

ASSURANCE

Internal controls

The Board, through the Audit Committee, ensures that internal controls are effective and adequately reported on for auditing and regulatory purposes. In line with King III, the NEF applies a combined assurance model to ensure coordinated assurance activities. This model gives the Audit Committee and the Risk and Portfolio Committee an overview of significant risks, as well as the effectiveness of critical controls to mitigate these risks. The principles for the combined assurance model are embedded in the combined assurance framework. NEF's internal audit function is managed by the Internal Audit department which reports directly to the Audit Committee.

The Internal Audit department's risk-based plan for technical and financial reviews of internal control systems is approved by the Audit Committee on an annual basis. The NEF keeps a database of all internal and external audit findings called the Tracking Register. The database is monitored on a monthly basis by Internal Audit and management, and progress on resolving audit findings is reported to the Audit Committee on a quarterly basis. The NEF also provides the Auditor-General of South Africa with a quarterly assessment on the control environment.

Combined assurance

Combined assurance assists management in identifying duplication of assurance work, any potential assurance shortfall, and improvement plans for those areas identified. It also helps focus assurance providers to better achieve consensus on the key risks the NEF faces and reduce the risk of failing to identify significant risks. The combined assurance model provides three lines of defence against risk:

- Line 1: Line management and managerial controls. Line management is responsible for managing risk and performance
- Line 2: Functional areas like risk management, compliance and oversight. This function supports management in executing its duties and provides a layer of control over risk management
- Line 3: Internal Audit which is independent of management and provides independent, objective assurance

The NEF has fully embedded the combined assurance model (CAM). The CAM view as at 31 March 2016 was arrived at after taking into account:

- The CAM procedural framework document;
- The latest key risk register;
- Results of internal audit engagements;
- Results of external audit engagements;
- Results of other specialised engagements; and
- Consultations with management, internal and external assurance providers as well as the audit committee and Board of Trustees.

Non-financial information

The organisation's performance against KPIs as outlined in the Annual Performance Plan is reviewed by Internal Audit to ensure that the integrity of the data therein is credible and accurate. This information is reviewed by the Audit Committee and approved by the Board of Trustees prior to being reported to our stakeholders.

On the horizon: King IV

The Audit Committee welcomes this draft version of the King Code as it not only provides a more practical and principle based approach to good corporate governance, but also incorporates both global public sentiment and international regulatory changes since King III was issued in 2009.

King IV has refined the concept and requirements of combined assurance, as it expands on the traditional "three line of defence" by introducing a "five lines of defence" to incorporate all assurance role players. The lines of defence are separated by the level of risk ownership as well as independence of assurance.

King IV also has new focus on opportunity management and is proposing a name change from risk committee to risk and opportunity committee. Furthermore, the Code recommends the overlap of membership of the risk and audit committees where these function as separate committees, for better functioning. If the roles are combined in a single committee, the meeting agendas to address audit, and risk and opportunity, should be separate.

The NEF plans to unpack and adopt this new approach in the new financial year.

“All credit should deservedly go to government for the recent changes to the Broad-Based Black Economic Empowerment Codes of Good Practice with respect to enterprise and supplier development, which will have a significant impact on the development of small businesses. This demonstrates government's commitment to the development of small business. It is also clear proof that government is not only concerned about supporting small businesses but also job creation.”

The Hon. Deputy President Cyril Ramaphosa at the Shanduka Black Umbrellas National Development Awards, Sandton Johannesburg, 24 June 2016