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HELD AT

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10

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DAY 216

FINAL

20

PROCEEDINGS RESUME ON 20 FEBRUARY 2020

CHAIRPERSON: Good morning Mr Mbikiwa, good morning everybody.

ADV MICHAEL MBIKIWA: Good morning Chair.

CHAIRPERSON: Are we ready?

ADV MICHAEL MBIKIWA: We are indeed Chair.

CHAIRPERSON: Mr Y are you ready?

MR Y: I am Chair.

CHAIRPERSON: Thank you very much. The oath you took continues to apply. You understand?

10 **MR Y:** Yes Chair understood.

CHAIRPERSON: Okay thank you let us proceed.

ADV MICHAEL MBIKIWA: Mr Y we concluded yesterday with you dealing with the high level review panel report which made various findings regarding the diversion of the Special Operations Unit and its mandate and I think we left off on your evidence to the effect that Ms Myeni did not qualify for the security protection that this Unit was providing to her.

MR Y: Correct.

20 **ADV MICHAEL MBIKIWA:** I would like to begin this morning and to conclude your evidence by focussing on the services that were in fact provided to Ms Myeni. And for that purpose I would like to take you to the affidavit of Ms Moonsamy. If you can turn to page 15 of the bundle in front of you, that is DD23?

MR Y: Okay Chair.

ADV MICHAEL MBIKIWA: Chair as always this affidavit is included in

the bundle on a provisional basis on the basis that it does not as far as we are aware raise a contentious matter. But it is provisional and subject to your direction in due course.

CHAIRPERSON: Is it an annexure to Mr Y's affidavit?

ADV MICHAEL MBIKIWA: No Chair it is an additional document to Mr Y's affidavit.

CHAIRPERSON: Because if it is not an annexure to Mr Y's affidavit then it should have been given a different – separate exhibit number.

ADV MICHAEL MBIKIWA: We can certainly arrange for that Chair.

10 **CHAIRPERSON:** You see because what Exhibit DD23 was said to be was Mr Y's affidavit and annexures to it.

ADV MICHAEL MBIKIWA: Indeed Chair.

CHAIRPERSON: And if it is not an annexure it means it has not been admitted and it has not been given an exhibit number.

ADV MICHAEL MBIKIWA: Indeed Chair. Chair can I then request that Mr Moonsamy's affidavit and its annexures be included as DD23B?

CHAIRPERSON: We can do that. You then have to remember to – it means the – or otherwise we can put it on a separate small file as DD24?

20 **ADV MICHAEL MBIKIWA:** DD23B Chair.

CHAIRPERSON: Well if we – *ja* we could do it.

ADV MICHAEL MBIKIWA: There is already a DD24 I understand Chair.

CHAIRPERSON: You see if we keep it inside this lever arch file we can have Mr Y's affidavit and its annexures as 23A and then this affidavit and its annexures as 23B.

ADV MICHAEL MBIKIWA: Indeed Chair.

CHAIRPERSON: And then the lever arch file must make it clear it contains those two exhibits. That is one way of doing it. Another way of doing it is to take Mr Moonsamy's affidavit and its annexures out of this and have it in a separate small file. Then it can have its own exhibit or it might still have – it might still be DD23B but then this one will have to be A but kept separate.

ADV MICHAEL MBIKIWA: Chair I think given that we will be referring to Mr Moonsamy's affidavit during the course of Mr Y's evidence I think
10 your first proposal would make sense that we keep them in the same file but divide them into 23A and 23B and label the file accordingly to reflect that.

CHAIRPERSON: Yes. What is the last page of the annexures that belong to Mr Moonsamy's one?

ADV MICHAEL MBIKIWA: It is page 273 Chair.

CHAIRPERSON: Is that the end of the file?

ADV MICHAEL MBIKIWA: I apologise Chair it is 167 is the end of ... (intervenes).

CHAIRPERSON: The annexures to Mr Moonsamy's one?

20 **ADV MICHAEL MBIKIWA:** The annexures to Mr Moonsamy's affidavit.

CHAIRPERSON: 167?

ADV MICHAEL MBIKIWA: Indeed.

CHAIRPERSON: And then what comes after 167 is the High Level Panel Report?

ADV MICHAEL MBIKIWA: Indeed Chair.

CHAIRPERSON: Up to the end?

ADV MICHAEL MBIKIWA: Up to the end.

CHAIRPERSON: Is it an annexure to Mr Y's affidavit or is it separate?

ADV MICHAEL MBIKIWA: It is a separate document Chair it was added afterwards.

CHAIRPERSON: *Ja* you see then ...(intervenes).

ADV MICHAEL MBIKIWA: He refers to it in his affidavit.

CHAIRPERSON: Then ...(intervenes).

ADV MICHAEL MBIKIWA: Chair but it was not attached.

10 **CHAIRPERSON**: Yes then what should be done then it is that the High Level Report should be a separate Exhibit it will need to be C – 23C. Well in that event what we might not need to change anything. It seems to me that there is no annexure to Mr Y's affidavit.

ADV MICHAEL MBIKIWA: Indeed Chair.

CHAIRPERSON: So you people allowed me to say Mr Y's affidavit and its annexures but there are no annexures.

ADV MICHAEL MBIKIWA: Chair I cannot allow us people to take the blame it was mine entirely.

CHAIRPERSON: We need to correct that now. We will need to correct
20 what I said yesterday when Mr Y's affidavit was admitted and was allocated a number. I said at the time that it would be Exhibit DD23 together with its annexures. It has now transpired that it does not have any annexures therefore the position is that Mr Y's affidavit is to be marked Exhibit DD23A. And then in the same there is an affidavit by Mr Lingaraj Gary Moonsamy that affidavit is admitted and will be

marked as Exhibit DD23B. That is that affidavit together with its annexures. Then there is another document in the same file that is the High Level Review Panel Report it is admitted and will be marked as Exhibit DD23C.

ADV MICHAEL MBIKIWA: Thank you Chair.

CHAIRPERSON: Okay and then during the break you can put in the dividers.

ADV MICHAEL MBIKIWA: We will arrange for that Chair.

CHAIRPERSON: Okay alright. What page did you say we must go to?

10 **ADV MICHAEL MBIKIWA**: We are at ...(intervenes).

CHAIRPERSON: Let us go to Mr Moonsamy's affidavit?

ADV MICHAEL MBIKIWA: We are at Mr Moonsamy's affidavit and that is at page 15.

CHAIRPERSON: Okay so that is Exhibit DD23B?

ADV MICHAEL MBIKIWA: Indeed Chair.

CHAIRPERSON: *Ja* okay.

ADV MICHAEL MBIKIWA: Mr Y are you there?

MR Y: I am Chair.

ADV MICHAEL MBIKIWA: At page 15?

20 **MR Y**: Yes I am.

ADV MICHAEL MBIKIWA: You will see there that at paragraph 1 Mr Lingaraj Gary Moonsamy describes himself as the Head of Department Group Security Services at South African Airways Kempton Park, Johannesburg. Can I ask you to turn over to page 16.

MR Y: Yes.

ADV MICHAEL MBIKIWA: And we pick it up from paragraph 7. I will not read the entirety of this into the record but I will – I will paraphrase it for your purposes. Mr Moonsamy says that he – that among his duties was to provide Ms Myeni with the services of a close protection officer which he did together with three other Members of South African Airways Security Services for about four months. He then in paragraph 9 says that he – after this four month period Ms Myeni obtained a new security detail but that he did not know who appointed them or where they came from. And that is despite him being the Head of Group
10 Security Services. At paragraph 10 he says that Ms Myeni breached SAA policy by not making prior arrangements before arriving at SAA with her own security detail. And then at paragraph 11 which is on page 18. He says that the people with her would refuse to sign in which he says was also in violation of South African Airways policy. Do you have any knowledge of any of this?

MR Y: I do not Chairperson.

ADV MICHAEL MBIKIWA: And do you have any reason to doubt this version?

MR Y: I do not Chairperson.

20 **ADV MICHAEL MBIKIWA:** And if these agents or Members who were protecting Ms Myeni had had been legitimately deployed to South African Airways do you know of any reason that they might not want to sign in?

MR Y: There should be no legitimate reason Chairperson. They would have to follow the existing policies and procedures.

ADV MICHAEL MBIKIWA: Thank you. Then at paragraph Mr Moonsamy says that he did not confront Ms Myeni about this but he took note of incidents and recorded them. And he refers to CCTV footage of the individuals who used to accompany Ms Myeni at SAA as her security detail. He attaches a photograph from that footage which I would like to take you to. It is at – that is at page 160. Can I ask you to turn there?

MR Y: Okay I am there Chairperson.

ADV MICHAEL MBIKIWA: Have you been shown this photograph
10 before?

MR Y: Yes I have by the investigators from the Commission.

ADV MICHAEL MBIKIWA: And are you able to identify any of the people in the photograph?

MR Y: Chairperson the bottom left hand corner the individual we identified as a Member of the State Security Agency.

ADV MICHAEL MBIKIWA: And are you able to indicate who he is?

MR Y: Yes Zama Ntolo. He is the – was a Member of the Special Operations Unit.

ADV MICHAEL MBIKIWA: And do you know anything about why he
20 would have been deployed to South African Airways?

MR Y: No Chairperson. As I indicated yesterday we have found no paperwork, files, requests, deployment plans, project plans that would indicate that this was an official undertaking.

ADV MICHAEL MBIKIWA: Thank you. The other aspect of Mr Moonsamy's affidavit I would like you to – like to refer you to is an

Incident Report that he talks about in his affidavit. If I can ask you to turn back to his affidavit at page 19.

MR Y: Okay I am there Chairperson.

ADV MICHAEL MBIKIWA: At paragraph 15 he refers to a report about an incident with Mr Wolf Meyer who was the Chief Financial Officer of SAA until the end of 2015. He attaches a copy of the report which I will take you to in a moment. And he says that the report indicates that – it says Myeni and I assume that should Ms Myeni instructed the security personnel accompanying her at a meeting with Mr Meyer to confiscate a
10 recording pen from him. Can I ask is it within the mandate of SAA Members to confiscate electronic equipment?

CHAIRPERSON: You mean SSA? You said SAA.

ADV MICHAEL MBIKIWA: Apologies Chair. SSA Members?

MR Y: Thank you for that Chair. No it would not be within the mandate. We do not have executive powers and it would be the responsibility of the SAA Security personnel to implement and police whatever their rules and regulations are.

ADV MICHAEL MBIKIWA: Indeed and you will see that at paragraph 16 Mr Moonsamy says that it is not the mandate or policy for Group
20 Security Services. That is Group Security Services at SAA to confiscate any belongings of Exco or Board Members in execution of their duties.

MR Y: I see that Chairperson.

ADV MICHAEL MBIKIWA: I skipped over a part at paragraph 15. If I can just refer you to that as well. He says he was informed by his

predecessor Mr Johan De Waal and was told by Mr Nico Bezuidenhout and Mr Wolf Meyer that the security personnel who used to accompany Ms Myeni at SAA would confiscate laptops and phones from people before they went into meetings with Ms Myeni on her instruction. Can I take you to the report which refers to an incident of that kind? You will find that on page 161.

MR Y: Okay Chairperson I am there.

ADV MICHAEL MBIKIWA: And before I read the report into the record if I could ask you to turn to page 162 and just read who it says it is
10 compiled by?

MR Y: It says it is compiled by Zaza Ngema.

ADV MICHAEL MBIKIWA: Do you know who Zaza Ngema is?

MR Y: I do not Chairperson. As mentioned to the investigators in compiling the list of agents one might have indications of someone with the nickname of Zaza but we are unable to say that it would be Zaza Ngema therefore we could not confirm categorically to the Commission that it is the same person.

ADV MICHAEL MBIKIWA: Okay but in the list that you have compiled you say there is a Zaza?

20 **MR Y:** Correct Chairperson.

ADV MICHAEL MBIKIWA: If we turn back to page 161 which is the report.

MR Y: I am there.

ADV MICHAEL MBIKIWA: And we go to the background section. It says:

“On the 3rd of July 2015 at 07:45 I, that is the compiler, Zaza Ngema received an urgent call from Mpendulo requesting me to assist him in transporting Ms Myeni from OR Tambo International Airport to the SAA Business Park for a Board Meeting.”

Do you know who Mpendulo is?

MR Y: I do not Chairperson.

ADV MICHAEL MBIKIWA: The objective is described as to ensure that Ms Myeni is safely transported to her Board Meeting at SAA Business
10 Park and that her safety guaranteed. I then want to go to operational support. It says there:

“Zama was called in to back me up for any eventuality and utilise his car to transport Ms Myeni. He arrived at the hotel around 11:40.”

Do you know who Zama is?

MR Y: Chairperson I assume it is the individual identified in the CCTV footage which would be Zama Ntolo.

ADV MICHAEL MBIKIWA: “He arrived at the hotel around 11:40
20 Ms Myeni and I briefed him of the anticipated situation at the SAA Business Park Board Meeting. Zama and I came up with an operational plan. The operational says we agreed that we will drive in Zama’s car to the SAA Business Park. All Board Members are to surrender any electronic devices that they may have. Access to the Board room to be monitored by Zaza and alternate with

Zama.”

Mr Y can I then ask you to read the report into the record?

MR Y: Okay Chairperson. It starts at 12:15:

“We left the hotel with Ms Myeni and proceeded to her Board Meeting at the SSA Business Park. Upon arrival at the entrance at 12:30 the security guard denied us access since Ms Myeni did not have her access card. Ms Myeni had to call the owner of the security company for us to be granted access to the premises. We were granted ...(intervenes).”

10

CHAIRPERSON: Hang on Mr Mbikiwa. Why do you need him to read the report? He was not there I assume?

ADV MICHAEL MBIKIWA: He was not Chair.

CHAIRPERSON: Yes.

ADV MICHAEL MBIKIWA: He was not.

CHAIRPERSON: Yes.

ADV MICHAEL MBIKIWA: The report relates to an incident that has been referred to I understand previously in the evidence of Ms Stimpel.

MR Y: H'mm.

20 **ADV MICHAEL MBIKIWA:** An incident involving the confiscation of a recording pen.

CHAIRPERSON: Yes.

ADV MICHAEL MBIKIWA: I – the purpose was simply to read the report into the record. It is an attachment to Mr Moonsamy's affidavit.

CHAIRPERSON: Yes. No I think if you want him to confirm anything

whether it is the kind of thing that people in the State Security Agency do.

ADV MICHAEL MBIKIWA: Yes.

CHAIRPERSON: You can just tell him what the report says in regard to that issue and then he can say whether that is the kind of thing that they do. But otherwise there is no need for him to read reports.

ADV MICHAEL MBIKIWA: Certainly Chair.

CHAIRPERSON: That he knows nothing about.

ADV MICHAEL MBIKIWA: Certainly Chair.

10 **CHAIRPERSON:** *Ja* okay.

ADV MICHAEL MBIKIWA: Mr Y at this – what this report indicates is that Ms Myeni had a Board Meeting at which no one was allowed to have cell phones and thereafter had a meeting with the CFO at which she left the meeting, took the recording pen and handed it to the SSA agents and instructed them to confiscate it. In your experience is that what Members of the SSA are empowered to do?

MR Y: No Chairperson. I might add that within the SSA we have our own security protocols in which one would lock up your cell phone in a cell phone box and you know that you are not allowed recording
20 equipment. But at external meetings we may have advised the SSA Security Head that this is the best practise. But we do not have the executive power to actually go and confiscate any equipment off any of the Board Members.

ADV MICHAEL MBIKIWA: Thank you. Chair that concludes Mr Y's evidence insofar as my questioning is concerned.

CHAIRPERSON: Yes okay. No that is fine. Thank you very much Mr Y for coming to give the evidence. We appreciate it very much. Should we need you to come back we will ask you to come back but thank you very much and you are excused.

MR Y: Thank you Chairperson.

CHAIRPERSON: Thank you.

ADV MICHAEL MBIKIWA: Chairperson could we stand down for a few minutes simply to rearrange logistics for the following witness?

CHAIRPERSON: Okay how much time do you need?

10 **ADV MICHAEL MBIKIWA**: Five minutes I think Chair.

CHAIRPERSON: Five minutes.

ADV MICHAEL MBIKIWA: *Ja*.

CHAIRPERSON: We will adjourn for five minutes. We adjourn.

REGISTRAR: All rise.

INQUIRY ADJOURNS

INQUIRY RESUMES

CHAIRPERSON: Ms Hofmeyr.

ADV KATE HOFMEYR: Morning Chair.

CHAIRPERSON: Morning.

20 **ADV KATE HOFMEYR**: Chair, Mr Mbikiwa will be presenting the evidence of our next witness, but I request an opportunity simply to do a short opening before this next session of evidence because ...(intervenes).

CHAIRPERSON: Yes.

ADV KATE HOFMEYR: I indicated at the start of the aviation session

that in respect of each new investigation area I propose to do a short summary of what would follow. Chair, this is the last instalment of this phase of evidence that we will be presenting and we again shift our focus. Today and tomorrow we propose to deal with the role of Auditors at State Owned Enterprises.

Chair, Auditors have been described by our courts as the watchdogs of institutions that they audit. That actually comes from a case involving PricewaterhouseCoopers previously and we are going to have a witness from PwC testify tomorrow. That was “Thoroughbred
10 Breeders’ Association of South Africa vs Price Waterhouse 1999 (4) SA 968 (W)” as it was then.

Chair, it is an important incident of the responsibility that Auditors bear when they audit companies to both be independent as a matter of fact, but also to be seen to be independent. In colloquial audit speak that is referred to as having independence of mind and independence of appearance and both are essential to the proper discharge of their functions.

Chair, there have been calls for this Commission within its investigations to look at the role that Auditors have played within the
20 public sector in particular and the calls originate from an appreciation that they play a role of watchdog and if there are acts of State Capture, Corruption and Fraud taking place in those institutions.

The legitimate question that maybe asked is well what role did Auditors play and what responsibilities may they have had to identify what was going on and it is for that reason Chair that we

propose over the next two days to investigate this role insofar as it related to the SSA Group of Companies.

Chair, the evidence that we will present in the next two days will explain that State Owned Entities are by default in terms of the law to be audited by the Auditor-General. However where there are occasions where an external audit firm can be appointed to audit a State Owned Enterprise.

Where that happens it requires the concurrence of the Auditor-General and I think it would be fair to say, but Mr Sokombela,
10 who is our witness soon will be the expert on this. It may be fair to say that when external audit firms play this role they stand in the shoes or the place of the Auditor-General who would otherwise by law be doing the audit as a matter of default.

Chair, as a consequence of their role in State Owned Enterprises Auditors have additional responsibilities to those which they bear when they audit private companies and those additional responsibilities include amongst other things an obligation to assess whether State Owned Enterprises have complied with their PFMA obligations insofar as that may have an impact on the audit that they
20 conduct and so we propose to explore in the next two days the role that PwC and Nkonki Incorporated played when they were doing the joint audit of SAA for the financial years between 2012 and 2016 and the question that will be posed is whether in the course of that audit work they properly discharged their obligations.

We will ask that question because after they had completed

their five years of audit work and had given SAA clean audits each year from 2012 to 2016. The Auditor-General stepped in and took over the audit in 2017 and found the finances of SAA and its group in a state that can only be described as shambolic.

Chair, we will present the evidence of two witnesses. The first will be Mr Polani Sokombela who is a Business Executive in the office of the Auditor-General and after that we will be presenting the evidence of Mr Pole Motibe who was the audit partner from PwC who was assigned to the SAA audit for the years 2014 to 2016. Chair, we
10 propose to explore the following in their evidence: Mr Sokombela will provide a background for how audits of SOE's are supposed to be conducted with reference to the relevant legislation and the applicable auditing standards.

He will also enlighten the Commission on what the Auditor-General found when it moved into SAA to conduct the audit for the 2017 financial year and after Mr Sokombela we will present the evidence of Mr Motibe of PwC and we will explore the following questions with Mr Motibe: first, we will traverse with him the fact that except for the first year of PwC and Nkonki's appointment as Auditors of SAA.

20 In all four subsequent years they were appointed without any procurement process having been followed. This occurred at a time against the advice of the Bid Adjudication Committee of SAA and at a time when a legal opinion had been obtained indicating that a failure to follow a procurement process before appointing Auditors would be unlawful.

Their own appointment on the basis of those facts therefore constituted irregular expenditure for four solid years, but it was never disclosed as such in the financial statements of the SAA Group. We will then explore why it was that PwC and Nkonki both had joint business relationships and made payments to another auditing firm known as Kwinana & Associates during their audit work for SAA.

Now Chair, Kwinana & Associates was the auditing firm of Ms Yakhe Kwinana who was one of the Non-Executive Board Members at SAA during the period that PwC and Nkonki were appointed as
10 Auditors and she was also the Chair of the Audit and Risk Committee of SAA and in that role she would approve the audit fees to be paid to the Auditors in each successive year.

We will explore why not one of the significant transactions that have been dealt with previously in the evidence before this Commission and which there are indications may have involved Fraud, corruption and elements of State Capture were not identified by the Auditors in that period as a possible reportable irregularity and finally we will probe how it could be that PwC and Nkonki gave clean audits to SAA for those five years when they audited the group.

20 Only then to reach a situation where the Auditor-General moved in and in 2017 found a situation that was so dire that a qualified audit had to be given and a restatement of the previous years of account. Chair that is just an introduction to what we propose to deal with in the next two days. With your leave ...(intervenes).

CHAIRPERSON: Yes.

ADV KATE HOFMEYR: I would like to hand over to Mr Mbikiwa.

CHAIRPERSON: Thank you very much for that introduction Ms Hofmeyr. Mr Mbikiwa.

