before seeking to recover its funds by closing projects. In such cases, debt was rolled over to the next financial year. How does the Bank determine the point at which it takes action to recover rolled-over funds? Are there examples in the past where this has happened? If so, what was the loss assumed by the Bank?
- The Bank identified securing long-dated funding – loans that are due for repayment in more than ten years – as a challenge in the current environment. What are the long-term implications for the Bank should it be unable to match the duration of its source funding with the financing requirements of applicants?
- The Bank stressed the importance of building networks with relevant individuals and institutions to assist its clients with access to markets and supply chains. What do the service level agreements with other role players entail?
- The Bank committed to providing further detailed information on the capitalisation of the final tranche of the guarantee provided by the state. To what extent do these guarantees enable access to otherwise unobtainable finance and reduce costs? If this impact is considered substantial, does the Bank have a projected medium and long term target for state guarantees - and, if so, what are those targets?
- The Retail Emerging Market (REM) product currently offered by the Bank at 4 per cent per annum is insufficient to cover its cost of capital. The Bank cited this sort of funding as unsustainable and that, if continued, would likely reduce the value of the Bank's capital reserves. What are the Bank's plan to raise the cost of REM financing to its break-even level?
- How does the Bank plan to extend its list of reputable partners to take-part in offtake agreements with REM product users?
- Does the Bank's acquired function of providing crop insurance fall within its mandate? What has been the financial performance of this business to-date?

It is recommended that the Land Bank respond in writing to the above questions within 10 days of receiving this report.

5.7 Ongoing Investigations

The committee queried the progress made on previously reported investigations relating to irregularities in the Land for Development Finance Unit and in respect of AgriBEE and Mafisa funds administered on behalf of the Department of Agriculture, Fisheries and Forestry.

There was some confusion around the legal ramifications of sharing information with the committee in relation to ongoing investigations involving the Bank. The committee determined that an independent legal opinion outlining what information the Bank is able to share be obtained.

The Land Bank should report back, within six months of the adoption of the Committee's Report by the House, on the outcome of the investigations that have been handed over to the Hawks and the South African Police Service.

5.8 Overall Assessment

The Committee believes that, notwithstanding its challenges, the Land Bank has made significant strides since it was moved to Treasury and commends it.

The Committee recommends that the Bank responds to the issues raised in this report within 30 days of it being adopted.

5. Accounting Standards Board

1. CORE FUNCTIONS AND POLICY PRIORITIES OF THE ASB

The ASB was established in October 2002 by Chapter 11 of Public Finance Management (PFMA) Act 1999, to develop and maintain financial reporting standards that lead to proficient performance in the public sector as it is critical to good corporate governance in National, Provincial and Local government. In particular the ASB is set out by section 89 of PFMA to:

- Set Standards of Generally Recognised Accounting Practice (GRAP) for the financial statements of institutions in all of government;
- Prepare and publish directives, guidelines and interpretations concerning the Standards of GRAP;
- Recommend to the Minister of Finance effective dates of implementation of these Standards of GRAP for the different categories of institutions to which these Standards of GRAP apply;
- Perform any other function incidental to advancing financial reporting in the public sector;
- Take into account all relevant factors in setting Standards of GRAP, including best practice and capacity to implement;
- Set different Standards of GRAP where necessary for different categories of institutions to which these Standards of GRAP apply; and
- Promote accountability, transparency, and effective management of revenue, expenditure, assets and liabilities of the institutions to which these Standards of GRAP apply,

The ASB make use of various local and international stakeholders' engagements to develop and review South African financial reporting standards for the public sector. As a result, the Board continues to commission and attend various stakeholder engagements activities to support the attainment of its legislated mandate. , However, the 2014/15 financial year has seen the Board's ability to take part in stakeholder engagements being reduced due to cost-cutting measures implemented by the National Treasury.

