



**ITEM:** 6 (F)  
**REPORT BY:** CHAIRMAN AUDIT & RISK COMMITTEE  
**TO:** THE BOARD OF DIRECTORS SWD CRICKET  
**SUBJECT:** BOARD COMMITTEE REPORT: AUDIT & RISK COMMITTEE  
**DATE:** 28 FEBRUARY 2017

### **PURPOSE OF THE REPORT**

1. The aim of this report is to inform and provide feedback to the Board of Directors of SWD Cricket regarding matters as applicable to the portfolio of the Audit & Risk Committee. Approval is required from the Board of Directors for the approval of the revised Terms of Reference of the Committee.

### **BACKGROUND**

2. The SWD Cricket Audit & Risk Committee met on Thursday February, 23<sup>rd</sup> 2017 with the aim to discuss relevant items as applicable to the Audit & Risk Committee of SWD Cricket. This meeting was combined with the Financial & Commercial Committee. Present at the meeting were:
  - a) Mr Shael Laminie (Chairperson)
  - b) Mr Rustin Constance
  - c) Mr Phillip Nel
  - d) Ms Samantha Hendricks
  - e) Mr Albertus Kennedy (CEO)
  - f) Mr Phil Tredoux (Senior Financial Accountant)

#### Apologies

- a) Mr Hennie Cremer (Committee member)
- b) Mr Warren Muller (Committee members)

### **DISCUSSION POINTS**

3. Revision of Terms of Reference. The Terms of Reference was reviewed and is attached herewith for approval by the Board of Directors.

4. Updated Risk Report.

See attached.

5. Board Committee Assessments.

Please share your experience of any committee successes achieved in the current year, and what were the critical factors in attaining this success?

Audit & Risk

- Assists the Financial Committee to finalize the Annual Financial Statements and give an independent view on the statements.
- An important factor is to mitigate any risk that might occur within the company and the committee did well to attain this success during the financial year.
- Committee presented a comprehensive risk management report.
- Devised an Internal Control plan to ensure that risk to company assets are minimized.
- Oversaw the cost implications in appointing external auditors.

Cricket Pipeline

- The Committee, as part of the SWD Cricket fraternity, share in the achievements of all administrators, players, scorers and umpires who attained higher honours. A critical fact leading to this is the fact that the SWD Cricket is led and staffed by knowledgeable people with passion for the game

Financial & Commercial

- Members do have a good understanding of daily operations to support monitoring of financial and commercial matters. (Monthly pastel review documentation as well as ongoing involvement)
- Based on monthly review document – Financial internal controls and management seems adequate if we consider the need to change the chart of accounts and the pressure on SWD cricket as hosting venue.
- Audit and Risk committee involvement during meetings.

Cricket Committee

- The committee was successful in fulfilling its oversight role. The success can be attributed to the commitment and dedication of committee members. A further critical factor in achieving success is the excellent relationship between committee members and office staff.

#### HR & REMCO

- The committee was successful in their efforts to renegotiate requirements with Gary Moos. The success of the committee can be attributed to the expertise of the members in the specific field.

#### Pipeline

- Appoint the necessary coaches according to the level required for all national weeks. Training of officials/ coaches within our region makes it possible to achieve this objective.
- The committee's input are well received by the Board. Every member do have the knowledge and can express himself.
- The members communicate with each other. No hidden agenda's by the members

#### Finance and Commercial Sub-committee

- *One of the positives for me is the continued high standard of oversight and inputs from the committee members to ensure that the BOD has accurate and complete financial data to inform decision making.*
- *The oversight role with regards to the implementation and review of the budget with regards to actual spending and managing of instances of spending variances deviating from budget.*
- *The fact that the company maintains high standards regarding accurate and complete monthly financial reporting to CSA, ensuring no delays in funding pay-outs from CSA. The oversight of the infrastructure investment at the REC prior to the Africa T20 Cup. The continued engagement and guidance from members with the office staff regarding statutory requirements with SARS and the CIPC. The fact that the company managed to secure additional funding and with the help of the awarding of the Africa T-20 Cup pool stages as well as the semi's and finals to the Recreation grounds, we managed to enhance our relationships with commercial partners.*
- *We see a continued positive effect of our achievements on a governance, administrative*

*and operational level on the relationship with commercial partners and entities that wants to be associated with SWD Cricket.*

- *The fact that we could once again reward staff and role players through the distribution of the CSA Incentive reward. Our status as a Level 3 B-BBEE procurement contributor.*
- *The finalization and approval by the Members Council of the Amalgamation Agreement between SWD Cricket NPC and the former SWD Cricket Board was also a significant achievement and the inputs of committee members in that regard were very good.*
- *The expertise and committed committee members who came to meetings prepared and asked tough questions were vital to maintaining a high standard. Office staff who remains committed and who puts a high emphasis on the quality of their work, who meets deadlines and go beyond the call of duty, certainly made our oversight role as committee members easier.*

#### Cricket Affairs

- Not enough interaction with the rest of the committee to air an opinion.