ADV MICHAEL MBIKIWA: Thank you Chair. Chair, I intend to proceed straight into the evidence of Mr Sokombela. So I would ask if he could please be sworn in.

CHAIRPERSON: Please administer the oath or affirmation.

REGISTRAR: Please state your full names for the record.

MR SOKOMBELA: Polani Sokombela.

10 **REGISTRAR:** Do you have any objection to taking the prescribed oath?

MR SOKOMBELA: No.

REGISTRAR: Do you consider the oath to be binding on your conscience?

MR SOKOMBELA: Yes.

REGISTRAR: Do you swear that the evidence you will give will be the truth, the whole truth and nothing else but the truth? If so please raise your right hand and say so help me God.

MR SOKOMBELA: So help me God.

CHAIRPERSON: Thank you. You may proceed.

20 **ADV MICHAEL MBIKIWA:** Thank you Chair. Chair, to start with can I ask that Mr Sokombela's affidavit and its annexures be admitted as DD20A to DD20D?

CHAIRPERSON: Mr Polani Sokombela's affidavit will be marked annexure or Exhibit DD20A. Now you have got B, C ...(intervenes).

ADV MICHAEL MBIKIWA: And D, Chair.

CHAIRPERSON: Up to D, but those are annexures to the affidavit. They are not separate ...(intervenes).

ADV MICHAEL MBIKIWA: Indeed.

CHAIRPERSON: Affidavits?

ADV MICHAEL MBIKIWA: Indeed Chair.

CHAIRPERSON: It might be confusing to do them like that. Maybe because they are in different lever arch files, maybe 20 – how have we done this before?

ADV MICHAEL MBIKIWA: Chair, my understanding is that we have
10 done it in this way. Where the affidavit and annexures have gone over a file. The next file has become the same number, but A, B, C, D etcetera.

CHAIRPERSON: I am sure we have done it like that, but for some reason this morning something seems wrong about doing it that way.

ADV MICHAEL MBIKIWA: Chair, I am not sure that another
...(intervenes).

CHAIRPERSON: You see when you say DD20A that least this morning. I do not know about other days in the past – this morning. That seems like an exhibit on its own. When you say Exhibit DD20B that sounds
20 like an exhibit – a separate exhibit on its own.

ADV MICHAEL MBIKIWA: H'mm.

CHAIRPERSON: C, D and so on. Whereas the idea is that it is one exhibit with annexures. I do not know how I am thinking this morning.

ADV MICHAEL MBIKIWA: Yes. Chair, I am not sure what to suggest
...(intervenes).

CHAIRPERSON: Yes.

ADV MICHAEL MBIKIWA: Because it will of course be necessary to refer to the different files in the course of ...(intervenes).

CHAIRPERSON: Yes. Let us hear Ms Hofmeyr who has led quite a lot of – might be able to tell me that there is something wrong with me this morning.

ADV KATE HOFMEYR: Not at all Chair. Chair, can I say we have previously where we have had annexures that extend beyond one file. In order for us to be able to navigate which file you need to have in
10 front of you or the witness needs to. We have allocated a B, C and D.

CHAIRPERSON: Yes.

ADV KATE HOFMEYR: So that we have certainly done previously.

CHAIRPERSON: Yes. Yes and it has worked well.

ADV KATE HOFMEYR: It has, because only to assist us in identifying which file to place in front of us.

CHAIRPERSON: Yes. Yes.

ADV KATE HOFMEYR: It has occurred to me though that one way we may do it is for the purposes of entering it into the record we could enter it as Exhibit 20 which will run with an affidavit and annexures
20 commencing page 1 ...(intervenes).

CHAIRPERSON: H'mm.

ADV KATE HOFMEYR: And then we give the indication of the last page.

CHAIRPERSON: H'mm. H'mm.

ADV KATE HOFMEYR: So that would be how it is entered into the

record.

CHAIRPERSON: H'mm. H'mm.

ADV KATE HOFMEYR: For convenience here ...(intervenes).

CHAIRPERSON: H'mm.

ADV KATE HOFMEYR: We could pull out B, C and D just so that we know which file should be in front of us ...(intervenes).

CHAIRPERSON: Yes.

ADV KATE HOFMEYR: But I actually do not know if that will complicate things.

10 **CHAIRPERSON**: Well one would not like to depart from how we have done it in the past.

ADV KATE HOFMEYR: We have entered it.

CHAIRPERSON: Unless ...(intervenes).

ADV KATE HOFMEYR: Indeed.

CHAIRPERSON: Really there is a problem.

ADV KATE HOFMEYR: Yes.

CHAIRPERSON: Your feeling is that maybe we could stick to how we have done it in the past.

ADV KATE HOFMEYR: I think so.

20 **CHAIRPERSON**: Yes.

ADV KATE HOFMEYR: Just provided when we enter it into the record ...(intervenes).

CHAIRPERSON: Yes.

ADV KATE HOFMEYR: We indicate that the A file contains the affidavit ...(intervenes).

CHAIRPERSON: *Ja.*

ADV KATE HOFMEYR: And annexures ...(intervenes).

CHAIRPERSON: *Ja.*

ADV KATE HOFMEYR: And then B, C and D ...(intervenes).

CHAIRPERSON: *Ja.*

ADV KATE HOFMEYR: Continue to contain the annexures.

CHAIRPERSON: Annexures, *ja.*

ADV KATE HOFMEYR: I think that would probably be best.

CHAIRPERSON: *Ja.* You want me to explain it like that. *Ja.*

10 **ADV KATE HOFMEYR:** Indeed.

CHAIRPERSON: Okay.

ADV KATE HOFMEYR: Thank you Chair.

CHAIRPERSON: Thank you Ms Hofmeyr. The affidavit of Mr Polani Sokombela and its annexures will be admitted and marked as follows: the affidavit itself and annexures which are in the same file as that affidavit will be marked Exhibit 20A. The exhibits in – how many other lever arch files?

ADV MICHAEL MBIKIWA: There are three others, Chair.

20 **CHAIRPERSON:** Three others. There are three other lever arch files all of which contain annexures to Mr Polani Sokombela's affidavit. Those files will be admitted and marked Exhibit DD20B, 20C and 20D. They are annexures to Exhibit 20A. I hope that takes care of it.

ADV MICHAEL MBIKIWA: Thank you Chair.

CHAIRPERSON: Yes. Thank you.

ADV MICHAEL MBIKIWA: Mr Sokombela, you have provided the

Commission with a detailed affidavit and extensive annexures. However with the Chair's leave and subject to his direction. I intend to focus in your oral evidence today with those issues that are relevant from an auditing perspective to identifying and preventing Fraud, Corruption and State Capture and also on those issues where your experience and expertise can assist in shedding light. Can you begin by telling us what your qualifications are?

MR SOKOMBELA: Thank you Chair. My qualifications are I am a qualified Chartered Accountant.

10 **ADV MICHAEL MBIKIWA:** And your tertiary education?

MR SOKOMBELA: My tertiary education I have got a BCom Degree and then I have got Honours in Accountancy or they call it a Certificate in the theory of Accounting and then I wrote then my Board Exams with SAICA and then I wrote then my Public Practice Examinations with the Independent Regulatory Board for IRBA for Auditors. I am sorry Chair.

ADV MICHAEL MBIKIWA: Thank you and what is your position?

MR SOKOMBELA: Chair, my current position – I am the Business Executive in the Auditor-General of South Africa.

ADV MICHAEL MBIKIWA: And what positions have you held previously
20 in the Auditor-General?

MR SOKOMBELA: Chair, the positions that I have had previously in the Auditor-General – I actually started my career at the Auditor-General as a trainee accountant and after finishing my articles and also finalising my qualification exams. Then I was promoted to be an Assistant Manager and as I was gaining experience then Chair.

Then I became a Manager and Senior Manager and then now then that I am a Business Executive.

ADV MICHAEL MBIKIWA: How many years have you been at the Auditor-General?

MR SOKOMBELA: Chair, I have been with the Auditor-General – this is the 14th year.

ADV MICHAEL MBIKIWA: Thank you and can you tell us what your involvement was in the South African Airways audit?

MR SOKOMBELA: Chair, my involvement in the audit of South African Airways initially it started when the South African Airways was moved from the Department of Public Enterprises to National Treasury. I think it was somewhere around 2015, if I am not mistaken. I think there were challenges as far as SAA is concerned and at the time then SAA was moved.

The Business Unit within the Auditor-General that I am – that I am currently a Business Executive for is responsible for among others the audit of National Treasury and at the time I was a Senior Manager also overseeing the portfolio at the time and then I became involved then as – when SAA was not audited by us, but was still audited by the private sector firms i.e. PwC as well as Nkonki and Chair after then the Auditor-General then was appointed for the 2016/2017 financial year.

Then I became involved as the Senior Manager responsible for the Engagement Manager, what do you call, for the audit of South African Airways. As the person then that is responsible and also accountable in terms of delivering the audit report of SAA. So that was

my involvement, Chairperson.

ADV MICHAEL MBIKIWA: Thank you. If we pick it up at your affidavit on page 4. You deal there with the mandate of the Auditor-General. Can you tell us what that mandate is?

MR SOKOMBELA: Chair, I would like to get ...(intervenes).
...(intervenes).

ADV MICHAEL MBIKIWA: I apologise. I should have said at the outset we will be beginning in your file marked DD20A which contains your affidavit. When I refer you to page numbers? I am referring you to the
10 numbers in red on the top right-hand corner and we are at page 4 and you deal from paragraph 6 with the mandate.

CHAIRPERSON: Well if he did not have his file in front of him. It seems to me that we might not have asked him to confirm.

ADV MICHAEL MBIKIWA: Indeed.

CHAIRPERSON: *Ja*. So you might have to do that first.

ADV MICHAEL MBIKIWA: Indeed.

CHAIRPERSON: *Ja*.

ADV MICHAEL MBIKIWA: Mr Sokombela, can I ask you to turn back to page 1 and can you confirm that that is the affidavit you provided to the
20 Commission?

MR SOKOMBELA: I confirm, Chair.

ADV MICHAEL MBIKIWA: And if you turn to page 42. Is that your signature under – where it says deponent?

MR SOKOMBELA: Yes Chair. That is my signature.

ADV MICHAEL MBIKIWA: And do you confirm that the contents of the

affidavit are true and correct?

MR SOKOMBELA: I confirm, Chair.

ADV MICHAEL MBIKIWA: Thank you. You were about to tell us about the AG's mandate.

CHAIRPERSON: That is on page 4.

ADV MICHAEL MBIKIWA: That is on page 4.

MR SOKOMBELA: Thank you Chair. Chair, the Auditor-General of South Africa is a supreme audit institution of the Republic of South Africa. Its mandate stems from Chapter 9 of the Constitution of the Republic of 1996 herein referred to as the Constitution. Which means
10 that it exists to support the constitutional democracy.

The Auditor-General is independent. Subject only to the Constitution and the law and must be impartial in exercising its function with fear, favour of prejudice. The Auditor-General accounts to the National Assembly by tabling its annual report in Parliament.

ADV MICHAEL MBIKIWA: Can I ask you Mr Sokombela is the Auditor-General required to audit an entity such as SAA?

MR SOKOMBELA: Chair, the Auditor-General is – in terms of the Public Audit Act there is a section there that is called – that is Section
20 4(3) and Chair Section 4(3) then is a section that ...(intervenes).

CHAIRPERSON: Four – 4(3) would four – Section 4(3)?

MR SOKOMBELA: Yes Chair.

CHAIRPERSON: Okay.

MR SOKOMBELA: Subsection 3. In terms of Section 4(3) of the Public Audit Act the Auditor-General is empowered to audit South African

Airways. *Ja*. So that is the answer, Chair.

ADV MICHAEL MBIKIWA: You say it is empowered. My question is whether it is required?

CHAIRPERSON: Required in this case means obliged.

MR SOKOMBELA: Chair, the Auditor-General is not obliged. The Auditor-General can make a discretion – has got a discretion whether he can audit South African Airways or whether he can opt out.

ADV MICHAEL MBIKIWA: Thank you and what the kinds of factors that the Auditor-General would consider in deciding whether to audit an
10 entity itself or to opt out?

MR SOKOMBELA: Chair, there are many factors that the Auditor-General will – would consider. I think one of the key factors for an example is the capacity. Is whether the Auditor-General has got the capacity and the technical expertise to audit that particular entity or not and one of the most important things then is to ensure then that we have got the right people – they are the right people that will audit, because these – some of the State Owned Entities can be very complex and very technical.

ADV MICHAEL MBIKIWA: Okay. So capacity is one issue. Is – are
20 there any others that you – that the Auditor-General would consider before deciding whether to take on the task of auditing a particular entity?

MR SOKOMBELA: Yes Chair. I think one of the key one is skills and capacity and also there may be other factors that the Auditor-General may deem appropriate depending on him.

CHAIRPERSON: So when you say skills and capacity. You look at the two as separate factors. Is that right?

MR SOKOMBELA: Yes Chair.

CHAIRPERSON: Yes and as far as capacity is concerned when you use capacity in this context do you mean enough people?

MR SOKOMBELA: Yes Chair.

CHAIRPERSON: To do the job?

MR SOKOMBELA: Yes Chair.

CHAIRPERSON: And when you refer to the skills you are referring to
10 people who have – who may have particular skills that are required in a particular entity?

MR SOKOMBELA: Yes Chair.

CHAIRPERSON: Okay.

ADV MICHAEL MBIKIWA: Thank you. Before we talk about the role and the duties that Auditors both private Auditors and the AG bear. I would like to ask you about something that is not addressed in your affidavit which is about the – because we are talking here about State Owned Entities. What are State Owned Entities required to do internally from an audit perspective?

20 **MR SOKOMBELA:** Okay. Maybe they need to clarify further Chair in terms of when you are saying internally. What does that mean?

ADV MICHAEL MBIKIWA: I am ...(intervenes).

CHAIRPERSON: Yes.

ADV MICHAEL MBIKIWA: I am talking about the internal audit function of State-Owned Entities.

MR SOKOMBELA: Thank you very much Chair. Chair, in terms of the Public Finance Management Act the – and one of the governance requirements is that the State-Owned Entity is supposed to have an internal audit function that is fully capacitated with skilled people and also that reports to the Audit Committee functionally. Yes. So that is the requirements, Chairperson.

ADV MICHAEL MBIKIWA: And because it is something we are going to come to later. What is meant by the term “internal controls”?

MR SOKOMBELA: Chair, the words “internal controls” in simple terms
10 – if I may simplify it, Chair is basically the controls to actually ensure then that the financial administration of the entity is at the right level. I.e. you have got policies and procedures. You have got the Standard Operating Procedures internally to ensure then that when transactions are done they are done in a manner that will not, you know, will not actually cause wastage or will not cause fraud.

I think an example that I can give is that for an example if you are purchasing the bottle of water in an entity. The person that orders – that places an order and the person that approves the transaction and the person that pays ideally for the internal controls to
20 be at least – to be believable is – needs to be separate people.

For example you need to have segregation of duties, because if it is one person that will buy that bottle. There is a risk that the person may not actually buy a bottle. Might buy something else or maybe the money might go somewhere else. So that might be my simple explanation.

CHAIRPERSON: So it is simple. It is basically measures. Internal measures taken by the entity to ensure that from a financial point of view things are done properly?

MR SOKOMBELA: Absolutely Chairperson.

CHAIRPERSON: H'mm.

ADV MICHAEL MBIKIWA: Thank you. I would like now to move to the role of External Auditors. You deal with that on page 6 of your affidavit. I refer you to your affidavit simply to orientate you. Can you tell us what the role is that External Auditors play for State Owned
10 Entities and elaborate on the importance of that role?

MR SOKOMBELA: Chairperson, the role of External Auditors in the context of State-Owned Entities is to provide the independent assurance to the users of the annual report or the financial statements of that State-Owned Entities. The users include those that are charged with governance and actually ensure then that also provider assurance on performance information.

Also provide assurance also on applicable laws and regulations to ensure then that there is compliance with those laws and regulations.

20 **CHAIRPERSON:** When reference is made to External Auditors in this context we know the AG's external to all the entities, but is it included when you use External Auditor in this case – in this context or External Auditors is meant to refer in this context to private Auditors?

MR SOKOMBELA: Chairperson, it is – even the private sector Auditors in the context that I have explained in terms of what their roles are is

the same.

CHAIRPERSON: No, no. I accept that you are referring to them. What I am not sure about is whether you are also including the Auditor-General or whether what you have just said does not apply necessarily to the Auditor-General. You are referring to or focusing on the private firms or whether that's meant to include the Auditor-General as well.

MR SOKOMBELA: That includes the Auditor-General Chair.

CHAIRPERSON: Oh, okay.

10 **ADV MICHAEL MBIKIWA:** Thank you, certainly Chair in the legislation when it refers to private firms it uses the word private.

CHAIRPERSON: Yes, okay.

ADV MICHAEL MBIKIWA: Mr Sokombela I would like to pick up on something you say on page 7 at paragraph 15 of your affidavit. You say there that an audit does not provide absolute assurance, can you explain what you mean by that?

MR SOKOMBELA: Chair the audit – the reason why we're saying the audits does not provide an absolute assurance is the fact that there are many factors like for an example the audit evidence on itself is you
20 know you may find out that we are not always at the audit or at the client at times. The people that are always at the client is Management, or those people that are charged with managing the entity, so – and even how we plan and approach our audits we don't test everything Chairperson, we normally select a sample because at

times it can be very – it can impractical for us as Auditors to come and test for everything.

So there is that chance that there may be something that the Auditors will leave so even in our wording we are very careful in terms of how we actually put – that is why then it becomes our own audit opinion and we like using words like “in our judgment”, it is our judgment to actually ensure then that you know we have not seen, just rely 100% in terms of what we do.

ADV MICHAEL MBIKIWA: You mentioned that you don’t look at
10 everything within the business and you look at samples, how do you determine a sample?

MR SOKOMBELA: Chair how do you determine a sample
...(intervenes).

CHAIRPERSON: I am not sure whether you seek to say how they select the samples.

ADV MICHAEL MBIKIWA: Indeed Chair, thank you, I am indebted.

CHAIRPERSON: Yes, how do you decide on what samples to look at?

MR SOKOMBELA: Thank you Chair. Chair we’ve got I think the auditing standards because the sampling is a scientifically tested
20 method where in a set of population an Auditor based on the understanding of the population itself, for example I will give you an example on let’s say I am testing whether the revenue that the NDT is reporting I am testing whether then the revenue is really valid revenue.

Then what then we normally do is that then based on the understanding of that entity then we’ve got tools then that we have

when then they will determine in terms of then how do then do I select then the sample size.

For an example other firms will have their own methodologies, for example the Auditor-General the minimum sample for instance that we test is 30 items and then depending then on the magnitude of or the size of that particular population it can go up you know because the most important thing is to ensure then that you get sufficient appropriate audit evidence.

10 So it is scientifically tested – it is a scientifically tested method so that is basically, it is as simple as like that to say if I go to, if there is a population for revenue for an example then I will then based on the audit methodology then determine then whether then how much samples should be selected, and that is based on the audit methodology basically.

CHAIRPERSON: You talk about population of revenue, please explain that some of us need to be educated on the – on Auditors.

MR SOKOMBELA: Thank you Chair, I apologise.

CHAIRPERSON: Yes, no, no, no you use language that you are used to.

20 **MR SOKOMBELA:** Yes Chair. Chair when I am talking about the population for example if I am selling *vetkoek* for R2 each you then find out then that in a day then 20 *vetkoeks* will be sold. Then I will record then in my books that each – for each transaction I have received R2 and those transactions will be 20 transactions. Then that 20 – those 20 transactions then it becomes a population.

CHAIRPERSON: Okay, right thank you. Thank you.

ADV MICHAEL MBIKIWA: Mr Sokombela another thing you say at paragraph 15 is that External Auditors do not audit to identify and report on fraud and corruption. But the audit processes could identify a possible fraud and corruption which should be reported to Management. Can you explain what you mean by that?

MR SOKOMBELA: Chair the objectives of the audit process is to express fair presentation of the financial statements, and also to identify if there are any material findings in compliance with legislation
10 and also to identify whether there are any also significant findings on performance information or the key performance indicators in the annual report.

So that is basically so then the objectives of the Audit process. However as explained here in paragraph 15 in the quest then of testing and of auditing we may come across on issues of corruption and then when you come across then with those issues of corruption then we report them to those charged with governance for further investigation.

CHAIRPERSON: Well I wanted to ask you earlier, let me ask you now, the tools you use to select the samples that you are going to look at
20 how much room do they leave for an Auditor to miss something quite critical that later on people might look at and say but how could he have missed it. How much room do those tools that you use leave for that kind of thing, or should one understand that those tools enable you to select samples that will lead you to something that is critical if really

there is something critical you have missed the fault is not with the tools it is with you.

MR SOKOMBELA: Thank you very much Chairperson, that is a very good one. Chair before we go and decide with SAMBO to select I think the steps that perhaps maybe I should have talked about it is the duty of the Auditors to perform rigorous risk assessment processes, because it is important and it is – for the Auditors to actually ensure then that they obtain an understanding of the entity’s environment and to also in the process also be able then to project in terms of which transactions
10 or which issues might pose a risk in the audit process.

So Chairperson that process then gives you then an opportunity then to say when I am going then to select my sample if they have identified that there are issues of risk that I have already identified in my risk assessment processes, I will also go and identify those issues and put them separately, and then I will test those ones specifically, we call that a specific selection, we are not using a sample there, you know.

Chairperson we use a sample then when the remaining population to say what is remaining, this is the remainder but let’s just
20 test then this remainder.

CHAIRPERSON: Yes, okay.