The ASB is currently reviewing challenges and seeking solutions to the implementation of the recently developed standards of GRAP, Investment Property-GRAP 16 and Property Plant and Equipment-GRAP 17 in the government sector.

The ASB has over the years developed financial reporting standards comparable to those of the International Public Sector Accounting Standards (IPSASB- International public sector standard-setters) and International Accounting Standard Board (IASB-International private sector standard-setters) in South Africa. The ASB in participating in these international bodies intends to influence the standards setting internationally, making adopting international standards locally more efficient.

As it is required by the Constitution to have uniform reporting standards, ASB has set out processes to ensure the adoption of GRAP by all spheres of government. Parliament and Legislatures would as of the 1 March 2016, be required to adopt the GRAP as their financial reporting framework. State Owned Entities (SOEs), as listed in PFMA schedule 2, 3B and 3D are required to adopt private sector oriented financial reporting standards or framework, Generally Accepted Accounting Practice or International Financial Reporting Standards (IFRS), but the ASB is currently in the process of developing a uniform financial reporting framework for SOEs and expects to finalise the process during the 2015/16 financial year.

2. FINANCIAL POSITION AND PERFORMANCE OF ASB – 2014/15

Table1: Financial Position –with comparative analysis

Financial Position			
Description	**Financial Years**		
	2014/15	**2013/14**	**Variances**
Assets			
Non-current assets	R 197 878	R 282 140	29.87%
Current assets	R 997 874	R 2 834 739	64.80%
Total Assets	**R 1 195 752**	**R 3 116 879**	**61.64%**
Net Assets and Liabilities			
Liabilities			

Current Liabilities	R 997 874	R 2 758 899	63.83%
Net Assets	R 197 878	R 357 980	44.72%
Total Net Assets and Liabilities	**R 1 195 752**	**R 3 116 879**	**61.64%**

(Source: ASB 2014/15 Annual Report)

The ASB financial statement shows that it is a relatively small entity compared to other SOEs, with total assets of R 1.1 million as reflected in Table 1-Financial Position and total revenue of R 11 million as reflected in Table 2 -Financial Performance. Its size could justify the current discourse as initiated by the Minister of Finance, which could either mean being merged with other similar entities or its mandate being broadened. The challenge is that the administration costs – fixed costs— arguments of running a small entity are often outweighed by those in favour of larger entities.

The ASB total assets value has decreased significantly by almost 62% from 2013/14 as reflected on Table 1. Assets are often regarded as tools used by an entity to attain its objectives, taking this generic view into account, ABS' ability to attain its objectives in future might been adversely and significantly affected by high loss of assets. Current assets, often comprise mainly of cash in the bank but also with other short-term assets, this is also the case in ASB. Current assets --cash in the bank— in ASB most affected by the reduction in value of assets for 2014/15 year, it has been reduced by almost 65% as reflected in Table1.) As ASB use cash to conduct its stakeholder engagement exercises and other activities, it is important for its current assets to be increased if the Board' operations are to continue as planned.

A good point worth mentioning is that, the Board's short-term liabilities -current liabilities-have also decreased at the same level as that of current assets by almost 64% as reflected on Table 1. This reduction could be linked to that of the reduction of current assets since the two categories are necessary for functioning of an entity-the difference between the two items is known as net-working capital —

Table 2: Financial Performance- with comparative analysis

Financial Performance			
Description	**Financial Years**		
	2014/15	**2013/14**	**Variances**
Revenue			

Transfers	R 11 499 514	R 9 951 123	-15.56%
Other income	R 332 807	R 219 330	-51.74%
Total Revenue	**R 11 832 321**	**R 10 170 453**	**-16.34%**
Expenditure			
Employee Benefits	R 7 650 460	R 6 674 668	-14.62%
Other Expenses	R 4 341 963	R 3 344 435	-29.83%
Total Expenditure	R 11 992 423	R 10 019 103	-19.70%
Deficit/Surplus for the year	**R -160 102**	**R 151 350**	**205.78%**

(Source: ASB 2014/15 Annual Report)

The ASB' Transfers – revenue- has increased compared to prior to financial year 2014, by almost 16% as reflected in Table 2. The increase in revenue from the 2014 financial year is contradicts the views of the ASB CEO that the budget allocation was reduced, but then the further explanation by the board is that the Entity was allowed to use the prior year's surplus in 2015 as part of their transfers.