MR SOKOMBELA: *Ja*, but it is incumbent then to ask as Auditors to ensure then that we perform those risk assessments to identify where the problems might be.

CHAIRPERSON: Okay, okay. Now – excuse me, would the rigorous exercise that you talked about that an Auditor would need to do before going in, into an entity, would that include in the case of an SOE for example checking news about the entity in the public domain, what is being said about it, for example there have been articles about corruption about a certain contract, and certain tenders that's been in the news and then collect those and put them together and then say when I go in I want to find out about these. Would that include something like that?

10 **MR SOKOMBELA:** Absolutely Chairperson it will include something like that.

CHAIRPERSON: Okay thank you.

ADV MICHAEL MBIKIWA: Thank you Chair. Chair I see it's 11:15, it might be an appropriate time for the break.

CHAIRPERSON: Okay we will take the short adjournment and we will resume at 11:30. We adjourn.

REGISTRAR: All rise.

INQUIRY ADJOURNS

INQUIRY RESUMES

20 **CHAIRPERSON:** Okay, let's continue.

ADV MICHAEL MBIKIWA: Thank you Chair. Chair I can confirm that over the break our Bundling Team has attended to the proper arrangement of those files.

CHAIRPERSON: Thank you.

ADV MICHAEL MBIKIWA: Thank you. Mr Sokombela, just before

the adjournment we were talking about External Auditors identifying fraud and corrupting and you indicated that while that's not the objective, they can do so in the course of an audit. Can you help me with a few concepts? Can you tell me what irregular expenditure is?

MR SOKOMBELA: Chair irregular expenditure is an expenditure where it has been occurred, however, in the course of it being incurred there was non-compliance with the legislation. In most instances the PFMA.

ADV MICHAEL MBIKIWA: Thank you.

10 **CHAIRPERSON:** An irregularity in the context of an irregular expenditure is not confined to a process – to a legal process is that right or is it confined to a process?

MR SOKOMBELA: Chair it is confined to a process Chair, if I may Chair, just to make an example, a simple example will be that the PFMA might say, when you're purchasing goods and services you need to obtain three quotations, but if an official of an entity then didn't go and obtain three quotations then – but then only sourced one quotation, then that expenditure then will be become irregular because the official ought to have invited three quotations.

20 **CHAIRPERSON:** So you are saying it doesn't speak – irregular expenditure doesn't speak to whether the funds were used for the purpose for which they were supposed to be used. In other words, if I take R10 000 of the entity and use it to buy a computer but I followed the right process in terms of tenders or whatever but I'm using it to buy a computer when it was meant to be used to do something else, that

would not fall under irregular expenditure it would fall under something else, or would it – because that's not the process that's using it for a wrong purpose or is it regarded as process?

MR SOKOMBELA: Chair in the example that you gave, if the monies were intended for something else but were utilised for something else, if the due process was followed i.e. those that have initially approved that this money is for something else, but when then the change was made, there was due process in terms of the approvals that were made and there was no non-compliance that was identified, that may not be
10 irregular expenditure, however, if these monies were intended for something else but were utilised for something else and there was no approval for that, it may become irregular expenditure.

CHAIRPERSON: But what if the right – what if nobody's supposed to approve that this money be used for something else and nobody has approved that it be used for something else but it has been used for something else, would it fall under irregular expenditure or would it fall under something else?

MR SOKOMBELA: If there's no legislation Chairperson that regulates the utilisation of that money it may not be irregular expenditure it may
20 be something else.

CHAIRPERSON: Oh and is there a particular heading under which it would fall as far as you know, or not necessarily, in terms of a job's Auditor. If I use money for something that it should not be used for, I use it to buy my – well maybe I shouldn't make an example that might confuse further. So in other words, if it's – if – what the money is used

for is not the lawful purpose for it, I don't know whether I should say authorised purpose, the normal – there's no normal label that it would fall under or the normal label would be irregular expenditure?

MR SOKOMBELA: Chair it – depending for an example if the money is not utilised for the benefit of the entity itself it may become then classified as fruitless and wasteful.

CHAIRPERSON: Yes.

MR SOKOMBELA: That's another concept.

CHAIRPERSON: Yes, yes, so – but that concept looks at whether the
10 purpose for which the money used added any value to the entity, is that right?

MR SOKOMBELA: Yes Chairperson.

CHAIRPERSON: Yes, okay thank you.

ADV MICHAEL MBIKIWA: Thank you, I was indeed about to go to fruitless and wasteful expenditure, so that's helpful. Mr Sokombela, would you agree that – then that while irregular expenditure and fruitless and wasteful expenditure is not always because of fraud and corruption, they can be indicators that fraud and corruption has taken place in an entity?

20 **MR SOKOMBELA:** Yes Chair I agree, hence in our approach, once we identify irregular expenditure we always recommend to Management and those charged with governance to investigate.

ADV MICHAEL MBIKIWA: Yes.

CHAIRPERSON: Would it be a correct understanding of these two concepts, irregular expenditure and fruitless and wasteful expenditure

to say the fruitless and wasteful expenditure is the more serious – is more serious than irregular expenditure, generally speaking?

MR SOKOMBELA: Chair the fruitless and wasteful expenditure is where it's confirmed that there's no value added to the entity, however, on irregular expenditure as well an investigation might reveal that in actual fact there was no value that was added.

CHAIRPERSON: But what I want to establish is that, on the fact of it when somebody says a certain entity or Government department had irregular expenditure amounting to R50 million the picture that the citizenry should have should not necessarily be that money was wasted
10 because the process might have been not right but whatever was done might have added value and may have needed to be done, it's just that it was not – the right process wasn't followed, whereas with fruitless and expenditure – fruitless and wasteful expenditure I would imagine that the citizenry should say, so these people have wasted our money. So in other words, without going further, once the Auditor-General says its fruitless and wasteful expenditure, aren't we entitled to say these people have wasted tax payers money, whereas, with irregular expenditure it might simply mean that – not that they wasted money but
20 that they didn't follow correct processes but sometimes in not following correct processes they might be corruption and so on but sometimes there might be no corruption, it might just be failure to follow processes, is my understanding right?

MR SOKOMBELA: Yes Chairperson you've actually unpacked it very well.

CHAIRPERSON: Yes okay, thank you.

ADV MICHAEL MBIKIWA: Thank you, the final concept I'd like to ask you about is a reportable irregularity, what do you understand a reportable irregularity to be?

MR SOKOMBELA: Chair, the reportable irregularity is a concept in the Auditing Professions Act where there may be certain transactions that may lend themselves to plausible or in comfort explanations where there may be non-compliance that has been committed by a person responsible for the Management of the entity itself and the duties then
10 of the Auditor, then in that instance, is to immediately write to the Independent Regulatory Board for Auditors and the details of that reportable irregularity and also then, the Auditor then is also required, within 3 days, of identifying that irregularity and reporting it to the Independent Regulatory Board to also then report to Management and those types of governance and also should give them the opportunity to explain whether then this really is a reportable irregularity and I think one concept that I forgot here to explain, Chair, is that for it to be a irregularity there should be a material financial loss that has been incurred by the entity, there should also be a breach of fiduciary duties
20 by those that are charged with governance in the entity and in my explanation Chair, I said then the Auditor should provide then an opportunity then to those charged with governance to – one is to actually just to give comfort to the Auditor whether the Auditor was correct to say this is a reportable irregularity and submit information to the Auditor and based then on that information then the law then – I

think it's actually Section 45 of the Auditing Professions Act, it requires then within 30 days the Auditor to report back to the Independent Regulatory Board. It's either then – when they're reporting back they need to specify whether, in their opinion that, no in actual fact there is no reportable irregularity and that would be in a case where maybe the Auditor is satisfied with the explanation of the entity or also the other important thing is that it may not – it may be taking place or it may be continuing, then the Independent Regulatory Board for Auditors can continue then with their own processes to deal with it.

10 **CHAIRPERSON:** So if you could just repeat for me what the essential features of the reportable irregularities are, if you are able to. In other words, how does somebody see that the this is a reportable irregularity?

MR SOKOMBELA: Chair for it to be reportable irregularity, there should be non-compliance or there should be fraud, or there should be theft and also this should have resulted in a material financial loss to the entity or suspected – it can also be a suspected financial material loss and also, I think, what is also important is that this loss should be to the entity itself or it can be to the shareholder or it can be to the
20 employees or to other stakeholders of the entity itself. So those are the critical features and also, I think, one other key issue, the issue be committed by somebody that is in Management or maybe in the Board of Directors.

CHAIRPERSON: Okay.

MR SOKOMBELA: So I think those are the essential features.

CHAIRPERSON: Okay, okay and theft and fraud, at that level they should be – it's fine if they are suspected not necessarily – the person shouldn't necessarily be sure that they have been committed or should they be sure that as far as they are concerned, there has been theft and there has been fraud or if they suspect there's enough?

MR SOKOMBELA: Chair you're quite right, if they suspect, as long as there are indicators to a person that something might be happening.

CHAIRPERSON: Yes okay, thank you.

ADV MICHAEL MBIKIWA: Thank you Chair. Can I ask, what are the
10 sorts of documentation that you're looking at in order to identify irregular expenditure and fruitless and wasteful expenditure? The Chair asked before the break about external documents in the media, and you confirmed that that is something to which you would pay attention. What about things within the entity?

MR SOKOMBELA: Chair, I think, the key issue – maybe I must just explain in terms of how we got to – maybe how do we get to the issue of identifying, maybe the irregular expenditure itself. I think I've mentioned, I think, in the opening remarks, the issue of the risk assessment process and if you remember Chair, it's when then you
20 asked if maybe we do consider the media and stuff but the most important thing that – when we're doing that risk assessment process is to document a business process and when documenting that business process is to ensure then that the processes of the entity also are aligned to legislation. One of the most critical things that we look at is the Supply Chain Management bodies of the entity because the Supply

Chain Management policy of the entity needs to comply with Section 51 of the Public Finance Management Act which Section 51, also is derived from Section 217 of the Constitution where the procurement process should be fair, equitable, transparent, and competitive. So we do then that business process, we're looking the Supply Chain Management policy, we also in the process, look at allegations of fraud that has been made. What are the allegations of fraud that have been made to the entity, we look in terms of then the controls, in terms of then their people that are scaled, for example, in that Supply Chain Management division, is the capacity of the Supply Chain Management division there and also we even do the walk through? You know let's say just do the walk through to find out if things are happening in the ground like they are saying is happening, their policies and procedures. So those are the things then that we are looking into, then we will – then based on that process, I think I've mentioned the media, based on that process then we'll be able to identify those high risk transactions that we'll have to look into them and then the rest then of the population then will test it as part of the tender processes.

So those are the things – that is then the process then that we follow. The documents, then that we look into for example, look at tender files, we look at tender files or if it's the quotation processes we look at quotations, the invoices, we basically re-perform what Management was doing, that's basically what we do. We re-perform it and in re-performing the work that has been done by Management in

terms of their own policies and procedures, we then looking whether then there was – they actually complied or not.

CHAIRPERSON: I guess when you – maybe one of the benefits of re-performing the task is that you will see whether you arrive at the same outcome or result as them and if the result you come to is vastly different from that of Management you may decide that maybe something needs to be looked into further, is that right?

MR SOKOMBELA: Absolutely Chair and the other important thing that I mentioned, when we're re-performing we design procedures. We
10 design our own procedures to say based on that understanding of that process, to say okay the process is like this, so when we are testing tenders there are then the procedures that we're going to – that is going to execute and then the outcomes then of those procedures are the ones then that tells us whether Management has followed their own processes or not and also whether they have complied with the law or not.

CHAIRPERSON: And when you do that, namely re-performing the tasks that Management expected to have performed does it – is it easy to pick up if there's been a manipulation of the functions of anything or
20 is that not necessarily easy. Take for example, in terms of tender processes, if somebody has interfered with description of goods to be supplied or services in order to favour a particular company which might end up bidding and so on, is that something that's easy to do – to pick up when you re-perform or that might be difficult?

MR SOKOMBELA: Chair it's not easily, it's very difficult Chair because us, as Auditors we always talk about the inherent limitations of the Audit process because the Audit process is persuasive than conclusive because things that are done behind the scenes because us as Auditors, we're not there. Things that are done then behind the scenes, and if Management is very clever and ensure then that the documentation and everything is done properly, we may not be able to identify if there was no – if there was any manipulation of things or not. So that is inherent in the process Chair.

10 **CHAIRPERSON:** Yes okay thank you.

ADV MICHAEL MBIKIWA: Thank you, Mr Sokombela I'd like to move on to the duties that apply to Auditors, External Auditors, you deal with that at page 8 of your affidavit. I see there at paragraph 16 in fact that Chair, answers the question you had earlier where it says the external Audit of public entities is performed either by the AGSA or by a private Audit file.

CHAIRPERSON: Yes, okay.

ADV MICHAEL MBIKIWA: So external includes both private and the ...(intervenes).

20 **CHAIRPERSON:** Yes, okay.

ADV MICHAEL MBIKIWA: Can you tell us Mr Sokombela, how the requirements differ for the AG and private firms, if they do at all?

MR SOKOMBELA: Chair there is no difference in terms of the requirements between the private Audit Firms and the public Audit Firms, however, I think I just want to qualify my statement in the sense

that, in the public sector or in government there is more focus on compliance with legislation, however, in the private sector the focus is whether the financial statements have been prepared in accordance with the financial reporting framework. So I think, to answer you're the question Chair, is that we all adhere to the same auditing standards, we all audit the same financial statements for example, in the case of South African Airways, how they are auditing South African Airways is not different to how the private sector firms ought to have audited South African Airways.

10 **CHAIRPERSON:** But would it not be true that what you referred to as public Audit Firms government firms the AG, there will be much more experience – they will be much more experienced with checking compliance with legal prescripts that are applicable to public entities than would private firms because private firms insofar as maybe most of their clients are private companies, they might not be dealing a lot with pieces of legislation such as PFMA and whatever, whatever, so in terms of experience would public Audit Firms not be more experienced in that?

MR SOKOMBELA: Chair the Auditor-General will be more experienced
20 than the private sector firms as far as compliance – testing compliance is concerned.

CHAIRPERSON: But I guess nevertheless, any Auditor from a private Audit Firm who accepts the job of auditing a public entity would be expected to familiarise himself or herself properly with what the AG's Office would do in performing such a task and make sure that the fact

that they are a private firm should make no difference in terms of being able to pick up what the AG's Office would have picked up?

MR SOKOMBELA: Absolutely Chair and also we work a lot with the private firms.

CHAIRPERSON: Yes, yes because of the capacity issues as well, they do perform some of our audits, so I agree with you Chair.

CHAIRPERSON: Yes, do you think that I should approach the matter of private Audit Firms performing auditing for public entities on the basis that for all intents and purposes there is – there should be no
10 difference in how they audit public entities and how the AG audits those entities, I can judge them by the same standard?

MR SOKOMBELA: Absolutely Chairperson.

CHAIRPERSON: Okay thank you.

ADV MICHAEL MBIKIWA: Thank you. Mr Sokombela if you then turn over to page 9 and you deal here with instances where the AG opts not to perform the audit of a public entity, what broadly are the duties of private Audit Firms in that circumstance?

MR SOKOMBELA: Chair, I think the most important thing is that when
20 the private Audit Firms are auditing entities that the Auditor-General has opted not to audit, then the duties then and responsibilities of the private Audit Firms there are responsibilities that are legislated and assigned, you know, to the Public Audit Act, I think it's part two of chapter three of the Public Audit Act and the most important thing is that that Auditor that is doing the audit of the public entity, the most important thing is that – they need to take note of the content of the

Public Audit Act and must adhere to the requirements that are – for example the appointment of Auditors in terms of Section 25 of the Public Audit Act, that appointment must be in accordance with that requirement Chairperson and also the discharge of the Auditors, also must comply with the process that is prescribed in Section 26 of the Public Audit Act and the Auditor must comply with the duties ascribed and may use the powers that are provided for in Section 27 of the Public Audit Act.

10 The most important thing also is that the format and content of the Auditor's report Chair, must adhere to the requirements of Section 28 sub paragraph 1 and sub paragraph 2 of the Public Audit Act read with the Auditor-General of South Africa's reporting guide. The reporting guide is attached to my affidavit as PS2 and the Auditors' report template, we've got a Auditors' report template as the Auditor-General that we use, the private audit firms are actually required to use that template Chairperson, it's also attached to my affidavit as PS3 and also we've got guidance – guidelines as well that the Auditor-General published and these guidelines, in our website Chairperson and also we've got relationships with these firms as well because we also gave
20 them – if there's a guide that comes from our technical department we submit that to them.

The Auditors' report also that has been signed, also it should be submitted to the auditing, it should also be submitted to the Minister – the relevant Minister, if there is a Minister and also Auditor-General

and National Treasury in accordance with Section 28 sub paragraph 3 of the Public Audit Act.

ADV MICHAEL MBIKIWA: And what broadly, is the role of the Auditor-General in the circumstances where the Auditor-General opts not to do the audit, does it play any role when a private Audit Firm carries out the audit of a public entity?

MR SOKOMBELA: Chair the role that we play as the Auditor-General is for us to say we are there if you need us. We do offer to attend Audit Committees, we attend Audit Committees when for an example there are
10 certain technical things for an – especially when it comes to compliance issues, and also issues related to the audit of performance information. We offer ourselves to say we are available, because what we do not want is for the firms to feel that maybe they alone you know, in that. So that is basically then the role that we play. We do not want to step in their toes as Auditors, because these are professionals, you know they are they are qualified professionals in their right so we very careful as the Audit Office then in terms of then how then do we play that part.

CHAIRPERSON: When the AG's Office opts out, does it then fall upon the SOE for example or Government Department to get private – a private
20 audit firm or is it the AG's Office which says because I am opting out I am going to appoint a private auditing firm to then perform the function that I would otherwise have performed if I did not opt out?

MR SOKOMBELA: Chair, once the Auditor-General opts out of the – from auditing that specific State Owned Entity then the Auditor-General then would not appoint the Auditor, would leave then the appointment to

the Board and the Shareholder and however before that appointment is officiated then in terms of the Public Audit Act then a concurrence of the Auditor-General is required.

CHAIRPERSON: Okay thank you. So, in a way nobody can – no private firm can go and audit a Public Entity without the Auditor-General having said it is fine?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Yes, and would the Audit-General's Office, would there be circumstances where the Audit-General's Office would say we are not
10 happy to concur, maybe for example because they look at the firm and they do not think that it has got the skills and capacity to do this function in a particular entity, or do they always concur?

MR SOKOMBELA: There are times Chair where the Auditor-General may not concur but in most instances, I think it is very few chances, yes.

CHAIRPERSON: So, most of the time it will concur?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Yes, okay thank you.

ADV MICHAEL MBIKIWA: Thank you Chair, I do intend to deal with the process of that concurrence and indeed with an occasion when that
20 concurrence was not given in the context of the SAA Audit. Mr Sokombela can I take you to the directive that you have attached to your affidavit? It is at page 141. This is the directive issued in terms of the Public Audit Act. Are you there? Sorry your microphone is not on.

MR SOKOMBELA: I am there Chair.

CHAIRPERSON: You can keep it on throughout.

ADV MICHAEL MBIKIWA: Mr Sokombela I would like you to turn to page 163 of that document.

MR SOKOMBELA: I am there Chair.

ADV MICHAEL MBIKIWA: Can you tell us what this is?

MR SOKOMBELA: Chair this is the monitoring checklist for audits not conducted by the Auditor-General of South Africa.

ADV MICHAEL MBIKIWA: And if we go through that checklist, it is what you describe as a monitoring checklist, it – in the second table, lists various requirements under the Public Audit Act, if you go over the page 10 to 164 it lists further requirements under the Public Audit Act, and then there is a conclusion at the bottom and where it is indicated whether further requirements are complied with or not. If you turn over to 165, at the bottom it then says evaluated by AGSA Business Executive Senior Manager. So, you indicated earlier that the AG lets the audit firm get on with it, but it does seem there is an element of monitoring and oversight that takes place, is that fair?

MR SOKOMBELA: Yes, yes Chair.

ADV MICHAEL MBIKIWA: And just explain to me at what stage in the auditing process this gets completed and submitted?

20 **MR SOKOMBELA:** Chair, the – this checklist gets submitted normally at the end of the audit process, when the audit report has been signed and it gets signed by the engagement partner that is responsible from the firm.

CHAIRPERSON: Who would be the engagement partner in a firm, is it the Chairperson or the most senior person or the person responsible for

the auditing of the particular entity.

MR SOKOMBELA: Chair the engagement partner at a firm will be the person that is allocated to be the one that is responsible for that particular audit and will sign the audit report.

CHAIRPERSON: Okay. Thank you.

ADV MICHAEL MBIKIWA: Thank you. Mr Sokombela can you explain what the impact is of there being non-compliance with the various requirements listed in the checklist. What does the AG do if it receives at the end of the audit, a monitoring checklist which indicates that there has
10 not been compliance?

MR SOKOMBELA: Chair, I think Chair the, in terms of then the question itself, for an example if you look at the checklist, for an example, it is in most instances, is looking at the requirements of the – in terms of the Public Audit Act itself of which in most instances if for an example there were challenges during the audit process, those challenges ought to have been deliberated with the Auditor-General or the representative of the Auditor-General itself. So if for example there is non-compliance with one of the requirements here, I think where I am sitting it is then something then that needs to be escalated to the firm itself. For an
20 example if there is a non-compliance with the requirements of the PAA and the General Notice, or if there is the Auditor's report to the accounting authority was not submitted within the timeframe, depending on what the transgression is, some of the transgression is for an example may even be reported to the Independent Regulatory Board, for Auditors to look into them.

ADV MICHAEL MBIKIWA: Might it be a basis not to give concurrence the following year if that Auditor is seeking concurrence for a further year of the same audit.

MR SOKOMBELA: It may Chair. It may.

CHAIRPERSON: I guess depending on the seriousness of the non-compliance?

MR SOKOMBELA: Absolutely.

CHAIRPERSON: Okay.

ADV MICHAEL MBIKIWA: Mr Sokombela if we can go back to your
10 affidavit to page 12.

CHAIRPERSON: Before that that checklist gets done after the auditing process has been completed is that right?

MR SOKOMBELA: Yes Chair.

CHAIRPERSON: But you say that during the auditing process or even at the beginning, if there is a situation that the firm knows is going to give rise to non-compliance they should bring that to the attention of the AG at that stage, is that right?

MR SOKOMBELA: Yes Chair. Yes Chair.

CHAIRPERSON: But if – in other words if the AG has not been told
20 anything until they receive this checklist from the AG's point of view they would be entitled to expect that there is nothing that the firm was aware in advance would be problematic in the auditing process, as far as they are concerned.

MR SOKOMBELA: Yes Chair.

CHAIRPERSON: Yes, okay. Thank you.

ADV MICHAEL MBIKIWA: Thank you Chair.

CHAIRPERSON: And I assume that once the AG's Office has concurred to – in the appointment of a particular firm, the AG would designate one of the Auditors in the AG's Office to say this is your baby, if they – if some correspondence comes you are the one to deal with it.

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Okay, thank you.

ADV MICHAEL MBIKIWA: Mr Sokombela I now want to turn to the issue we have been eluding to which is the process that is followed in order to
10 determine whether to concur with or to reject the appointment of private Auditors. Can you tell us what process the Auditor-General follows in order to do that?

MR SOKOMBELA: Chair, if I may get the page number in the affidavit?

ADV MICHAEL MBIKIWA: Sorry, we are at page 12 of the affidavit.

MR SOKOMBELA: Page 12 of the ...(intervenues).

ADV MICHAEL MBIKIWA: And in fact you deal there with the process – you deal there with the legislation and then you, over the page on page 13, you deal with the process that is actually followed by the AG before since the Public Audit Act came into effect?

20 **MR SOKOMBELA:** Absolutely Chair. Thank you Chair. Chair I think it is important that I mention that the Public Audit Act was promulgated in 2004, and when then the Public Audit Act became – before it became effective the appointment of Auditors were regulated in Section 58 to 62 of the Public Finance Management Act, but then when then the Public Audit Act became effective those provisions in the PFMA became

redundant and then that particular schedule in the PFMA then was repealed and then was replaced then by the requirements of the Public Audit Act. And then that process now is regulated Chair by Section 25 of the Public Audit Act and Chair I do not know if you would want me to read it in verbatim for the purposes of the ...(intervenes).

CHAIRPERSON: Maybe not necessarily, I think Mr Mbikiwa also indicates not necessarily.

MR SOKOMBELA: Okay.

CHAIRPERSON: But I just want to ask this, as a result of the repeal that
10 you are talking about in the PFMA and the replacement as I understand it of the particular schedule, is the position that therefore if you go to the Public Audit Act and the PFMA you will find that there are these provisions which are similar or even identical that deal with this particular issue or there are only in the PFMA?

MR SOKOMBELA: Chair, I think after Section 58 to 62 was repealed, so in the PFMA there is no duty for the entities to appoint their own Auditors. That has been conferred to the Audit-General.

CHAIRPERSON: Okay, okay, yes, okay, yes.

ADV MICHAEL MBIKIWA: Indeed, Chair the provisions simply do not
20 exist. They have been repealed.

CHAIRPERSON: Okay, that is fine. Thank you.

ADV MICHAEL MBIKIWA: Mr Sokombela instead of reading the provisions of the Act, the Auditor-General as I understand it has a particular way of complying with the Act, and a particular process that it follows. Can you talk us through what that process is?

MR SOKOMBELA: Thank you Chair. Chair what the Audit Office does, the process that it follows is that prior to the commencement of the financial year of the Auditee, the Auditor-General will consider whether to perform the audit of that public entity or not. And then Chair in the event that the Auditor-General opts not to perform, opts to perform the audit of the public entity that it has not audited during the previous year, what then the Auditor-General does, the Auditor-General notifies the Auditee or the entity of its decision to perform that audit. The notification Chair to the Auditee will be given prior to the commencement of the financial year

10 of that audit. The affected Auditee must prior to the commencement of the next audit and before the commencement of its financial year, select an External Auditor after following a Public Procurement Process in accordance with that Auditee Supply Chain Management Policy and procedures. The financial year end of the public entity is usually the 31st March and the appointment or reappointment of Auditors occurs at the entities Annual General Meeting. That is approximately June or July but in some cases, they can even go to September/October depending on the scheduling of that. The selected Auditor Chair must be an Auditor in private practice that is registered with the Independent Regulatory Board

20 for Auditors. Chair, once the Auditee has selected a suitable External Auditor in accordance with the Public Procurement Process and its Supply Chain Management Processes, and prior to the appointment of such Auditor by the responsible Board or executive authority, the Auditee must notify the Auditor-General in writing of the name of the selected Auditor, and provide all information required by the Auditor-General as provided

for in the audit directive. The audit directive is attached as PS4. The Auditor-General must within 14 days Chair of receiving the notification by the Auditee, evaluate such notification and notify the Auditee of its decision to concur with or reject the appointment, the proposed process and of any appropriate conditions that the Auditor-General may have determined. If the Auditor-General has no objection to the appointment of the Auditor selected by the Auditee, the Auditee must proceed with the appointment of such Auditor. Once appointed the Auditee must inform the Auditor of such appointment as well as any conditions that the AGSA may
10 have determined. Once the Board or the Minister responsible for the Auditee has appointed the selected Auditor, the Auditee must notify the Auditor-General of such appointment and acknowledge acceptance of the conditions that may be set by the Auditor-General of South Africa. So, in essence that is the process then that is followed Chair.

ADV MICHAEL MBIKIWA: Thank you so the beginning of that process is where the Auditor-General notifies the entity if it opts to perform, if it does not notify it, it is deemed not to opt to perform.

MR SOKOMBELA: Absolutely.

ADV MICHAEL MBIKIWA: You began your evidence by telling us some
20 of the factors that would be considered in making that decision, such as skills and capacity?

MR SOKOMBELA: Yes.

ADV MICHAEL MBIKIWA: What are the factors that are considered in this decision as to whether to concur with or reject the appointment of private Auditors?

MR SOKOMBELA: Chair, the factors then that are considered is the independence considerations, you know and the Auditor-General then what it does is to assess whether then the recommended audit firm is sufficiently independent to perform the audit of that public entity, and in this regard then the Auditor-General is guided by the relevant provisions of the Code of Ethics of Professional Accountants issued by the International Ethics Standards Board for Accountants, hereby referred to as IESBA ...(intervenes).

ADV MICHAEL MBIKIWA: Can I pause you there?

10 **MR SOKOMBELA:** Yes.

ADV MICHAEL MBIKIWA: Sorry. I just want to understand independence a little bit more. What do you mean when you talk about an audit firm being sufficiently independent?

MR SOKOMBELA: Chair, I think the most important thing that we look into on the independence is independence to ensure then that there is no conflict of interest, there are not threats you know that may impair the independence of that entity. One of the considerations from the example that we normally look at to say, does this firm perform non assurance services to the public entity for an example consulting work if maybe they
20 are performing this consulting work, how big is that? Is it bigger than the audit fees that they going to receive because if it is bigger than the audit fees then there is a risk that it might have an impact on the on the independence and the objectivity. And in the opening remarks Chair, it was mentioned that also the independence should also be in appearance because the perception then that if this audit firm is also have other

interest like your financial interest to the entity then that might impair. There are other considerations in the independence Chair for an example, the issue of familiarity threat, because familiarity threat to independence as well you know can be an issue where for an example maybe the firm might be or the or the particular audit partner might be auditing that entity for many years or there is a family member that is working in the public entity that you know that might create also that conflict of interest. So when you are looking at independence those are the considerations Chairperson that we look at it is not all of them, but I am just mentioning
10 the few.

ADV MICHAEL MBIKIWA: Yes, thank you. Can you continue telling us what the factors are ...(intervenes)?

CHAIRPERSON: I am sorry. In order to established whether these factors that you have mentioned are present or whether those you might not have mentioned are present for purposes of the AG determining whether the firm has the requisite independence on appearance of independence. Does the AG's Office put certain questions to the particular firm to answer so that it can know whether there is a relative or family member who works in that particular entity or how does it get the
20 information that maybe relevant to determining independence?

MR SOKOMBELA: Chair there are certain declarations on that we request. Firstly, even from the entity that is appointing the External Auditor. They need to declare to us especially the issue of non-assurance services that are provided. So, this is basically then how we source that information to say please make declaration to us whether then

this information is like that or not.

CHAIRPERSON: And the non-assurance services, what would that be?

MR SOKOMBELA: Chair the non-assurance services will be maybe consulting work that maybe the firm is assisting the entity with, let us say to ensure then that the assets of the entity are accounted for properly. In the financial statements.

CHAIRPERSON: So, in other words if the entity already has some relationship with the firm then you want to look into the nature of that relationship?

10 **MR SOKOMBELA:** Absolutely Chair.

CHAIRPERSON: Okay.

ADV MICHAEL MBIKIWA: Among you, you mentioned declarations that have to be made. Among these do firms – are firms required to disclose joint business relationships with entities that are linked to the audit client?

MR SOKOMBELA: Yes Chair, yes Chair. Those declarations are required.

ADV MICHAEL MBIKIWA: Thank you

20 **CHAIRPERSON:** You said also that you look at whether the firm has been doing auditing for the particular entity for a long time. Do you have a cut-off point that guides you to say look a firm should not be – a firm that has been doing auditing has been auditing a particular entity maybe for five years should not continue beyond that. Is there some guideline as to how long is too long in terms of that relationship?

MR SOKOMBELA: Ja Chair, Chair, Chair I think for the turner of the firm

itself there is not necessarily guidelines. However for the engagement partner or the person that is going to be signing the report I think normally we look at five years or if maybe it is more than five years we would want to know the safeguards what are the safeguards that are going to be put in place?

CHAIRPERSON: Yes, okay and the five years is not a guillotine. It's – you look at it but if there are certain measures in place you might allow it to go beyond five years.

MR SOKOMBELA: Absolutely Chair.

10 **CHAIRPERSON:** Okay.

ADV MICHAEL MBIKIWA: Thank you. Mr Sokombela If you could continue then telling us the factors that AG considers in order to determine whether to give its concurrence?

MR SOKOMBELA: There – I have mentioned the independence Chair and the second factor is compliance with public procurements prescripts and I think what I want to mention here is that on the compliance where the public procurements prescripts we look at this at a high level and we determine whether then the audit – sorry the Auditee has sourced the services of the private firm through its Public Procurement Processes and
20 has complied with its own Supply Chain Management Policy and Procedures and I think it is important that I mention that we look at this at a high level it is not an Auditor – sorry it is not an audit whether we say give us all your documents whether then audit whether you have done this thing properly or not. The other factor ...(intervenes).

ADV MICHAEL MBIKIWA: Can I sorry – I just want to pause after that

factor as well. Does that mean that- that where an Auditor is irregularly appointed that will be a basis on which the Auditor-General will decline to give its concurrence?

MR SOKOMBELA: It may be a basis Chair. It may be a basis Chair. Chair the other factor is the audit quality and the Auditor-General then considers how the quality of the firms work has been assessed and this regard an assessment is conducted by the Auditee's Audit and Risk Committee as well as any firm and engagement inspections that are perform by the independent regulatory report for Auditors. Those are also
10 taken into consideration. In the case of a new appointment because the Audit Committee might not know the firm, so we rely heavily then on the inspection report by the independent regulatory report for Auditors.

The other factor is adherence to formal and procedural requirements. Where the Auditor-General verifies the Auditees adherence to the procedural requirements for the appointment for the External Auditors that are outlined in section 25 of the Public Audit Act and the Auditor-General also verifies that the firm is registered with the independent regulatory report for Auditors.

ADV MICHAEL MBIKIWA: Thank you. Now you indicated that the
20 Auditor-General must give its concurrence every year, how is it dealt with when an entity runs a procurement process but makes an appointment for Auditors, say for a five year period?

MR SOKOMBELA: Chair, on one side is the Auditor-General there, we do not prescribe in terms of how long that appointment should be, however what is very important to us is the Auditor-General to ensure

then that there is still – the public entity come backs to the AG every year and request for concurrence because if you look at the Company's Act. The Company's Act, I think it is Section 90 if I am not mistaken of the Company's Act that also regulates the appointment of Auditors. And in most instances that responsibility is allocated to the Audit Committee of the state-owned entity because that is their Governance Committee that the External Auditors works with in most instances. So, there are instances whereby then an Auditor then gets re-appointed. And in terms of law you cannot say I am going to appoint you for 10 years. There are
10 certain considerations that needs to be done.

An audit is done, it is completed, the audit report is signed. After then that is done the Audit Committee requires them to assess that particular firm. They need to assess whether they still remain independent. They still need to assess whether they have performed the audit in terms of then the quality standards. The Audit Committee may come and say, we are not satisfied with this Auditor so we need to discharge this Auditor. And that is allowed in law. Hence then the Auditor-General then will ensure then that they still come and show us that due process that has been followed for the reappointment of
20 Auditors.

ADV MICHAEL MBIKIWA: So is it fair to say then that if an Auditor is ever appointed by a public entity for more than a year it is always subject to the risk that the Auditor-General might not concur with its continued appointment.

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: So, the first opting out on the part of the AG's Office happens mostly if not all the time at the instance of the AG's Office. But the subsequent acts of opting out in the years that follow might happen at the instance of the entity. Is that right? In other words, initially the AG's Office might not have been asked to opt out because I guess nobody should ask them to opt out. But if they themselves that is the AG's Office decides we will opt out, they say we will opt out this year, they do not say we are opting out for the next five years.

MR SOKOMBELA: Absolutely.

10 **CHAIRPERSON:** Is that correct?

MR SOKOMBELA: Absolutely.

CHAIRPERSON: And it may be that the following year they were going to opt out but maybe before they make the decision the entity request them to concur to the firm to continuing to audit. Is that right?

MR SOKOMBELA: Yes, Chair because the Auditor-General may say I am opting out this year but the Auditor may come next year and say I am opting in.

CHAIRPERSON: Yes.

MR SOKOMBELA: In actual fact, yes.

20 **CHAIRPERSON:** Yes okay.

ADV MICHAEL MBIKIWA: Thank you. Mr Sokombela I would now like to get into the process that was in fact followed for the years from 2011 to 2012.

CHAIRPERSON: I am sorry Mr Mbikiwa I am interrupting you again.

ADV MICHAEL MBIKIWA: No problem Chair.

CHAIRPERSON: Does the AG's Office at some stage becomes suspicious when a particular entity keeps on asking the AG's Office to concur in the appointment of a private firm? If it has been happening for too often does it becomes- does the AG's Office becomes suspicious to say, why do these people want that firm to continue and they do not want us to come in for so many years? Why are they not leaving it to us to decide if we are opting out each year?

MR SOKOMBELA: Chair, not necessarily because once the Auditor-General opts out, we leave then the decision to the entity itself. It is
10 when then the Auditor-General has decided to opt in then – where then there is push back. Then that maybe the Auditor-General might be suspicious of maybe why.

CHAIRPERSON: Would there ever be a push back when the AG wants to continue with his job?

MR SOKOMBELA: Not that I remember Chair.

CHAIRPERSON: Not really but if it happened it would be suspicious.

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Yes. Well I just find it strange. I would imagine that because the auditing of every public entity is primarily the job of the
20 Auditor-General and it is up to the Auditor-General to opt out in a particular year. I would imagine that an entity which has received an opting out notice from the AG this year and the AG has concurred in the appointment of a private firm to do the job, I would have imagined that that firm should have no problem if the following year the AG says, I am coming back or I continue with opting out and therefore I would expect

that they will be neutral.

MR SOKOMBELA: Absolutely.

CHAIRPERSON: Rather than them seeking a situation where the AG keeps on – is kept out.

MR SOKOMBELA: H'mm.

CHAIRPERSON: You understand my ...(intervenes)?

MR SOKOMBELA: I do Chair.

CHAIRPERSON: Yes.

MR SOKOMBELA: I do Chair. Yes.

10 **CHAIRPERSON:** Okay alright. Thank you.

ADV MICHAEL MBIKIWA: Thank you. Mr Sokombela can we turn to the concurrence that the AG gave in the course of the SAA audit. We pick that up on page 18 of your affidavit. Can you explain to us who was appointed to the SAA audit and what view the AG appointment in 2011/2012?

MR SOKOMBELA: Chair, I just want to mention that in 2011/12 financial year I was not personally involved in the appointment of the External Auditor for SAA. I only became involved in the 2015/16 financial year. However, I have been briefed by my colleagues that were personally
20 involved with this that during 2011/12 financial year the Auditor-General opted not to perform the audit of South African Airways and on 5 September 2011 South African Airways consulted the Auditor-General to appoint PricewaterhouseCoopers as well as Nkonki Inc as joint Auditors for a period of five years. However, I just want to – in my affidavit I said for a period of five years. I just want to clarify that Chair because the

appointment that was made was for 2011/12 financial year.

CHAIRPERSON: One financial year?

MR SOKOMBELA: It was for one financial year.

CHAIRPERSON: *Ja.*

MR SOKOMBELA: It was not for a period of five years. However, they ended up staying for five years.

CHAIRPERSON: Oh okay.

MR SOKOMBELA: *Ja.* So, I think I just want to clarify that in the affidavit.

10 **CHAIRPERSON:** Yes. But what is important is whether the request from the SAA that the AG concurs in the appointment of PwC and Nkonki, whether that request asked that the AG issued – let them go on for five years even though the AG said one year this year then allowed it the following year, one year at a time. But was the request that the AG should allow them for five years? Do you know that or do you not know?

MR SOKOMBELA: Chair the request was for one year.

CHAIRPERSON: For one year.

MR SOKOMBELA: It was for 2011/12 financial year.

CHAIRPERSON: Oh okay.

20 **MR SOKOMBELA:** Yes.

CHAIRPERSON: Okay. It may be Mr Mbikiwa that there should be a short supplementary affidavit that just clarifies this part.

ADV MICHAEL MBIKIWA: Correct Chair.

CHAIRPERSON: *Ja.* Okay.

ADV MICHAEL MBIKIWA: Thank you Chair.

MR SOKOMBELA: Thank you Chair. Chair then when that request then was made the Auditor-General concurred in writing for one-year appointment and notified the Chairperson of the Board of SAA on 12th September 2011. There were no issues of concerns that were identified and a copy of the concurrence letter that was sent is attached as Annexure PS11 to this affidavit.

Chair on the 23rd of July 2012 South African Airways consulted the Auditor-General on the re-appointment of PricewaterhouseCoopers and Nkonki again as joint Auditors for the 2012/13 financial year. And
10 also ...(intervenes).

CHAIRPERSON: I am sorry. Just to cover this in a practical way. You did say that you were not involved in 2011/12.

MR SOKOMBELA: Yes.

CHAIRPERSON: You only got involved in 2016 or 2015?

MR SOKOMBELA: 2015/16 Chair.

CHAIRPERSON: Yes *ja*. But what you are dealing with here – are you dealing with matters that appear from records that are available to you at the Auditor-General's Office?

MR SOKOMBELA: Chair I am dealing with matters that are available to
20 me at the Auditor-General's Office.

CHAIRPERSON: Yes.

MR SOKOMBELA: And the conversations in our deliberations that I had with my colleagues that were responsible at the time.

CHAIRPERSON: Okay alright. Thank you.

MR SOKOMBELA: Chair maybe for the purposes of this hearing maybe I

must say from 2011/12, 2012/13 financial year, 2013/14 financial year and 2014/15 financial year South African Airways requested the concurrence of the Auditor-General.

CHAIRPERSON: Each year?

MR SOKOMBELA: Each year.

CHAIRPERSON: H'mm.

MR SOKOMBELA: And there were no issues that were identified by the Auditor-General and the concurrence was given.

CHAIRPERSON: H'mm.

10 **MR SOKOMBELA:** I just want to summarise instead of going to each and every ...(intervenes).

CHAIRPERSON: Yes. No, no, that is fine. That is in order. And the documentation reflecting that request and the granting of that request, the concurrence, is all attached here?

MR SOKOMBELA: It is all attached Chairperson.

CHAIRPERSON: Okay, thank you.

MR SOKOMBELA: Yes, it is all attached here.

CHAIRPERSON: *Ja.*

20 **ADV MICHAEL MBIKIWA:** Thank you. Mr Sokombela in those years that the AG was giving its concurrence.

MR SOKOMBELA: Yes.

ADV MICHAEL MBIKIWA: Was it disclosed to it that the appointment had only been for one year?

MR SOKOMBELA: Absolutely Chair.

ADV MICHAEL MBIKIWA: So, SAA told the AG that in 2011/2012 it had

run a tender process that was only for a one-year appointment?

MR SOKOMBELA: Absolutely Chair.

ADV MICHAEL MBIKIWA: So why in 2012, 2013 and 2014 did the AG give its concurrence?

MR SOKOMBELA: Chair the – I must say the Public Audit Act itself I think was a new legislation 200 ...(indistinct) 4 and the issue of us or the issue of concurrence has grown or has matured in the organisation. The – Chair the Gazette or the directive that Mr Mbikiwa referred me to is one of the latest Gazettes that we have. However, the Gazette that was
10 applicable at the time, I think is attached here, at the time did not have that requirement for us to actually look at the public procurement process whether the public procurement process is done.