Employee remuneration is the Board's main expense for the 2014-15 financial year with R 7.6 million. The employee costs continued to grow from 2014 with almost 15% growth as reflected in Table 2. ASB's mandate requires the entity to have highly technically qualified and experienced employees to provide services in the field of accounting. ABS appointees are mainly Chartered Accountants (CA's), and this mainly explains the employee costs However, the board might have to find other creative ways to maintain its quality of services and products if additional budget allocation requests are not granted.

3. Overview and Assessment of Service Delivery Performance – 2014/15

The ASB achieved 67% of its targets in full, although this fact as noted by the Board's auditors, is not clearly reported by the board. The ASB explicitly spelt out its 2015/16 performance targets, but failed to similarly reflect its achievements in the 2014/15. The ASB reported performance does not reflect the achievements against its annual reports for the 2014/15 financial year.

The ASB performance areas for 2014/15 are as follows:

Table 3: Service delivery performance -Highlights

SERVICE DELIVERY PERFORMANCE	
Performance Area	**Achievements/ Challenges**
Influence the development of international Standards	The ASB submitted the letters that were issued by IPSASB reflecting ASB's views regarding standard setting internationally :

	• IPSASB Strategy and Work Plan Consultation (ED 123), • IPSASB Consultation Paper on Applicability of IPSAS to GBEs (ED 125), • Reporting on Service Performance Information (ED 121), and • IPSASB Improvements project
The ASB participated in tasked-based groups (TBGs)	The Board participated in the following TBGs during the year: • Framework: Measurement of Assets and Liabilities, • Framework: Presentation in General Purpose Financial Reports, • First-time Adoption of Accrual Basis IPSASs, and • Public Sector Specific Financial Instruments
Set Standards of GRAP	The following standards were approved for implementation from 1 April 2015 by the Minister of Finance: • Segment Reporting, • Transfer of Functions Between Entities Under Common Control, • Transfer of Functions Between Entities Not Under Common Control, and • Mergers. Following Standards were completed but waiting for the Minister of Finance to determine implementation dates: • Statutory Receivables, • Service Concession Arrangements: Grantor and the related Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset, and • Related Party Disclosures

(Source: ASB 2014/15 Annual Report)

4. Audit Report of ASB Annual Financial Statements and Performance Information

The ASB received a clean audit with no material findings on the usefulness and reliability of service delivery performance information reported. Despite a clean audit report and lack of material findings in performance information, the auditors noted that the ASB attained eight of its twelve initially planned targets. The Board's Audit and Risk Committee reported satisfaction with the ASB's effectiveness of internal controls and compliance with necessary policies and legislation.

5. FINDINGS and RECOMMENDATIONS

5.1 Performance Achievements

The Committee welcomed the ASB's annual report, especially the clean audit opinion. The Committee noted though the AG's assessment concluded that there were no material findings on the usefulness and reliability of reported performance information for the entity's objectives and compliance with relevant legislation. The Committee recognises the budgetary and other constraints of the ASB, but would like the ASB to achieve more than the eight out of twelve targets it achieved in the 2014-15 financial year.