We would rely heavily on the assessment that has been done by the Audit Committee, by the Board and also by the Minister. And then we will rely then on those determinations then that they have made. However, as the time goes by and as our processes also are maturing then we did then start to consider whether then there was procurement process or not. So, in hindsight where I am sitting here to say maybe in those years should we have considered whether maybe they have the
20 public procurement process was followed or not, definitely yes.

ADV MICHAEL MBIKIWA: H'mm.

MR SOKOMBELA: Maybe we should have considered that however we are a growing organisation as we grow, we do then deal with certain issues.

CHAIRPERSON: Am I – is my understanding correct that you are saying

during those years it was not a legal obligation on the Auditor-General to check whether before concurring the firm that is proposed to do the work has been appointed in compliance with the PFMA for example?

Or are you saying it was an obligation but we had a certain understanding which has since changed. We now look at it but at that time we did not look at it because we did not understand that to be our obligation?

Or we understood it to be our obligation but we were quite happy in being guided in regard to that by what the risk and Audit Committee
10 says. Which of these two is the right one or three, I think?

MR SOKOMBELA: Yes, it is three Chair. Chair in terms of the law it is a requirement to go through the procurement process however I think what I want to emphasise is that the appointment of Auditors is quite tricky in the sense that for an example in 2011/12 there was procurement that was done meaning that how the Auditors were brought to SAA there was a process that was done. But then where then the trick comes in Chairperson is when then you are dealing with re-appointment because the Auditors are already here.

CHAIRPERSON: Oh extensions.

20 **MR SOKOMBELA:** Yes.

CHAIRPERSON: *Ja.*

MR SOKOMBELA: Yes, Chair or the extensions because the Auditors are already here. And there is then the company's Act requirements then that the entity then follows which is a due process. It is not necessary to say there is no due process there. There is a due process that they follow

and we at the time then we looked at that – we only relied on that particular instance.

And also, in practice as well it is not practical to have an Auditor only for one year only. Because in most instances an Auditor for one year is just to understand how your business is. And subsequent then to that year that is when then the Auditor starts to add value to the particular entity.

CHAIRPERSON: So, is your answer therefor that even during those years the AG's Office was under a legal obligation to check whether there
10 had been compliance with PFMA for example in the appointment of the particular firm in regard to SAA in 2011 a process had been followed before the first appointment?

Whereas we as the Audit General's Office now in 2020 we regard it as our duty that even when there are request for extensions or re-appointments that we should check that the PFMA is complied with. But at that time, we did not understand this to be an obligation on us. Is that what you are saying?

MR SOKOMBELA: Chairperson, that is what I am saying to say we did not understand it to be our obligation.

20 **CHAIRPERSON:** Yes.

MR SOKOMBELA: At that particular point in time.

CHAIRPERSON: Yes.

MR SOKOMBELA: And also, I think one other important aspect as well is on our side to say the re-appointment of Auditors in the company's Act is governed by the company's Act in terms of then how the re-appointment

of External Auditors needs to be done.

CHAIRPERSON: H'mm.

MR SOKOMBELA: And at the time we understood that to be ... (intervenes).

CHAIRPERSON: Enough.

MR SOKOMBELA: An enough process. As long as they stick to what they did in 2011/12 financial year. Yes.

CHAIRPERSON: Okay. But your understanding now is that apart from the process in the company's act there must also be compliance with the
10 process in terms of the PFMA even with re-appointments and extension?

MR SOKOMBELA: Chair it is our understanding. However, what also we do not want to do as an audit office is to make it difficult for the state-owned entities to appoint Auditors.

CHAIRPERSON: H'mm.

MR SOKOMBELA: Because I think the law itself is quite tricky in the sense that it says the appointment should be for a period of one year however, myself as an Auditor I know that is not practical to have an Auditor only for one year. So, there may be then due processes then that needs to be followed. For an example Chair some of the entities what
20 they normally have is to have a policy on how they need to appoint Auditors which is a policy that is not necessarily the Supply Chain Management Policy.

But to say we are going to have a police example to say we are going to appoint Auditors let us say for a period of five years however when you signing a contract with them we are going to have provisors

that says that you are going to be valid for a year and then we will reconsider each year in terms of then what happens. So that is basically then the – that is a trick – I think that is a trick if I may put it in this particular – it is not like the procurement of any other goods or services, it is a statutory procurement. Is it procurement of a statutory Auditor?

CHAIRPERSON: Well it is important that I know what the position is. And it is important for me to know what the AG's understanding of the – what the position is because the AG deals with these things all the time.

MR SOKOMBELA: Absolutely.

10 **CHAIRPERSON:** And I need to know if there are challenges that are posed by the law as it currently stands because it may be that some recommendations need to be made to say, the law as it currently stands either creates confusion or is difficult to implement because as Auditors we know that an Auditor goes in for one year.

Really that year is used for the Auditor to get to know the business so it is impractical to and unrealistic to say there should be appointments for one year because we know almost invariably it is more than one year. So maybe it should be more than that. So, I just want you to know that I am interested in understanding that. But as I understand it
20 at a certain time it was an obligation but the AG's Office understood it in a certain way.

MR SOKOMBELA: Yes.

CHAIRPERSON: And therefore, acted on the base of that understanding. Right now, it understands differently and it acts in accordance with the new understanding.

MR SOKOMBELA: Absolutely.

CHAIRPERSON: Okay.

ADV MICHAEL MBIKIWA: Chair, just on the issue of the concern you have raised. This will be dealt with in more detail in the evidence tomorrow.

CHAIRPERSON: Okay.

ADV MICHAEL MBIKIWA: But certainly, other State-Owned Entities have found a way to deal with this issue.

CHAIRPERSON: Okay.

10 **ADV MICHAEL MBIKIWA:** And if I can just refer to the – an Eskom RFP, as I say this will be referred to in the evidence tomorrow.

CHAIRPERSON: Yes.

ADV MICHAEL MBIKIWA: But the condition of the tender says:

“The appointment will be made for a period of five years relating to the audit of five financial years from the 2014/15 financial year onwards subject to the following conditions. Annual consultation with the Auditor-General before the appointment for a specific year is finalised.”

CHAIRPERSON: Okay. *Ja*, thank you.

20 **ADV MICHAEL MBIKIWA:** So, there is a sort of practical ...(intervenes).

CHAIRPERSON: Yes, way.

ADV MICHAEL MBIKIWA: Illustration, *ja*.

CHAIRPERSON: Okay.

MR SOKOMBELA: Absolutely.

ADV MICHAEL MBIKIWA: Can I ask one follow up question Mr

Sokombela. In those years after 2011/2012 so in the years after the Procurement process had been run but to which the procurement process itself did not apply. Is it fair to say that it was for – now I am saying SSA. Apologies Chair. Was it for SAA to indicate to you what procurement process had been followed? Was it for SAA to disclose that to you?

MR SOKOMBELA: Absolutely Chair.

ADV MICHAEL MBIKIWA: And did it do so?

MR SOKOMBELA: In 2011/12 I have been made aware that they did so.

10 Subsequent to 2011/12 what then they gave us is then the resolutions from their own governance structures that they have considered the competency of the Auditor, the quality control issues. They are happy in terms of the conduct of the Auditors and they would want to re-appoint them. So, they did not submit the procurement issues.

ADV MICHAEL MBIKIWA: Okay.

MR SOKOMBELA: *Ja.*

ADV MICHAEL MBIKIWA: Thank you.

CHAIRPERSON: Of course, it will be important to understand whether from SAA's point of view there might have been any confusion about
20 whether for the subsequent years they should do that. It may be that there was no confusion, they knew they needed to do that. But it may be that they did not know whether for the extension they needed that as well.

ADV MICHAEL MBIKIWA: Chair we will address it tomorrow but the documents reveal that there was no confusion.

CHAIRPERSON: Okay. Thank you.

ADV MICHAEL MBIKIWA: Mr Sokombela can you then – actually Chair I am going to move into the 2015/16 financial year.

CHAIRPERSON: That is fine.

ADV MICHAEL MBIKIWA: Which is a more detailed issue.

CHAIRPERSON: *Ja.* That is fine.

ADV MICHAEL MBIKIWA: And I see that we are at 12:55.

CHAIRPERSON: Yes. Do you suggest we use the 5 minutes before 13:00 or are you suggesting that it might be convenient to ...(intervenes)?

ADV MICHAEL MBIKIWA: I am suggesting it might be convenient to
10 adjourn now Chair.

CHAIRPERSON: Yes.

ADV MICHAEL MBIKIWA: Just because I will begin but will not really get into the following issue.

CHAIRPERSON: Yes okay. No, that is fine. We will take the lunch adjournment and we will resume at 14:00. We adjourn.

REGISTRAR: All rise.

INQUIRY ADJOURNS

INQUIRY RESUMES

CHAIRPERSON: Okay let us continue.

20 **ADV MICHAEL MBIKIWA:** Thank you Chair. Mr Sokombela before the lunch break we had dealt with the concurrence of the AG to the appointment of PwC and Nkonki between 2011/12 and 2014/15. Can you explain to us what happened in 2015/2016 and I understand that this is when you were in fact responsible for it?

MR SOKOMBELA: Absolutely Chair. I think in 2015/16 when – then

the request for the Auditor-General to concur was made was then when I was involved and ...(intervenes).

CHAIRPERSON: I am sorry just to make sure because later on when one reads the transcript it might not be clear. When you say in 2015/2016 you mean during the 2015/2016 financial year?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: *Ja* okay.

MR SOKOMBELA: Absolutely Chair and also that was the year when the Board of South African Airways was requesting their concurrence to
10 the Auditor-General for the 2015/16 financial year. Yes Chair. Chairperson the request for concurrence was made I think on the 24th of July 2015 where then the South African Airways was making then a request to appoint Nkonki Incorporation as a sole Auditor of SAA for the 2015/2016 financial year. And upon ...(intervenes).

CHAIRPERSON: I am sorry. That sounds strange to me. Maybe it is because I am not an Auditor. I would have thought that a request for concurrence would be directed to the Auditor-General's Office prior to the commencement of the 2015/2016 financial year rather than in the middle of that financial year. But maybe it is because I am not an
20 Auditor and I do not know that the actual performance of the Auditor's job comes towards the tail end of the financial year.

MR SOKOMBELA: Thank you Chair. Yes I think just to clarify Chair that be – the requirement to – for the – before the start of the financial year is when the Auditor-General make a decision whether he is opting in or he is opting out. However there is no requirements in terms of

then the timing of the consultation than that needs to be done because in as much as in July 2015 the 2015/16 financial year has already started. However normally the audits they start later on when the transactions have already happened. Because as External Auditors we are auditing history. You know.

CHAIRPERSON: *Ja.*

MR SOKOMBELA: Yes, yes Chair.

CHAIRPERSON: Thank you. So the request was on time?

MR SOKOMBELA: Absolutely Chair.

10 **CHAIRPERSON:** *Ja.* Okay.

MR SOKOMBELA: Yes it was on time. So Chair what happened then after we received then that request for the appointment of Nkonki as the sole Auditors we evaluated the request and what we then requested further from SAA was then for SAA to submit to us the Audit Committee Resolution that was made recommending the appointment of SAA to – as a sole Auditor to the Board. And also the other information that we requested Chair.

CHAIRPERSON: That is requesting the appointment of not SAA, is it not? Of the auditing firm.

20 **ADV MICHAEL MBIKIWA:** Nkonki.

MR SOKOMBELA: Nkonki.

CHAIRPERSON: Nkonki *ja.*

MR SOKOMBELA: Nkonki.

CHAIRPERSON: I think you said SAA.

MR SOKOMBELA: Yes.

CHAIRPERSON: *Ja.*

MR SOKOMBELA: Yes Chair. So what we did Chair because upon evaluation of the request itself there was more information that we were looking to gather so that we can determine whether then we can concur. We can recommend the Auditor-General to concur with the appointment or not.

CHAIRPERSON: And you in particular were now in charge of looking into this request?

MR SOKOMBELA: Absolutely Chair.

10 **CHAIRPERSON:** *Ja* okay.

MR SOKOMBELA: Absolutely Chair. So Chair what – what we did then when I was doing that task I was doing it with Mr Nicholas Mokwena who at the time was the – was my Manger. I was his Line Manager so we were working together at the time. So what then Mr Mokwena did was to request then this information from SAA the Audit Committee Resolution that was made to the Board to recommend the appointment of Nkonki as the sole Auditor of SAA. The other information Chair that we were seeking is then the Board Resolution that was made where then the Board was recommending to the shareholder or the Minister to
20 say that SAA is appointing Nkonki as the External Auditors. We also requested SAA to furnish us with their policy on the appointment of External Auditors so that we can be able then to evaluate whether then have this adhered to their own internal policy on the appointment of External Auditors. And then SAA responded to the – to our request for information and what they submitted is an undated letter submitted to

us by the Company Secretary and the letter was explaining the appointment of Nkonki as the sole Auditors of SAA. And Chair we have over-touched the copy of that letter is attached to this affidavit as Annexure PS16. They also submitted to us an excerpt of the draft minutes of the continuation of the SAA Board of Directors Meeting. I think the meeting number is number 2015/04 that was held on Friday, 10 July 2015. And a copy of that Resolution Chair is also attached as Annexure PS17. They also submitted to us Chairperson the SAA Policy on Supply Chain Management. Remember I said we requested the

10 policy on the appointment of External Auditors but they only submitted their SAA Supply Chain Management Policy. So Chair upon then receiving this information we evaluated the information that was submitted to us and – but we could not confirm whether or not the appointment of Nkonki complied then with the Supply Chain Management Policy because after requesting the policy on External Auditors – upon requesting policy on External Auditors we were furnished with the Supply Chain Management Policy. So then our evaluation then instead of us evaluating with the policy on appointment of External Auditors we ended up evaluating then that on the

20 appointment in terms of their own SCM Policy. I must specify Chair that this was not an audit. It was just a high level inspection of whether maybe then was the appointments then in adherence to their own policy or not. And we requested then SAA – because we could not see how the SAA has complied with that – with its own SCM policy or Supply Chain Management Policy. Then we requested ...(intervenes).

CHAIRPERSON: Just one second. The document they did not give you which you had asked for was a document relating to the process to be followed in appointing External Auditors, is that what you said?

MR SOKOMBELA: Yes Chairperson.

CHAIRPERSON: You asked for that they did not give you that but they gave you an SCM Management Policy?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: And bearing in mind why you would have wanted their policy relating to the appointment of External Auditors were you
10 comfortable with proceeding with looking into this without the document that would have shown the process – their policies for appointing External Auditors?

MR SOKOMBELA: Chair it became evident that SAA did not have a policy – a separate policy.

CHAIRPERSON: Yes.

MR SOKOMBELA: On the appointment of External Auditors.

CHAIRPERSON: Of Auditors. Oh okay.

MR SOKOMBELA: Hence they submitted.

CHAIRPERSON: Yes.

20 **MR SOKOMBELA:** The Supply Chain Management Policy to us.

CHAIRPERSON: Oh it was because they did not have it.

MR SOKOMBELA: They did not have it Chair.

CHAIRPERSON: Oh okay.

MR SOKOMBELA: Yes.

CHAIRPERSON: But they should have had it or it is not obligatory?

MR SOKOMBELA: It is not obligatory.

CHAIRPERSON: *Ja*.

MR SOKOMBELA: But it is best practice.

CHAIRPERSON: Okay.

MR SOKOMBELA: Chair you know because in some of the – I must say because SAA was new to me.

CHAIRPERSON: Yes.

MR SOKOMBELA: You know when it came to me because you remember that it moved from Public Enterprises to National Treasury.

10 **CHAIRPERSON**: H'mm.

MR SOKOMBELA: So it was new. One of the entities also I was responsible for an example that was also the same situation as SAA was the Development Bank of South Africa – of Southern Africa.

CHAIRPERSON: H'mm.

MR SOKOMBELA: They had a policy on the appointment of External Auditors.

CHAIRPERSON: H'mm.

20 **MR SOKOMBELA**: So when we assessing their request to concur we – they would also – they would furnish with us then their policy and their policy then was quite detailed and also covered the requirements of how they appoint and also how they do the re-appointment of the External Auditors.

CHAIRPERSON: Okay alright. Thank you.

MR SOKOMBELA: Thank you.

CHAIRPERSON: You may proceed.

MR SOKOMBELA: Thank you Chair. Chair I think as I said that when then we evaluated then this sole appointment of Nkonki in terms of the Supply Chain Management Policy. And – but we did not have – there is information then that we did not have where we requested SAA then to furnish us with evidence to confirm that Nkonki appointment complied with the Supply Chain Management Policy. You know because you looked in terms of the SCM Policy we looked at the Resolutions that they gave us. We could not see how the appointment was done and upon us making that request Chairperson SAA then furnished us with
10 the Board Resolution number 2011/B24 dated 22 November 2011 in respect of the appointment of External Auditors for the 2011/12 financial year. And a copy of that Board Resolution Chair is attached as Annexure PS18 to this affidavit.

CHAIRPERSON: I think I missed what you said in terms of what you asked SAA for when you could not see how they had complied with their Supply Chain Management Policy.

MR SOKOMBELA: Chair ...(intervenes).

CHAIRPERSON: I think you said you asked for something and I missed that.

20 **MR SOKOMBELA:** Chair upon us receiving the Supply Chain Management Policy when we were looking at the Supply Chain Management Policy and also the information that they already furnished us with we could not determine how SAA got to a decision of appointing SAA in terms of its own Supply Chain Management Policy. So then we said, please give us evidence how did you comply with this policy when

you were appointing ...(intervenes).

CHAIRPERSON: Oh okay yes.

MR SOKOMBELA: Nkonki as the – as their sole Auditor.

CHAIRPERSON: Yes okay.

MR SOKOMBELA: That is then when Chairperson then they gave us then Board Resolution.

CHAIRPERSON: Okay yes.

MR SOKOMBELA: Number 2011/B24.

CHAIRPERSON: Yes.

10 **MR SOKOMBELA**: Of 22 November 2011.

CHAIRPERSON: H'mm.

MR SOKOMBELA: And the other information Chair that they gave us is SAA's Bid Adjudication Councils Report dated 22 August 2011 recommending also the appointment of PwC for the 2011/12 financial year. And also this report is attached Chairperson as Annexure PS19. They also gave us Chairperson an extract of the In Committee Minute of SAA's Audit and Risk Committee that was held on 24 August 2015 of the ratification of Nkonki as the External Auditors of SAA. A copy of that extract also Chairperson is attached as Annexure PS20. So this is
20 – they gave us – this is the information that they further gave us. They gave us when we requested. And when we received then that information what we did was to – we performed an assessment of the documentation.

CHAIRPERSON: Before you proceed am I right in understanding that they just supplied you with these documents without supplying you with

any letter or statement from somebody at SAA saying, this is how we complied with our SCM Policy and what we are attaching is – are documents which support what we say in terms of how we complied.

MR SOKOMBELA: Yes Chairperson *ja* it is ...(intervenes).

CHAIRPERSON: Is my understanding correct?

MR SOKOMBELA: I actually forgot to mention that that was accompanied by the letter.

CHAIRPERSON: Yes.

MR SOKOMBELA: From the Company Secretary.

10 **CHAIRPERSON**: Yes.

MR SOKOMBELA: Of SAA at the time.

CHAIRPERSON: Which specific how they had complied?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Okay and then the documents were attached as support documents?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Okay alright.

20 **MR SOKOMBELA**: So Chair upon us receiving then this further information and this information revealed to us that SAA did not have a separate policy for the appointment of External Auditors therefore our view as the Auditor-General then was that the appointment of External Auditors had to be treated like any other supplier at the time and also in terms then the Bid Adjudication Councils Report also of 22 August 2011 PwC had been recommended on conditions that SMME Consortium Plan has to be incorporated into the contract between SAA and the

PricewaterhouseCoopers. Chair the Board Resolution 2011/B24 of 22 November 2014 – sorry 2011 – I am sorry Chair about that also confirmed that the resolution to appoint Nkonki and PwC as External Auditors of SAA for the 2011/12 financial year jointly and on a 60/40 basis in favour of Nkonki Incorporation. Chair the excerpt also from the minutes of the Board Meeting of 10 July 2015 confirmed the appointment of Nkonki as External Auditors of SAA for a period of five years. That is basically what it says. But the challenge that we had was that there was no evidence that SAA applied the principles of its own Supply Chain Management Principles. You know so I think those were the challenges then that we had and we held a view at the time Chair that the appointment of Nkonki as the sole Auditors of SAA should follow a new procurement process. And the reason why we did that is because Chair in as much as they gave us the 2011/12 as an evidence that there was a procurement process but that procurement process was a joint appointment. And at the time we assumed then, excuse me, in as much as it was a joint appointment process and also it was for one year the subsequent years was – were like renewals of the contract. However if then you come in the fifth year and then the other entity in the joint – in this joint relationship is taken out to us then it say then that – it means then that it is the end of a relationship. So you need to start afresh and go and look for a new relationship. So that was the view Chairperson that we had.

CHAIRPERSON: And that view was based on the fact that the decision to appoint in 2011 related to two entities that were to act jointly?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Now what was being sought was to continue with one only?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: That was not the same as before?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Because that could affect capacity as well.

MR SOKOMBELA: Absolutely.

CHAIRPERSON: Apart from anything else?

10 **MR SOKOMBELA:** Absolutely Chair.

CHAIRPERSON: Okay.

ADV MICHAEL MBIKIWA: Mr Sokombela that seems to be one of the issues with the documents that were submitted to you. The fact that it was PwC – sorry it was – it sought the sole appointment of Nkonki when the original appointment was for joint Auditors. Were you concerned though that the documents they submitted to you as proof of compliance with their SCM Policy was in fact – was effectively documents that showed an appointment for one year in 2011/2012?

20 **MR SOKOMBELA:** In actual fact I think in our deliberations internally you know because I had to think back you know five years ago and I remember that in our deliberations that is one of the issues that were concerned. However like I said I think before lunch Chairperson that the appointment of External Auditors in terms of how we have been looking at it on our side as Auditors was to say Auditors they get appointed but also they can also get reappointed. But what was

significant for us was then – was the – was then the relationship now with the joint audits that was stopped. But then we said if then the relationship with the joint Auditors is stopped it means then that maybe SAA then maybe needs to go and look you know and follow a certain due process.

CHAIRPERSON: Now are you able to remember whether there were other respects in which SAA had not complied with its Supply Chain Management Policy other than the one you have mentioned? Or you cannot remember?

10 **MR SOKOMBELA:** I cannot remember Chair and also we were not involved with SAA. The only relationship we had was for them to be requesting concurrence.

CHAIRPERSON: Yes, yes.

MR SOKOMBELA: To us yes Chair.

CHAIRPERSON: Yes.

MR SOKOMBELA: Yes.

CHAIRPERSON: So your – you are looking at these issues was not deep in terms of whether there had been compliance with procurement or with processes for the appointment of External Auditors. You – are
20 you saying that you were not required to look deep into them? You were required just to have a look and see whether it seemed to – there seemed to have been a compliance without necessarily saying we are satisfied that definitely there was compliance?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Okay alright.

MR SOKOMBELA: Yes absolutely.

ADV MICHAEL MBIKIWA: Mr Sokombela did the AG then raise concerns regarding the appointment of Nkonki?

MR SOKOMBELA: Chair we did raise the concerns however we saw it now that us communicating through letters and e-mails is not going work and at the time then I took it to myself then to go and have a meeting with the Company Secretary so that we can explain face to face in terms of what our concerns were. And the meeting was held on the 15th of September 2015 Chair and after that meeting I took it to
10 myself to ensure then that I send them a recordal in terms of the concerns and also the recommendations then that I made. One of the things that I told them at the time was to say they need to reconsider the appointment – the process that they followed to appoint Nkonki as the sole Auditors of SAA to ensure that it – there is compliance with its own Supply Chain Management Policy. And also once then they have actually relooked at that process – they are welcome to resubmit to us for our consideration. And also one of the recommendations that I made to them is to say consider adopting a policy as SAA specifically for the appointment and reappointment of External Auditors so that in
20 future we do not have similar challenges. Then on the 14th of December 2015 then SAA submitted to us the documents where they submitted an excerpt of the draft minutes of – for the – of the Board Meeting. I think their draft minutes is number 2015/07 that they held that meeting on the 9th of December 2015 where they were confirming the reappointment of PwC and Nkonki for the financial year 2015/16.

Chair the appointment was made on the basis of 50/50 split were close split and subject to the concurrence of the Auditor-General of South Africa in terms of Section 25(2) of The Public Audit Act.

ADV MICHAEL MBIKIWA: Can I just pause you there? Sorry Mr Sokombela. Do I understand correctly that what SAA is doing here is seeking to comply with your indication that their attempt to appoint Nkonki on a sole basis would not be concurred with by the Auditor-General?

MR SOKOMBELA: Absolutely.

10 **ADV MICHAEL MBIKIWA:** And so they sought to comply with that by passing a new resolution to jointly appoint PwC and Nkonki?

MR SOKOMBELA: That would be my assumption Chair.

CHAIRPERSON: Yes.

MR SOKOMBELA: That would be my assumption.

CHAIRPERSON: Let us go back to your meeting on the 15 September 2015 with the Company Secretary.

1. Who was the Company Secretary?

2. What was his or her reaction to your concerns?

20 **MR SOKOMBELA:** Chair the name of the Company Secretary was Ms Ruth Kibuka. She understood ...(intervenes).

CHAIRPERSON: Kibuuka would be K-i-b-u-k-a?

ADV MICHAEL MBIKIWA: It is u-u – double U.

CHAIRPERSON: Oh K-i-b-w-k-a?

ADV MICHAEL MBIKIWA: U-u *ja* not w. Just for the transcribers Chair.

CHAIRPERSON: Okay just to make sure u-u.

MR SOKOMBELA: I cannot remember the spelling Chair honestly.

CHAIRPERSON: You cannot remember the spelling. Okay no that is fine. I think Mr Mbikiwa sees it *ja*.

ADV MICHAEL MBIKIWA: Yes indeed Chair. I do – in fact Chair it is quite an important letter – e-mail from Mr Sokombela following up from his meeting with Mr – with Ms Kibuuka.

CHAIRPERSON: Yes.

ADV MICHAEL MBIKIWA: Perhaps we could go to it.

10 **CHAIRPERSON:** *Ja* we could go to that because I want to have a full picture of that discussion.

ADV MICHAEL MBIKIWA: H'mm. Chair it is in DD20B.

CHAIRPERSON: Okay.

ADV MICHAEL MBIKIWA: At page 532.

CHAIRPERSON: Okay. Thank you. And it may be important that even if he does not read the whole letter he highlights the important features of the letter.

ADV MICHAEL MBIKIWA: Indeed.

20 **CHAIRPERSON:** In terms of – insofar as it sought to record the discussion.

ADV MICHAEL MBIKIWA: Indeed Chair. Mr Sokombela's recollection of it has been remarkably good but I will ask him to just identify the key aspects of it.

MR SOKOMBELA: Thank you Chair. The aspect – the key aspects Chair on the letter is – I think – I think it is an e-mail Chairperson.

CHAIRPERSON: *Ja* it is an e-mail *ja*.

MR SOKOMBELA: I think – it was not a formal ...(intervenes).

CHAIRPERSON: *Ja*.

MR SOKOMBELA: But I thought at the time it is important that I recuse these – our conversations with her.

CHAIRPERSON: Yes.

MR SOKOMBELA: So that she can confirm if I was accurate.

CHAIRPERSON: Yes.

MR SOKOMBELA: Or I was not accurate.

10 **CHAIRPERSON:** Yes.

MR SOKOMBELA: In my assessment of our meeting.

CHAIRPERSON: Yes.

MR SOKOMBELA: But the key issue ...(intervenes).

CHAIRPERSON: If you like the one that you already mentioned you do not have to repeat. You can just highlight others that you might not have mentioned. I understand you to have mentioned the one about your concerns about Nkonki going alone that they may have to do that plus the – your concern that they must consider having a policy for the appointment of External Auditors. So if there is something else other
20 than those that constitutes important features then you can just add that.

ADV MICHAEL MBIKIWA: Mr Sokombela the third bullet point is one that you have not dealt with yet.

MR SOKOMBELA: Thank you Chair. The third bullet point in that e-mail Chair if I may read it? It says:

“The Board Resolution for the meeting held on the 10th July 2015 seek to appoint Nkonki for a period of five years in contravention of Section 25(4) of The Public Audit Act of 2004. The External Auditors can be appointed for a period longer than one year on condition that it is stipulated in the contract that concurrence will be sought annually from the AGSA or the Auditor-General of South Africa.”

And – yes I think that is the only section that I did not mention

10 Chair in – yes.

CHAIRPERSON: Yes in terms of what the Company Secretary’s reaction to these consensus was then – try – tell me about that at the meeting? Was she amenable, was there resistance or she was going to reflect and then you come back to her in due course?

MR SOKOMBELA: Chair I – when we got there I had to explain the rationale. You know because I think when we got there I think in their mind it was – they were driving the transformational agenda you know by appointing a black firm. Of which at the time also I did tell them as well that no, no, it is fine we share the same sentiments however when
20 you seeking to do that you got to ensure then that you follow the due process and then the appointment as well is done in terms of your policies and procedures. And also the issue of – for them to say they are utilising the 2011 procurement process was – it – I explained it.

CHAIRPERSON: It was not in order?

MR SOKOMBELA: It was not in order.

CHAIRPERSON: H'mm.

MR SOKOMBELA: However after I explained they understood as well and they promised that they are going to back – take the matters back to the Board for reconsideration.

CHAIRPERSON: Thank you.

ADV MICHAEL MBIKIWA: Thank you Chair. There is a response from Ms Kibuuka in the ...(intervenes).

CHAIRPERSON: Yes.

ADV MICHAEL MBIKIWA: In the same file at page 558. It is a very
10 brief and cursory response.

CHAIRPERSON: *Ja.* We may well deal with it for the sake of completing ...(intervenes).

ADV MICHAEL MBIKIWA: Indeed.

CHAIRPERSON: Everything connected with that meeting.

DV MICHAEL MBIKIWA: Yes.

CHAIRPERSON: 558, you said?

ADV MICHAEL MBIKIWA: 558.

CHAIRPERSON: *Ja.*

ADV MICHAEL MBIKIWA: Mr Sokombela, it is quite a short e-mail.
20 Would you just mind reading that into the record?

MR SOKOMBELA: Thank you Chair. The e-mail from Ms Ruth Kibuuka reads as follows:

“Dear Polani, thank you for the meeting this afternoon and for the valuable input you have provided in respect of the appointment of our

External Auditors. We will review our process in connection of the concerns raised and revert as soon as possible. Regards, Ruth Kibuuka.”

CHAIRPERSON: Thank you.

ADV MICHAEL MBIKIWA: If we can return to your affidavit at page 23. That is in DD20A and you had told us that the New Board Resolution had been submitted to the AG. Can you tell us what view then the AG took?

CHAIRPERSON: Well let us first hear – let us first deal with the
10 content of whatever he received to see whether it – in his view – sufficiently addressed his concerns.

MR SOKOMBELA: Thank you Chair.

CHAIRPERSON: I take it that what you were telling me about starting from the bottom of page 22. The – what you were sent there would talk to what the Board had decided to do in order to address your concerns.

MR SOKOMBELA: Thank you Chair.

CHAIRPERSON: Yes. So that is what I want to hear. They sent you something. You looked at it. You were happy that it addressed the concerns or you were still not happy. That is what I am looking for.

20 **MR SOKOMBELA:** Thank you very much Chair. Chair, on the 14th of December 2015 what then SAA sent us was then the excerpt of the draft minutes of the Board Meeting. The number of those draft minutes is Number 2015/2017 held on 9 December 2015. Chair, in those – in that excerpt of the draft minutes what then SAA recorded as a resolution is reappointment of PwC/Nkonki Incorporation on a 50/50

workload split and subject to the concurrence of the Auditor-General of South Africa and also accompanying that Chair is a letter that – by the Company Secretary that – the letter was 11 December 2015.

Where then that letter is informing the Auditor-General of South Africa of the Board's Resolution to reappoint PwC/Nkonki as joint Auditors for the 2015/2016 financial year. That letter Chairperson was accompanied by the consultation checklist and a copy of that check – of the letter is attached as Annexure PS23.

10 The consultation checklist Chairperson is a checklist that is in our audit directive where the entities needs to fill it and sign it. So that they can send it to us to see if they complied with the appointment process.

CHAIRPERSON: So that checklist is different from the checklist we dealt with earlier?

MR SOKOMBELA: It is ...(intervenes).

CHAIRPERSON: That is sent to the AG's Office at the end of the auditing process.

MR SOKOMBELA: That – the checklist that we dealt with earlier Chairperson is a checklist that the External Auditors when they sign the
20 audit report – after they signed the audit report ...(intervenes).

CHAIRPERSON: H'mm.

MR SOKOMBELA: Or they finish the audit report. The audit partner would sign – would fill it in and send it to us. We have not dealt then with the checklist that the entities have – that needs to fill it in. However with your indulgence Chair maybe we can go to the audit

directive. So that maybe I can demonstrate in terms of how the checklist looks like.

CHAIRPERSON: Well at this stage I just wanted to confirm that the checklist that you were referring to say they sent it to you. Is different from the checklist that we discussed earlier.

MR SOKOMBELA: Yes Chair.

CHAIRPERSON: Is that correct?

MR SOKOMBELA: It is different Chair.

CHAIRPERSON: Okay. Alright. Then whether we deal – we go to the
10 directive now or later. I leave that to Mr Mbikiwa.

ADV MICHAEL MBIKIWA: We can certainly go there now.

CHAIRPERSON: *Ja.*

MR SOKOMBELA: Okay.

ADV MICHAEL MBIKIWA: H'mm.

CHAIRPERSON: Okay.

ADV MICHAEL MBIKIWA: It is in the same file as your affidavit. It is
at page 141.

MR SOKOMBELA: It is Annexure E.

ADV MICHAEL MBIKIWA: Indeed.

20 **CHAIRPERSON:** Annexure E?

MR SOKOMBELA: Yes. I think so.

ADV MICHAEL MBIKIWA: That is at page 166.

MR SOKOMBELA: 166.

CHAIRPERSON: Okay. Yes. Thank you.

ADV MICHAEL MBIKIWA: It is Annexure E to the directive.

CHAIRPERSON: H'mm. Yes. Page 166.

MR SOKOMBELA: Yes Chair.

CHAIRPERSON: Is it the correct one?

MR SOKOMBELA: Yes Chair. It is the correct one. However in the annexure itself there is a section that deals with the initial appointment and oh there is a section that deals with the reappointment. The section that deals with the reappointment is on page 169.

CHAIRPERSON: Yes.

ADV MICHAEL MBIKIWA: Indeed.

- 10 **MR SOKOMBELA:** Yes Chair. If you look at the checklist itself. The checklist is this – it is for the reappointment of the audit firm and it reflects the information that that needs to be supplied – that needs to be submitted via the e-mail to section4@hsa.co.za. There is a checklist there Chairperson where the name of the audit firm, the address and contact details, engagement – the name of the engagement partner, the financial years previously audited are needed.

- 20 There is also details of the Audit Committee's assessment of the effectiveness and efficiency of the performance of External Auditors including IRBA's view – review results. There is also details of significant disagreements between the External Auditors and accounting authority or the Board during the preceding financial year, if any.

We – there is also details that in – they were requested to indicate any matter that may influence a decision regarding the independence objectivity or perceived independence of the Auditors

and we also need information there Chair that we need the name of the partner in charge for the audit of the year – of the last five years.

We just wanted to know whether the audit partner was the same or it was different partners and also in number 11 there Chairperson. We would need the name of the Senior Audit Manager in charge of the audit for the last five years as well. On the next page Chair that is where we need information regarding the cost of audit and none audit services provided by the audit firm during the last three years.

10 Chair, you remember earlier on we talked about the issue of non-audit services. This is where then we also look whether maybe are they – is it – are these fees in comparison with the audit fees very high. That is where we do that assessment. Whether then they will be independent or not. So in essence this is how then the checklist for the reappointment then of the Auditors looks like.

CHAIRPERSON: And it is the audit firm that completes it?

MR SOKOMBELA: No Chair. It is the entity.

CHAIRPERSON: It is the entity?

MR SOKOMBELA: The entity. When the entity then is appointing
20 ...(intervenes).

CHAIRPERSON: *Ja.*

MR SOKOMBELA: The External Auditors. They are required to fill in this checklist.

CHAIRPERSON: Oh. So the auditee ...(intervenes).

MR SOKOMBELA: Yes.

CHAIRPERSON: Supplies this checklist and the Auditors at the end of the auditing process when they have signed their report. Supply a different checklist to the Auditor-General.

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Okay.

ADV MICHAEL MBIKIWA: Thank you. If we can return to your affidavit Mr Sokombela. We were at page 23 and you had just told us that the Company Secretary had submitted this letter and informed the AG of the Board Resolution. Can you now tell us what the – what view the AG
10 took in response to receipt of that?

MR SOKOMBELA: Thank you Chair. Upon then receiving this further – this information. We assumed then that the Board has rescinded their decision to appoint Nkonki as its sole Auditors. As they now have appointed PwC/Nkonki as joint Auditors and we then said then based then on our assessment.

Then inasmuch as the appointment process was done in 2011 however then it is – there is nothing that has changed. We did not see any reasons on our side to object. Not to concur with that and then we recommended then that the Auditor-General can concur with the
20 appointment.

ADV MICHAEL MBIKIWA: Thank you and it was on that basis that PwC and Nkonki were then appointed as the joint Auditors ...(intervenes).

MR SOKOMBELA: Absolutely Chair.

ADV MICHAEL MBIKIWA: For the 2015/2016 ...(intervenes).

MR SOKOMBELA: Absolutely Chair.

ADV MICHAEL MBIKIWA: Financial year. I would like now to get into the year that the AG took over the SAA audit.

CHAIRPERSON: Before that are you able to tell me when exactly the Auditor-General's Office came to the conclusion that it – its understanding of what its obligations were in regard to extensions or renewals. Are you able to tell me when it was that the Auditor-General's Office changed its mind and said, no actually we were – we are obliged if it is renewals or extensions to satisfy ourselves or to have a look – to do a high level ...(intervenes).

10 **MR SOKOMBELA:** Yes Chair.

CHAIRPERSON: Consideration.

MR SOKOMBELA: Yes Chair.

CHAIRPERSON: If that is what it is of whether there has been compliance each year.

MR SOKOMBELA: Absolutely Chair. Chair, I think I had – during the lunch time I had a conversation with my – with Advocate Marissa Bezuidenhout who is our - our corporate lawyer. You know, because I was – I just wanted to find out this thing of the obligation.

20 Whether we really obligated to look at whether they followed the Supply Chain Management Policy or it was just a process on our side. To say we are going to look at it and what she advised me on that was that we were not obligated to look at whether then they complied with the Supply Chain Management Policy inasmuch as in our audit directive we have actually put there to say what we are going to check

and I cannot remember Chair which year we have put it.

We have decided to put it in our audit directive to say we are going to check it as part of the process, but I think it is somewhere around 2015/2016/2017. In 2017 definitely it is there in the directive, but I think it is somewhere 2015/2016 when we decided to say as part of our processes we are going to look at it. Thank you.

CHAIRPERSON: Well I am more interested in your understanding ...(intervenes).

MR SOKOMBELA: H'mm.

10 **CHAIRPERSON:** As opposed to any understanding by your legal advisors.

MR SOKOMBELA: H'mm.

CHAIRPERSON: So I am more interested in your understanding over the years.

MR SOKOMBELA: Yes.

CHAIRPERSON: Whether the understanding was right or wrong is something else, but your own understanding and I understood you so far and you are going to tell me if I misunderstood you. I understood you so far to say that your understanding, and I am now talking about
20 the office of the Auditor-General, for a certain number of years was that there was no obligation for you – for there to be compliance every year or for you to look deep into that, but that from a certain time you changed your view about that and started doing things differently. Is my understanding correct?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: *Ja.*

MR SOKOMBELA: Absolutely.

CHAIRPERSON: And at this stage you just remember that maybe 2015 – during the 2015/2016 financial year it may be that that is when the change happened?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Okay. Thank you.

MR SOKOMBELA: Absolutely.

ADV MICHAEL MBIKIWA: Thank you Chair. Mr Sokombela, I would
10 like to move to the audit that the Auditor-General did of SAA in the
2016/2017 year. Before we get to that can you just briefly tell me your
understanding of the audit from 2011 to 2012. Sorry. 2011/2012 to
2015/2016. I am talking about the financial years here.

What was the overall audit opinion expressed by PwC and
Nkonki over those years?

MR SOKOMBELA: Chair, the audit opinion that was expressed by
Nkonki and PwC in those years was unqualified audit opinion with no
findings. The Auditor-General normally refers to that as a clean audit
opinion. Yes. So that is my understanding of the audit outcomes.

20 **ADV MICHAEL MBIKIWA:** Thank you. Just for lay people. Can you
tell us what that means? What is a clean audit? What does an
unqualified audit mean?

CHAIRPERSON: *Ja.* Maybe he should start with qualified and
unqualified, because sometimes I think I understand it, but sometimes I
think I confuse it, because I think when it is – when you say qualified to

somebody looking at the English language. Thinks that is a good thing. It is qualified and if you say unqualified.

It is like it is a bad thing. It is an unqualified teacher or something else. So just make sure that I do not confuse them.

MR SOKOMBELA: *Ja. Ja.* It is understandable Chair. It is very – it is quite funny when you look at it literally, but I think maybe if I may explain the audit opinions in terms of how - how they are. You – the auditing standards have got an audit opinion that is an unqualified audit opinion.

10 What then that audit opinion Chair means is that the financial statements of that entity are free from material misstatements whether caused by fraud or error. So it means then that ...(intervenes).

CHAIRPERSON: It says they are good?

MR SOKOMBELA: It says they are good.

CHAIRPERSON: H'mm. H'mm.

MR SOKOMBELA: Meaning that then the governance processes are – there is no material issues that have been ...(intervenes).

CHAIRPERSON: H'mm.

MR SOKOMBELA: Identified.

20 **CHAIRPERSON**: H'mm.

MR SOKOMBELA: So there is nothing that came to the Auditor that can - can indicate that there was a problem. So that will be the ...(intervenes).

CHAIRPERSON: Unqualified?

MR SOKOMBELA: An unqualified audit opinion.

CHAIRPERSON: So we lay people should not place a lot of emphasis on unqualified?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Okay.

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: *Ja*. So the one that seems to be bad is actually the good one?

MR SOKOMBELA: Yes. Yes. It is a good one, Chair. It is a good one.

CHAIRPERSON: Okay. Alright.

10 **MR SOKOMBELA:** Yes.

CHAIRPERSON: And then qualified.

MR SOKOMBELA: Chair ...(intervenes).

CHAIRPERSON: It would be opposite of that?

MR SOKOMBELA: Yes. Chair, the qualified audit opinion is when upon auditing the financial statements of a particular entity. We find out that we are – as Auditors we are happy with everything except for – in the except for we will say we are happy with the financial statements except for assets.