While recognising the difficulties in getting cooperation from government and the public entities, the Committee would like the ASB to be more proactive, within its budgetary and other constraints, in offering its services in ensuring that government and other public entities are meeting the relevant accounting standards,

5.2 Additional Funding

The Committee noted the request by ASB for additional funding to be able to meet its legislated mandate. According to the CEO, the board had in recent years been forced to abandon some of its strategic plan activities including, public awareness, and translation of publications in all South African languages. According to ASB Management, the Board requested additional funding in previous years but failed to obtain it from National Treasury

The Committee recommended the NT should considerer increasing the ASB budget allocation in line with the entity's legislative mandate. In particular additional funding is necessary to:

- Produce its work in more South African languages.
- Ensure that ASB Transformation related initiatives are not compromised.
- Perform post-implementation reviews of GRAP
- Allow ASB to participate in conferences and other local and international events that are in support of its work of producing Accounting Standards,
- Reasonable and effective participation in meetings of the relevant international structures.

5.3. Support to Parliament Oversight Process

The Committee last year took a decision to approach the Speaker's Office to make use of the ASB to strengthen the capacity of MPs to be more effective in their oversight work. The Committee Chairperson engaged verbally and in writing with various office bearers in the Speaker's Office who agreed that the ASB would be drawn into a training programme for MPs. Unfortunately this has not happened. The Committee decided that the Chairperson should pursue this further with the Speaker's Office.

The Committee recommends that the ASB makes available its services to parliament and the Committee Chairperson facilitates this.

5.4. Future Projects by ASB

The Committee welcomed the ASB's further initiatives to respond to public sector reporting needs, in particular by developing a reporting framework for Living and non-Living natural resources. This may, amongst other things, strengthen guidelines in reporting for agriculture products (valuation of livestock or crops or both).

The Committee will continue to monitor such initiatives and impact in the financial reporting in various sectors. The Committee requests the ASB to in future spell out the impact of this initiatives.

5.5. HR-Transformation

While recognising the ASB's difficulties in recruiting more representative staff and the commendable work of the current staff, the Committee recommends that the ASB seek over time to be more demographically representative.

5.6. Stakeholder engagements

The Committee welcomed the ASB' continued initiatives to use various methods— like conference and task based groups attendance, submission of comments to publications by IPSAB and other bodies, and other exchanges— to consult with its wide stakeholders. The Committee recommends that the ASB in future reports provides more precise outcomes of all these engagements.

5.7. Review of ASB Mandate

The Committee has noted concerns by the ASB regarding the current process by the Minister of Finance to review its mandate. According to the ASB the Minister of Finance would seek to determine whether the Boards is fit for purpose.

The Committee would like be kept abreast of developments in this regard by the ASB, and will also engage with the Minister.

5.8. ASB loss of assets value
The Committee noted with concerns that ASB assets value decreased significantly from prior year, this decrease is mainly attributable to realisation or spending of cash invested in short-term deposits during the year.

The Committee appreciates that investments are meant to be used by entities when need arises, however ASB has utilised significant amount of cash deposit within one. As a result the Committee would like to ask National Treasury to review ASB funding model with aim to increase funding where necessary,

5.9 Overall Assessment
The Committee believes that with limited resources the ASB gets a lot done and has to be commended. The ASB representatives who appear before the Committee come across as very hardworking and committed, and in need of appropriate support from NT. The Committee believes that despite its good work, the ASB can do better, and would encourage it to do so.

6. LIMITED TIME TO PROCESS THE BRRRR

6.1 The Committee had just five working days to process the Annual Reports of NT, SARS and the Accounting Standards Board and the BRRR as a whole. This is far too limited time and undermines the adoption of a report of the necessary quality and usefulness. This is especially the case as the Committee does not have a Content Advisor and dedicated full-time researcher. These time and support constraints probably apply to most parliamentary committees. The Committee mandates the Chairperson to engage with the House Chairperson for Oversight and ICT and other office bearers in the Speaker's Office and any other relevant office bearers to address this issue.

6.2 The Committee, due to time constraints, did not have time to deal with other entities that it is mandated to oversee.

6.3 The Committee expresses its gratitude to the Parliamentary Budget Office and Committee secretaries for their contribution to finalising this BRRR.

The Democratic Alliance (DA) reserves its position on this report.

Report to be considered.