20 So that will be then a qualified audit opinion, because we are saying, *ja*. Your financial statements are good, but assets are not good.

CHAIRPERSON: Yes. Yes.

MR SOKOMBELA: Then that is going be then a qualified audit opinion.

CHAIRPERSON: Oh. So maybe the best thing is to start with the qualified one.

MR SOKOMBELA: Yes.

CHAIRPERSON: To say if you had no consent – concerns at all it would just be an opinion?

MR SOKOMBELA: A good opinion.

CHAIRPERSON: *Ja* and if it is just an opinion it is a good opinion, because you have some concerns you have to qualify your view of it ...(intervenes).

MR SOKOMBELA: Absolutely. Absolutely.

CHAIRPERSON: And when you then say unqualified you mean it is a
10 good one without any hesitation?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Okay.

MR SOKOMBELA: Without ...(intervenes).

CHAIRPERSON: Maybe without any hesitation is not accurate, but from an Auditor's point of view that is the best that any entity can get if it is unqualified?

MR SOKOMBELA: Yes Chair and also I think us as Auditors also are very careful also, because I think when – I think the issue of absolute assurance ...(intervenes).

20 **CHAIRPERSON:** *Ja*.

MR SOKOMBELA: It is a very – it is a concept on our side that we always try to communicate that as ...(intervenes).

CHAIRPERSON: *Ja*.

MR SOKOMBELA: As Auditors we do not – we not providing absolute assurance.

CHAIRPERSON: Absolute a surety, *ja*.

MR SOKOMBELA: So what that means Chairperson. Even the unqualified audit opinion in the opinion of the Auditor there are no material errors or material misstatements. There may be errors, but they may be below a certain threshold or below a certain materiality amount.

CHAIRPERSON: Yes.

MR SOKOMBELA: Yes.

CHAIRPERSON: Yes. So that it might not mean it is absolutely clean?

10 **MR SOKOMBELA:** Absolutely.

CHAIRPERSON: But in the opinion of the Auditor it is materially fine?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Okay.

MR SOKOMBELA: Absolutely Chair.

ADV MICHAEL MBIKIWA: And just to follow on from that Chair. You say materially fine. You have mentioned Mr Sokombela that it is free of material misstatement. Would that also mean that it is free of material findings as to for example non-compliance with the PFMA?

20 **MR SOKOMBELA:** Chair, if I can get your indulgence in terms of in the context of the Auditor-General in terms of then how then do we look into this. How then in the audit office we have looked into this was to say we are going to have categories of these opinions. The – in the unqualified category we have two categories Chair.

We are going to have a category that will say the financial statements are unqualified with no material findings and the reason why

we are doing that in terms of the Public Audit Act the Auditor-General is required to audit and express an opinion on the financial statements. On predetermined objectives or performance information and also on compliance with legislation.

So it becomes then a mandatory requirement then that we need to opine on those three areas. However currently we only express an opinion only on the financial statements. In terms of the audit of performance information we only express an opinion in the Management reports. We have not escalated expressing an opinion in the audit
10 report.

So what we do we will have an opinion in the Management report, but we will then take out significant findings that we have identified and escalate them to the audit report. So with the compliance legislation we do not provide an opinion at all. We will just have material findings and those material findings as well we also escalate them to the Auditor's report.

So then you may find out then Chairperson that you have got this audit opinion. It is unqualified, but it has got these significant findings that we have escalated to the Auditor's report. So it makes
20 then the audit also not now – not to be good. As well now, because inasmuch as your financial statements you have prepared them properly.

At some cases, because of the capacity issues in the public sector. What we experience as the Auditor-General is the fact that we received financial statements as well that have got a lot of errors. So

then we find that there is a lot of effort that is done for us to get them to be corrected. So what we normally do then we escalate that effort to the audit report to say.

Inasmuch as your financial statements are okay, but when you gave us they were not okay. So we will then give them non-compliance to say the – for example the Public Finance Management Act or the Companies Act requires you to submit to us financial statements that are free of material misstatements, but when you were submitting them to us for audit.

10 They had a lot of material errors and misstatements that we had to identify through our audit process. Then that audit then is not clean anymore. Yes. So that is – I think that I wanted to explain ...(intervenes).

CHAIRPERSON: Yes. Yes.

MR SOKOMBELA: That Chairperson. So that it can be understood.

CHAIRPERSON: I think that is important. Yes.

ADV MICHAEL MBIKIWA: Can you just remind me what was the audit opinion expressed by PwC and Nkonki over the five years that they audited?

20 **MR SOKOMBELA:** It was in the clean category of these two now. Unqualified, but there were no material findings on performance information. There were no material findings on compliance with laws and regulations.

ADV MICHAEL MBIKIWA: Thank you.

CHAIRPERSON: But those two was the evidence you were giving just

now saying that that is what happens with the Auditor-General's Office as well when it does auditing and that is what happens with most maybe many auditing firms. In other words it is not something unusual.

Is that what you were seeking to suggest? If those two are not being looked into.

MR SOKOMBELA: Chair, the – you mean the two – the unqualified with findings and unqualified with no findings?

CHAIRPERSON: I thought you said earlier on in terms of the AG's – of – AG's Office and this might apply to private firms as well. You
10 expressed opinions on the financial statements, but you do not express opinions on certain things.

MR SOKOMBELA: Yes Chair.

CHAIRPERSON: And now I am thinking that what you have just mentioned now that they did not deal with was also the same things. Did I misunderstand? I think findings and something else that you said you do not express opinions on ...(intervenes).

MR SOKOMBELA: It is ...(intervenes).

CHAIRPERSON: But maybe you should be expressing opinions on.

MR SOKOMBELA: Chair, what we should be expressing an opinion on
20 is the financial statements. Is the predetermined objectives or performance information. It is compliance with legislation ...(intervenes).

CHAIRPERSON: Yes.

MR SOKOMBELA: But currently we only expressing an opinion on the financial statements.

CHAIRPERSON: Huh-uh.

MR SOKOMBELA: On the performance information or predetermined objectives we only expressing it in the Management report which is an internal document.

CHAIRPERSON: Huh-uh.

MR SOKOMBELA: That we communicate only to Management.

CHAIRPERSON: Huh-uh.

MR SOKOMBELA: So out of then that Management report we take out significant findings.

10 **CHAIRPERSON:** Huh-uh.

MR SOKOMBELA: That we take them to the Auditor's report. That is a public document.

CHAIRPERSON: Huh-uh.

MR SOKOMBELA: That gets to be so. So in essence we are not expressing an opinion both on performance information and compliance. It is only on financial statements that we express an opinion.

CHAIRPERSON: But in terms of the standards – professional standards – in terms of what is expected of either an Auditor or the
20 AG's Office. Are you supposed to do anything differently in terms of expressing an opinion on those or what you are doing is in accordance with what is expected?

Namely you say you only express an opinion in the Management reports and so on. I want to know whether you are saying you know this is what is expected of us, but we know that right now we

do not actually meet that standard ...(intervenes).

MR SOKOMBELA: Yes.

CHAIRPERSON: And there may be reasons for that ...(intervenes).

MR SOKOMBELA: Yes.

CHAIRPERSON: And/or whether you are saying, no. We actually meet the standard. It is just that maybe we do not do A, B, C, D, but we are not expected to do that anyway.

MR SOKOMBELA: Indeed Chair. No. Chair, it is – what we doing is in terms of the auditing standards.

10 **CHAIRPERSON**: Okay.

MR SOKOMBELA: Yes.

CHAIRPERSON: Okay.

MR SOKOMBELA: I must say Chair the difference between the only difference between the audit that the Auditor-General performs and the audit that the private sector firms – when they are auditing private entities performs is the fact that our audit is governed by the Public Audit Act and the Public Audit Act requires us to audit those three areas ...(intervenes).

CHAIRPERSON: Okay. Okay.

20 **MR SOKOMBELA**: But in the private sector ...(intervenes).

CHAIRPERSON: H'mm.

MR SOKOMBELA: The requirement is just to audit financial statements only.

CHAIRPERSON: Okay. Okay.

MR SOKOMBELA: Yes.

CHAIRPERSON: Thank you.

ADV MICHAEL MBIKIWA: And did I understand correctly that although you do not express an audit opinion on the latter two. You do express material findings in the audit report on those?

MR SOKOMBELA: Absolutely Chair.

ADV MICHAEL MBIKIWA: Thank you.

MR SOKOMBELA: Absolutely Chair.

ADV MICHAEL MBIKIWA: If we can turn then to page 27 of your affidavit, can you tell us how it came about that the AG took over the SAA
10 audit?

CHAIRPERSON: I am sorry before that just want to make sure that I have miss understood. You said that PwC and Nkonki for those five years of auditing SAA through gave a clean audit, now I know that a clean one is the unqualified than a qualified one.

MR SOKOMBELA: Absolutely Chair

CHAIRPERSON: And that is what that is what they did. You have not yet dealt with the question of what the AG's response was to that is still coming, is that right?

ADV MICHAEL MBIKIWA: You mean in those years?

20 **CHAIRPERSON:** *Ja*, for those, once they became aware in those years, *Ja*?

ADV MICHAEL MBIKIWA: No, perhaps we should deal with that now. How did the AG respond when each year in its monitoring role, it was informed that SAA had obtained ...(intervenes)?

CHAIRPERSON: Was doing well.

MR SOKOMBELA: Chair the audit of South African Airways was performed by a reputable firm a global firm which is one of the big four firms in South Africa by the name of PricewaterhouseCoopers, and also by a medium firm by Nkonki and as part of our con occurrences one of the things that I mentioned there is that we would receive an assessment that has been done by the Audit Committee in terms of the independence issues. The issues of fees whether there is any non being non consultant fees but most importantly there quality results from the Independent Regulatory Board for Auditors because as the Auditor-General we believe
10 that if then the Independent Regulatory Board for Auditors in its inspection of the fans has not find anything you know that is suspicious of anything. We had no reason to question whether then the clean audit of opinion that has been expressed is appropriate or not. So yes so that is basically then how we looked at it, we viewed at it at the time.

CHAIRPERSON: Of course, for the years prior to the year 2015/2016 financial year, you were not involved?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Other colleagues were involved.

MR SOKOMBELA: Absolutely Chair.

20 **CHAIRPERSON:** And then you got involved in the 2015/2016 financial year. Do you know whether the – whether PwC and Nkonki, during any one or more of those five year financial years, whether based on what was in the public domain, they should have picked up some things which they did not pick up and maybe if they had picked those things up, then they may have looked at those things and maybe the result would not

have been clean audits. Is that something you have established? Is it something you have not established? You do not know about?

MR SOKOMBELA: We never established that Chairperson.

CHAIRPERSON: Yes, but did you look into it or not really?

MR SOKOMBELA: When I got involved in 2015/2016 for an example I would just have high level engagements with them in terms of what is happening and share you know specifically I think the areas of specialization in the Auditor-General is the audit of compliance. For an example, I would share with them for an example there is a guide from
10 National Treasury on irregular expenditure in terms of how that needs to be dealt with. Those will be the documents that I will share with them to say look in terms of how then this is done. So, *ja*, so that will be – that would be the extent that we go into. One of the important issues Chair that maybe I must highlight is the fact that, once us as the Auditor-General we opt not to audit, we – it becomes difficult then to step in the toes of then those Auditors, in the sense that when they sign the audit opinion, they sign it in their name. They become then the people then that takes accountability for that specific assignment, yes Chair.

CHAIRPERSON: Yes, yes, yes. You – the Auditor-General Office not
20 expected to exercise oversight over them or is it expected to do so? Over the private law firms that audit public entities.

MR SOKOMBELA: We will provide the oversight Chair but it is limited. It is a limited oversight in terms of – for an example – us for example, attending Audit Committees with them, when for example they have got areas where they are struggling, they can ask us we will give them

guidance. If you remember Chair Annexure D, then when Annexure D is completed, by then the partner is then to give them feedback about that. We do not go to an extent of saying let me select for an example, let me go and review your work, we do not do that ...(intervenes).

CHAIRPERSON: Yes, Yes, Okay, you do not do that out of respect for their professionalism ...(intervenes).

MR SOKOMBELA: Absolutely, out of respect for example if they are telling us that there is no problem, we are fine. For example you are saying in the media they are saying this is what has happened.

10 **CHAIRPERSON:** *Ja.* Yes.

MR SOKOMBELA: They can say no, we have looked at that, it is not their issue.

CHAIRPERSON: And then you can accept their words.

MR SOKOMBELA: I can accept that because they are professionals.

CHAIRPERSON: Okay, okay.

ADV MICHAEL MBIKIWA: Thank you Chair. Mr Sokombela you were about to tell us about the, how it came about that the AG took over the SAA audit.

20 **MR SOKOMBELA:** Chair, the Auditor-General of South Africa did not initiate the take – the take-over or the take back of SAA as an audit. The request for the take-over was done by the then Minister of Finance Mr Nhlanhla Nene, and he made that request to the Auditor-General to take-over the audit for the 2015/2016 financial year. I must say – also mention that when after the SAA moved to the National Department, sorry to National Treasury, we also had regular engagements with the shareholder

by the name – there was a Team there that was responsible for performing oversight to SAA as an entity. So then the Minister made that request in 2015/2016 financial year, I say in my affidavit, it says from 2016 to 2017 I do not know how we can correct that but he actually requested for the 2015/16 financial year and then following then that request Chair ...(intervenes).

CHAIRPERSON: Well maybe let us just take care of that. A supplementary affidavit can be made, which you will sign to say you are correcting what appears here.

10 **MR SOKOMBELA:** Thank you Chair.

CHAIRPERSON: Yes, okay. So, you say he made the request in respect of the 2015/2016 financial year?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: And do you remember how, how early in the financial year he made the request? Was it before or was it after PwC and Nkonki had been appointed?

MR SOKOMBELA: It was after we received the letter.

CHAIRPERSON: The request?

MR SOKOMBELA: The request for the sole appointment of Nkonki.

20 **CHAIRPERSON:** Oh, okay.

MR SOKOMBELA: I think the officials of National Treasury, I think upon them exercising their oversight, they became aware of this appointment of Nkonki and I also think if I remember well they were not in favour of that and we received then that request then from the Minister to say instead then the audit should be taken back by – should be done by the Auditor-

General of South Africa. Chair upon us then receiving then the request from the then Minister of Finance they – we performed a risk assessment process, you know to say, okay then there is this request now that we need to consider doing the audit of SAA ...(intervenes).

CHAIRPERSON: This was still before the appointment of – re-appointment of both Nkonki and PwC for 2015/2016?

MR SOKOMBELA: It was in that process ...(intervenes).

CHAIRPERSON: It was during that process, okay.

MR SOKOMBELA: It was – it – we received this request I think If I
10 remember well after – because the initial request came I think on the 24
July 2015, but subsequent to that I cannot, I do not have the recollection
...(intervenes).

CHAIRPERSON: Exact dates.

MR SOKOMBELA: Of the exact dates, but I think August/September
that is when then the then Minister then wrote to the Auditor-General you
know then to take back the audit and then us then as a Team upon
receiving that request, we conducted a risk assessment to say – to
determine if we are ready to take this audit back now. There were five
considerations or things that we looked into. The first one being the
20 professional and legal requirements associated with the audit of South
African Airways. The second one being the skills and the resources
required to conduct the audit engagement. The third one being the
quality assurance measures that will be suitable for the extent and
complexity of the audit of the size of SAA. And also, the degree of our
access to PwC as well as Nkonki, as the predecessor Auditors and as well

as also then the independence and ethical requirements that we had to look into. And then Chair once the AGSA – once we have completed then that risk assessment the Auditor-General did what he did was to say for the 2015/16 financial year we will not be able to take back the audit however I may reconsider taking it back for the 2016/17 financial year. So that is my recollection of that particular process in terms of then what happened, hence then we continued to concur for the reappointment of PwC and Nkonki financial year – sorry for Nkonki audit. Then Chair if I fast forward then to 2016 financial year, then I think the Minister at the
10 time was no longer the – Mr Nhlanhla Nene, I think it was Minister Gordhan if I am not mistaken. At the time then ...(intervenes).

CHAIRPERSON: Yes, you are right Mr Nene had been dropped from Cabinet in December, on the 9th of December 2015 ...(intervenes).

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: And Minister Gordhan had been reappointed to the Ministry of Finance a few days after the 9th December.

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Yes.

MR SOKOMBELA: Thank you Chair. Chair then on the, in the Annual
20 General Meeting then of – in 2016 of SAA, that is when then the Board of SAA made a recommendation to the Shareholder or the Minister to appoint them the Auditor-General as the External Auditors of SAA for the period 2016/17 financial year which then the Auditor-General accepted then that that request, and that is how then we got to be involved and start auditing South African Airways.

CHAIRPERSON: Okay, but that request was not formally required really because if the AG wanted to do the auditing for of SAA for the 2016/2017 financial year, all it needed was not to concur in the appointment of any External Auditors. Is that right?

MR SOKOMBELA: That is right Chair even though I think the practice in the office is also not to necessarily push for that. We do allow entities even in the Annual General Meetings to reappoint us, you know.

CHAIRPERSON: Yes, yes, yes.

MR SOKOMBELA: But in terms of ...(intervenes).

10 **CHAIRPERSON:** Strictly speaking it is not necessary

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: But for a good working relationship it might be a good thing.

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Okay.

ADV MICHAEL MBIKIWA: Thank you. Mr Sokombela if we can pick it up on page 28, you say there that the Auditor-General Mr Makwethu himself took the decision and that he lead the high level engagements prior to the decision. Is that the normal practice for the Auditor-General himself to do that?

20

MR SOKOMBELA: Chair the Auditor-General normally does not do that, however because of the magnitude and the risks associated with this assignment, the Auditor-General took it upon himself to be personally involved in this decision.

ADV MICHAEL MBIKIWA: And has he retained a personal involvement in

the audit?

MR SOKOMBELA: Absolutely. He is still very closely involved even now.

ADV MICHAEL MBIKIWA: And you also say at paragraph 52 that the sign off was delegated to the National Leader of Audit Services. Is that common practice to delegate to someone that high up?

MR SOKOMBELA: Chair it was the first of its kind at the time because normally the delegation, the Auditor-General normally delegates the audits to be signed off from the level that is just below the National
10 Leader. Because the National Leader needs to be busy with the audit strategy of the organisation, so will not have time to be signing the audit reports. But at the time the Auditor-General deemed it fit that the seniority in the organisation needs to be demonstrated as well and that he is how he took the assignment, the taking back of the taking over of South African Airways as very, very important.

ADV MICHAEL MBIKIWA: And another way in which you indicate it was taken seriously was in terms of the resources put into the audit.

MR SOKOMBELA: Absolutely.

ADV MICHAEL MBIKIWA: Can you take us through the human financial
20 and other resources that went into the 2017 audit?

MR SOKOMBELA: Yes Chair you know in – there – in that year what happened was that the there was a selection process that was made in the sense that myself the I was – before being involved in the audit of South African Airways my role was that of a Senior Manager responsible for technical support, however because of then at the time of my

involvement then I was requested then to lead the engagement and also to ensure then that myself and my colleagues then we select the audit professionals in the whole organisation that are very good, are very sharp, demonstrated competency especially in the space of State Owned Entities. During that selection process we insured that we then need to get people that have got sufficient audit experience. They – people that have got technical know-how, especially in the application of the international financial reporting standards. And also the most important thing was people that demonstrated performance in terms of then insuring

10 that they can perform and can deliver the task. And after formulating then that Team we had a Team then that was responsible for the regulatory side of the audit assignment, meaning that the audit of financial statements, the audit of compliance legislation, the audit of performance information, and also we had the audit Team that was responsible for the audit of information systems, excuse me at SAA because SAA is a highly IT complicated business, so we needed to ensure then that we have got professionals then that are qualified with the know-how in terms of that. One of the other important thing also was to have people also who have got experience in risk assessments especially for

20 tenders – for big tenders and that will be able then to give us insights and also people that will be able to do data analytics and analyse complex contracts at SAA because SAA has got very, very complex contracts. One other important issue to mention Chair, was that the support from our by the name of the Audit Research Development was very important to ensure then that that Team at all times, they get priority when then there

are complex issues that are there, and one of the things they did for us was to ensure then that they get the annual report of the prior year, they analyse it the annual report, they identify areas where there might be risks, that us as the audit Team then we need to prioritize or be aware of and look into them and also our Legal Services Division in the Auditor-General of South Africa was very closely involved to ensure then that they will offer advice on certain contracts and certain issues. So that was the effort then that was made for us then to ensure then that we take this assignment, we execute it to our best ability Chair.

- 10 **ADV MICHAEL MBIKIWA**: And can you describe for us the steps you took in order to understand SAA's business?

MR SOKOMBELA: Chair, the preparation of that audit on our side we took it very, very seriously and we ensured then that for us to perform this assignment successfully we need to ensure that we invest sufficient time and resources to it and what we ensured then that we do was to ensure then that we engage the Auditee in the name of SAA, and also we engage our previous Auditor or predecessor Auditors and we had a lot of meetings I think in December 2016, specifically at the level of the Acting CEO of SAA, at the level of the then interim CFO at SAA, we had
20 engagements with all the heads of departments.

We requested a lot of information from your policy documents, governance documents, the Minutes of the Board, you know for us to ensure then that we assess, we evaluate in terms of then to understand the business of SAA. In January 2017 also we continued to ensure then that we learn in terms of how the business is wired, you know? And one

of the critical issues then that we need to do is to engages these stakeholders to have training and consultation as well, and one of the things if you look at page 31 of the affidavit form paragraph 60.1 is that what we did was to ensure then that when we get there we need to get trained by an Aviation expert and we requested one of the big four audit firms, you know that have got experience globally, that audit airlines to get us that expert.

That expert then was based in London so he flew to South Africa at the time and he conducted training and also he was available for
10 consultations also throughout the audit process. One of the key topics that he covered at the time was the economics of the aviation industry, the profitability of the airlines, what are the challenges that are faced by the carriers especially the ones in Africa among others. We also had a lot of engagements with PricewaterhouseCoopers as well as Nkonki Incorporation with a view of gaining insights in terms of the risk areas that require attention and also I must mention that this is a requirement of the auditing standards as well because when you come as a new Auditor it is incumbent then to you to actually ensure then that we engage with the predecessor Auditor.

20 The Executive Management Team of SAA was very helpful Chairperson as well as in terms of insuring they were available when we needed them. And also we requested them to do an induction for us, you know to induct us in terms of their business you know what are they doing, you know because it is easy to go to an airport and see and get into a plane and get into a destination but we wanted to know the

mechanics you know that are involved in terms of then running the business.

We wanted to understand their strategy in terms of what is it they want to achieve as a business. What is their role in the South African economy? And also we wanted to understand the subsidiaries, the divisions that South African Airways has and the Engagement Team also we – as the Engagement Team also we conducted our own regular engagements because as we go out to engage with all of these various stakeholders, we needed then to come back and reflect as a Team in
10 terms of – out of all this information that we are getting from these engagements, what are the risks? What can go wrong you know in the business itself?

So we call those engagements risk assessment sessions, where then we deliberate everybody in the audit Team will have an engagement then to contribute. The other conscious decision that we made was to say perhaps let us get another private firm that has got an experience in auditing aviation entities. And when we made then that decision, because what we did not want to do is to get into SAA and pretend that we know how the industry operates. And when we get there then we ensure that
20 the high risk areas in that industry, then the professionals from the firm itself then are going to be involved in terms of providing guidance to our Teams, giving insights in terms of how certain areas needs to be dealt with and if I can mention a few in terms of then these high risk areas, it is the issue of growing concern because SAA was – had significant or serious liquidity challenges at the time. And there is cash flow focus that

they do based on the passenger numbers and the revenue that they going to make and those assumptions can be quite complex so we needed then to gain insights from people then that have been there that have looked into things.

One other important component that – for SAA is very complex is the airline revenue, the revenue from tickets. It is a very, very complex area to look into. There are also specialised components in the aviation industry where you do not find them in other entities that are not airlines. For an example, they have got a balance that is called maintenance
10 reserves and that balance is also very, very complicated because there is a lot of assumptions that are made there to have that balance.

And also there is also another balance also that is called provision for lease liabilities because that balance also – because SAA has got a lot of aircrafts that they have leased out and there are certain conditions then in those leases where then SAA needed to return the aircrafts in the conditions that they were delivered at. So, then that creates a liability then for SAA to ensure then that they keep on maintaining the aircrafts over their useful lives as they are utilising the aircrafts. So, there is a lot of assumptions that are made there. There is
20 a lot of transactions and these transactions can amount to billions of Rands. So those were the very, very complex areas. Definitely the property aircraft and equipment also as a balance is a very, very complicated and specialised area.

Chair our Internal Quality Control Business Unit also was very, very involved because we did not want them the quality control to come

only at the end of the audit process. But we wanted quality control to happen on a regular basis to ensure then that any non-compliance from our Team with the auditing standards is picked up early enough to ensure that we do not get into a risk of expressing an inappropriate audit opinion.

And also, what we did also we looked for a private firm that has got a person that has got experience in aviation also to do an external quality control assessment control as well in the audit. We call that pre-issuance review. A pre-issuance review what it means is that before the
10 audit report is signed that person needs to review the work and needs to say, I am happy with this audit opinion. So that is one of the critical areas then that we ensure then that we need to deal with.

SAA also is a taxpayer in terms of them having to pay the personal income tax, the value added tax and those tax treatments of their transactions as well can be quite complicated. And we ensured then that we needed to get a tax specialist to actually be part of the Team as well so that they can be able then to provide us with insides in terms of then the tax matters at SAA.

Chair throughout the audit of South African Airways I think it is
20 worth noting that we engaged and communicated on a regular basis with all the governance structures, the Audit Committee, the Chairperson of the Board, the Board Members, the Executive Management Team to ensure then that everybody is kept abreast in terms of then how the audit process is happening.

Chair I think one of the things that I think I have highlighted in

paragraph 61 of the affidavit is the issue of this learning of the business and the operating environment at SAA. It came with a significant financial investment to the Auditor-General of South Africa. When we were doing our budgeting in terms of then how much is it going to cost us, we thought then this is going to cost us 5 500 hours and I want to mention that these hours we said is going to be our investment time. What it means is that we are not going to claim it at SAA because we need to learn the business and that learning curve it needs to be – we are not going to bill SAA. We said, okay audit fees, we are prepared to write
10 off 5 500 hours on an equivalent of 7 million Rands.

However, Chair the actual number of investment hours that we ended up with were more than 14 000 hours and we ended up writing off about 40 million Rands in terms of the potential audit fees that we ought to have claimed at SAA. Because we thought that it is important for us to invest quite a lot of time to have – to understand the business Chair.

CHAIRPERSON: And how big was – what was the number of the group that audited SAA from the AG's Office? I am just thinking about this very high number of hours, 14 000.

MR SOKOMBELA: Chair it was a big group.

20 **CHAIRPERSON:** Yes.

MR SOKOMBELA: I used to joke when I talked to people that at SAA, we had including the contracted in resources we would be about 70 people.

CHAIRPERSON: So, it was quite a big group.

MR SOKOMBELA: It was quite massive.

CHAIRPERSON: Yes.

MR SOKOMBELA: It was a massive Team.

CHAIRPERSON: Yes.

MR SOKOMBELA: When we were having meetings, we will have them in an Auditorium.

CHAIRPERSON: Yes. Would the size of – would that big size of the group have been decided upon because of what – because the AG's Office might have realised there were huge problems? The opinions that had been expressed before that everything was fine were possibly very wrong or was this size decided upon because there was a sense that
10 there is a lot of trouble here? We need a lot of people. Or is that something you would not know because you did not make the decision on the size?

MR SOKOMBELA: Chair the size was because of the size of the audit of SAA. Because SAA at the time was the biggest State-Owned Entity that we had because they generated revenue in excess of 30 billion Rands. So that was a big Team. The issue of risk as well Chairperson, yes, we did consider risks also we were formulating the Team. However, I think one of the big factors was the fact that SAA is a big company. So, we needed to ensure then that we have got sufficient resources.

20 **CHAIRPERSON:** Okay, thank you.

ADV MICHAEL MBIKIWA: How did this investment that you made in the SAA audit compare with other audits that the AG performs?

MR SOKOMBELA: It was – Chair it was a big investment. It was a big investment in the sense that I think in other audits we do write off fees but not to this magnitude. So, when I look into the investment time that

we did not claim at SAA visa vie other Auditors that I have been involved with, this is the biggest.

ADV MICHAEL MBIKIWA: It occurs to me that something I did not cover earlier in the context of the mandate and role of the AG is the way that the AG generates revenue. Do public entities pay fees to the Auditor-General rather than the Auditor-General be allocated funds?

MR SOKOMBELA: Chair the – there are independent issues that I think the laws I think have been made specifically for the Auditor-General because the Auditor-General does not get an allocation or an equitable
10 share. So how the Auditor General operates his business model is that you need to have professionals that are going to bill the clients and that ensures our independence.

So, when we audit, we also like any other audit firm table the budget in the – with Management in the Audit Committees and requires to them to approve like any other person. And we have to justify why a certain audit fee needs to be paid as oppose to us given an allocation because that would impair our independence. There may be unintended consequences for us as an audit office to be given an allocation.

ADV MICHAEL MBIKIWA: Indeed. Thank you. I would now like to turn
20 to the substance of the audit in the 2017 financial year and in particular the areas of concern that you identified. I am aware I have skipped over the completion of the audit in your affidavit but I think it makes sense to deal with that when we get to the end of it.

MR SOKOMBELA: H'mm.

CHAIRPERSON: Yes. Just before you proceed.

ADV MICHAEL MBIKIWA: Indeed Chair.

CHAIRPERSON: I think I heard evidence some time last year that one or more of the years from 2011 to 2016 – 2015 may have been a year or there may have been years where SAA failed to present their financial statements and so on for some time. Is that something that you remember?

MR SOKOMBELA: Chair what I can remember is that both the 2014/15 audit results and the 2015/16 audit results were only released in September 2016. Those two financial years.

10 **CHAIRPERSON:** And would that timing indicate that there may have been problems or not?

MR SOKOMBELA: The challenge Chair at the time was SAA not being able to prove its going concern.

CHAIRPERSON: Yes.

MR SOKOMBELA: Whether it is a going concern.

CHAIRPERSON: That is why – and that was during some of those years that you are talking about.

MR SOKOMBELA: Absolutely Chair.

20 **CHAIRPERSON:** Okay. Because I seem to remember that at a certain time when Minister Nene was still the Minister of Finance and I think it was during a time when there were issues about airbuses and some deal. There was an issue between the Board of SAA and the Minister of Finance about the presentation of submission of financial statements. *Ja* okay.

MR SOKOMBELA: Yes.

ADV MICHAEL MBIKIWA: In fact, in 2017 there was a delay in the financial statements, was there not?

MR SOKOMBELA: Absolutely Chair.

ADV MICHAEL MBIKIWA: You deal with that at paragraph 65. Would you like to explain that?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Or before you do that let me ask this question. Would a delay in submitting financial statements on the part of a public entity like SAA be the kind of thing that would indicate to an auditing firm that there
10 may be problems or not necessarily? Would it be something to be flagged? Would it be something that attracts their attention to say let us look deep into this?

MR SOKOMBELA: Chair it depends in terms of what it is that is maybe making the entity ...(intervenes).

CHAIRPERSON: The reason for the delay.

MR SOKOMBELA: Delay, the reason for the delay. For and example at SAA one of the things that they could not be able to prove was whether they will be able to continue to operate.

CHAIRPERSON: Yes.

20 **MR SOKOMBELA:** Excuse me- because of money.

CHAIRPERSON: Yes.

MR SOKOMBELA: Yes, they did not have money.

CHAIRPERSON: Yes. But is that the kind of thing that would say to an Auditor who is responsible for auditing that entity when you audit this entity you need to be really careful – look carefully before you issue an

unqualified audit or not really?

MR SOKOMBELA: It will be one of the factors Chairperson.

CHAIRPERSON: Yes.

MR SOKOMBELA: To say you – we call it in auditing professional scepticism.

CHAIRPERSON: Yes.

MR SOKOMBELA: You need to be sceptical and ensure then that whatever was troubling the entity before you sign the audit report.

CHAIRPERSON: *Ja.*

10 **MR SOKOMBELA:** If there is no issue, you are sure that there is no issue.

CHAIRPERSON: Yes. Okay, thank you.

ADV MICHAEL MBIKIWA: Thank you. You were going to explain the delay in the financial statements specifically in 2017.

MR SOKOMBELA: Chair in 2017 it became – it was the same issue. Because I remember when we joined – when we became the Auditors of South African Airways there was a problem with SAA not being able to pay its loans or its debt when it is for due. So, there were lots of deliberations that the executive Management Team and the Board were
20 making with the Consortium of Banks at the time because the financial situation at the time it was very difficult for them and the banks also were not willing to extend for a longer period of time.

For an example they will extend it for three months and extend it for three months and then the challenge then that SAA had is that if you extend, made to pay you in three months' time, the financial reporting

framework that I prepare financial statements using as SAA requires me to make a declaration in my financial statements that in the next 12 months I will still be able to operate. So, if I am not able to pay my creditors or the banks within the next 12 months I do not have – I cannot demonstrate that I will have the money. Then the accounting framework then does not allow then for the financial statements to be prepared on a going concerned basis. It would be maybe on a liquidation basis or whatever basis then that they need to be prepared with.

So, then that in 2017 Chair then that became a big issue
10 because there were no – there was no funding that SAA can have. And the Board was not comfortable at the time to submit financial statements to us for audit. For an example in terms of the legislation the public entity like SAA is required to submit financial statements for us to audit by 31st of May each year. However, in 2017 they could not submit the financial statements because they could not prove going concern at all. And they had to obtain a formal commitment form their shareholder which is South African Government whether then their shareholder will be able then to inject further equity into the business.

Ja, so I think that was the challenge Chair that they had even
20 though they ended up giving us I think financial statements by 31st of October 2017 because there were a couple of – there were funds then that the shareholder at the time National Treasury gave to SAA and they were able then to prove going concern. Then they submitted to us and then we ended up signing the financial statements on the 8th of December 2017.

ADV MICHAEL MBIKIWA: Thank you.

CHAIRPERSON: That – sorry. That difficulty that SAA struggled with which you have just told me about in 2017 about these financial statements not being able to prove that for the next 12 months they will be able to be – to pay creditors. I get the impression that that is a very serious situation that any company can find itself in – any entity can find itself in.

Is it possible that an Auditor who had been auditing such a company for the previous four years or so could issue a clean audit for
10 each one of those previous years without having picked up any problem that shows that in due course there is going to be this problem? Or is it possible that they may pick such a problem up but it would not be the time for them to say there is a problem because maybe the problem will manifest itself in another financial year? But I would have thought that when you do – when you audit this year you are supposed to alert Management to what problems may arise in the financial year – in the next financial year as well if possible.

I know you said that you Auditors audit history but are you able to assist me? If you ask me on law, I will tell you that if a certain a
20 problem in a case arises on the last day of the trial, I might be able to tell you that that problem should have been picked up much earlier.

MR SOKOMBELA: H'mm.

CHAIRPERSON: So, is this not possible in auditing?

MR SOKOMBELA: Chair I know that I said we audit history. And the issue of going concern is one of the exceptions to that because if you find

out that the entity has got liquidity problems, they may be able to convince you as an Auditor that, withing 12 months we can still survive. But there might be a lot of uncertainties in that process as an Auditor.

That is why then an Auditor then – the auditing standards especially that deals with going concern, because there is a specific auditing standard that deal with going concern, gives then an Auditor an option to highlight the uncertainty in the audit report to say, in as much as this entity is saying that they are a going concern I am highlighting to you that there are these uncertainties that are there. And the reason for
10 that Chairperson is that there are many people that uses financial statements and the audit report is the one that most people that are using financial statements they always go and read.

And it is important then that for you as an Auditor then you highlight those challenges so that when then people are making decisions based on those financial statements, they know then that the Auditor has highlighted those specific issues.

CHAIRPERSON: And actually when you audit an entity is it not the position that part of the usefulness of your report is that other people who may do business with this entity may look at that report or look at to see
20 whether this is a financially viable entity to do business with. Is that right?

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: So therefore, when any Auditor audits it is one of the critical things to do to see whether what they say about the financial health of this entity is accurate.

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Because they know other people and other businesses may rely on this report to do business with them for the next 12 months or whatever.

MR SOKOMBELA: Absolutely Chair.

CHAIRPERSON: Okay, thank you.

MR SOKOMBELA: Absolutely.

ADV MICHAEL MBIKIWA: Is there – just to pick up on that Chair. Is there other reliance that is placed on audit reports other than by other
10 businesses?

MR SOKOMBELA: There is a lot of various users of reports Chair. If it is a public entity from the shareholder of that public entity because we will rely on the audit report to see if governance issues – if maybe the Board is running the entity properly. Parliament especially then the oversight like your Portfolio Committees in Parliament would like also- would rely on that audit report.

Creditors or the suppliers of the business because for them to see that their monies are safe also, they need to see in terms of how the audit reports looks like. The employees also of the entity because also
20 they want to see their prospects whether then their salaries are still going to be paid or not. *Ja*, so there is a whole host of different users with different objectives and different agendas that they would want to utilise the audit report for.

CHAIRPERSON: And well from what you are saying it seems to me that therefore any Auditor auditing an entity would pay particular attention to

the question of the going concern status of the entity going forward for the next whatever maybe 12 months of whatever period. Is that correct?

MR SOKOMBELA: Chair that is correct because we even have an auditing standard that deals with going concern.

CHAIRPERSON: Yes.

MR SOKOMBELA: So that is then – that then demonstrate the seriousness of evaluating going concern as an Auditor.

CHAIRPERSON: Yes. Now against that background or maybe I should ask the question. Had PwC and Nkonki in their audit reports of
10 2011/2012 financial year, 2012/2013, 2013/2014, 2014/2015 and even 2015/2016, had they indicated anything that showed you that there may be problems – there could be problems of on the status of SAA as a going concern or had they not?

MR SOKOMBELA: Chair based on my inspections of the report I have not seen any of those on their audit reports.

CHAIRPERSON: Yes.

MR SOKOMBELA: Yes.

CHAIRPERSON: And I know I may be going much ahead of you but maybe for completeness it is important to deal with it now. Having looked
20 at what PwC and Nkonki had done did you form any opinion whether how it came about that they did not flag this issue? How they could have missed it? Is that something that you are able to establish to say, well maybe it is inexplicable how they did not pick it up. Any Auditor worth his or her salt would have picked this up.

Or it was a little tricky, it is complicated, it is understandable if

some Auditor did not pick it up. Or you might say, no but really these were very experienced Auditors. This is a big auditing firm PwC, Nkonki is a medium firm as you said, there is no way they were not aware of this. So, if they did not flag it or say anything it must be pointing to something else.

MR SOKOMBELA: Chair ...(intervenes).

CHAIRPERSON: I know I may be putting you in a difficult position.

MR SOKOMBELA: *Ja.*

CHAIRPERSON: But I want to try and understand because one of the
10 things that we are trying to do is what happened, why were certain things not picked up for SAA to be where it ended up being and in terms of State Capture who played what role? And did everybody do their part the way they should have done?

MR SOKOMBELA: Chair on my side I would not like to speculate in terms of what were the circumstances that the previous Auditors had to – or were faced with or they had to evaluate at the time. However, if the circumstances were the same as our own circumstances when we took back SAA audit. *Ja*, it would be surprising why they would not have highlighted that. However, I think the most important thing Chair is that I
20 am very careful to say I am going to go to the period that I was not involved.

CHAIRPERSON: Yes.

MR SOKOMBELA: Because there may be specific considerations or certain considerations that they may have made.

CHAIRPERSON: Yes.

MR SOKOMBELA: That made them not to highlight the issue of going concern.

CHAIRPERSON: Yes. No, I think you have put it quite carefully and I think – so you say if they were faced with the same circumstances that you were faced with looking at SAA, you would be surprised why they did not pick it. You do not know if they were faced with the same circumstances, can I then put this, but being an Auditor of many years' experience have got any reason to think their circumstance may have been different? In terms of what an Auditor needs to have in order to pick
10 up certain things. Is there something that you think might have been different? I know you are – I am not asking you to be definite.

MR SOKOMBELA: Yes. Chair maybe what I can say is that when we took back – when it took SAA the audit of SAA, there were loans that were extended to end of December 2016.

CHAIRPERSON: Yes.

MR SOKOMBELA: And SAA did not have money to pay them.

CHAIRPERSON: Yes.

MR SOKOMBELA: The audit reports were signed on the – on September
2016.

20 **CHAIRPERSON:** Yes.

MR SOKOMBELA: Then that is October, November, December, that is three months after the audit report has been signed.

CHAIRPERSON: Yes.

MR SOKOMBELA: So, I do not know whether maybe they when the audit report was signed whether they had sight of those challenges or not.

CHAIRPERSON: Yes.

MR SOKOMBELA: However, when we came we were inundated with those troubles.

CHAIRPERSON: Yes.

MR SOKOMBELA: Where SAA could not demonstrate their ability to pay the loans from the banks.

CHAIRPERSON: Yes. Okay, thank you.

ADV MICHAEL MBIKIWA: Chair, that might be an appropriate moment at which to adjourn. I see it is 16:00.

10 **CHAIRPERSON:** Yes. How much time do we need to finish with him?

ADV MICHAEL MBIKIWA: Chair I would think probably an hour and a half perhaps.

CHAIRPERSON: Okay. And the other witness for tomorrow is likely to take how long?

ADV MICHAEL MBIKIWA: The remainder of the day Chair but we are relatively confident we can complete with some hesitation.

CHAIRPERSON: You must know that you are on your own on making any undertaking.

ADV MICHAEL MBIKIWA: I checked first Chair. I checked first.

20 **CHAIRPERSON:** Okay. Maybe that is fine. Should we start a little early tomorrow or should we stick to normal time?

ADV MICHAEL MBIKIWA: Chair perhaps we could start at 09:30.

CHAIRPERSON: H'mm.

ADV MICHAEL MBIKIWA: If that would be convenient.

CHAIRPERSON: But your feeling is that maybe even 10:00 might be fine.

ADV MICHAEL MBIKIWA: Even 10:00 might be fine indeed.

CHAIRPERSON: Okay, can we leave it at 10:00 on the understanding that if I change my mind and advise you in the course of this evening, you might be able just to advise the witness as to be here a little bit earlier?

ADV MICHAEL MBIKIWA: Certainly Chair.

CHAIRPERSON: Okay. Okay alright. Okay we are going to adjourn now and we will resume tomorrow at 10:00 unless everybody is advised differently before 09:00 tomorrow. We adjourn.

REGISTRAR: All rise.

10 **INQUIRY ADJOURNS TO 21 FEBRUARY 2020**

**TRANSCRIBER'S CERTIFICATE FOR COMMISSION OF INQUIRY INTO STATE
CAPTURE
HELD AT
PARKTOWN, JOHANNESBURG**

DATE HELD : 2020-02-20

DAY: : 216

TRANSCRIBERS : B KLINE; M NETTA; D STANIFORTH;
B DODD; D BONTHUYS

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