#### Social & ethics

- Committee successfully initiated the Drug & Alcohol awareness programme/ roadshow. All the affiliate clubs participated & initiative was a great success.
  - Revised the MOI to be in the with CSA's requirements, revised the code of ethics & code of conduct policies.
  - Dealt with a number of ADR's & Mediation.
  - We hosted a successful Road show on Drug and Alcohol abuse, we needed the commitment of the member to make this possible.

#### Selection Committee

- Good communication between members.
- We were able to incorporate young talented players into our group in order to give the much needed experience to play at a first class level.
- We attain this as a result a capable role players in our union.
- We were able to strengthen our batting line-up after losing top batters especially local players.

- We attained this as a result of capable role players in our union all around and also good communication.

Transformation

- Good chairman, knows his job.
- Members well representative and have knowledge of what transformation is about.
- We managed to increase the number of Black African training to become Coaches and Umpires, we managed to comply with the Transformation Scorecard and the EPG Report as per CSA Requirements.

FINCO

- Executing most responsibilities and duties as set out in ToR (Terms of Reference).
- Discussions taking place during meetings.
- Experienced members.

Each Committee undergoes challenges or has objectives within their mandate that they either don't achieve or areas in which the committee experiences constraints. Please provide us with a detailed description of any of these hurdles described above and any possible remedial action that the committee could implement.

Audit & Risk

- We fairly achieved our goals but in an organisation like SWDC there's always room to become a better Board.
- The committee did point out that we must have an off-site filing system albeit electronic filing system or cabinets – this is an ongoing risk.

Cricket Pipeline

- Not enough Black African Scorers and umpires
- Not enough Black African players.
- Too few ladies teams
- Knysna and Bitou regions: mini cricket programs need attention

Financial & Commercial

- Completing the chart of accounts in time as prescribed by CSA.

- Value adding – to ensure that financial matters remain in order to support SWD cricket at the best managed and performing franchise.
- Ensure complete reporting during official meetings (4 times a year)
- FINCO must oversee a healthy going concern. (proper delegations and controls for a growing union)
- Ensure adequate in place Terms of Reference (TOR) and reporting to Board on fulfilment of duties.

#### Cricket Committee

- No major challenges that we could not have addressed within the committee.

#### HR & REMCO

- No major challenges that we could not have addressed within the committee.

#### Pipeline

- The challenge for our committee is the fact that we do not produce as much Black African players when other clubs in the region should take those Black African players from their respective clubs to play at a higher level within the union, you are most willing to kill those Black African clubs.
- Communication must be open and the committee must be fully briefed on urgent matters. (The U/19 tournament of 2015).
- More input from schools on selection of age groups- part of the process.
- Remedial action must take place before something is out of hand.

#### Finance and Commercial Sub-committee

- *The Amalgamation Agreement between SWD Cricket NPC and the former SWD Cricket Board proved very challenging. Not many of the committee members had a lot of experience in this area.*
- *Fortunately CSA assisted in a big way with the vital inputs from an independent consulting firm.*
- *The committee still has to finalise the deregistration of the SWD Cricket Board with statutory bodies like SARS, the Department of Labour and the Department of Trade and Industry.*
- *The inability to attract anchor sponsors for some of signature programmes (Senior Teams, Provincial Academy, etc.), remains a huge challenge in the economic climate.*
- *We also have not been able to find a suitable individual to bring expertise regarding commercial branding and networking to attract additional funds for our development programmes.*

- *We also had a challenge to keep quality financial department staff in the company and the management of the workload in the financial department together with the compensation will remain an issue to be managed very well.*
- *We also need to ensure that we continually upskill the employees involved in the financial department to ensure a continued high quality reporting standard in an environment with increasing demand for accurate, quality financial reporting.*
- *Membership to the business chambers of the main areas in the region could prove vital in building better relationships with the business community and securing additional funding. Also in identifying individuals with the know how to add value to the committee and who would love to get involved in the company.*
- *We should also keep improving in our oversight role regarding the channelling of funds in the most effective and efficient manner to get the quality products from our programmes and operations.*
- *Complacency in an environment that runs smoothly and effectively is something that we as a committee should guard against.*

#### Cricket Affairs

- We are too heavily reliant on imported players, specifically batsmen, from other unions. SWD need to focus more on developing local players.

#### Social & ethics

- Committees main focus has been on Ethics Management neglected to focus on other core objectives. Eg, Employment equity, Health & wellness, environmental management. Mainly due to the amount of work/ areas covered & limited time available members has more initiatives should be identified by committee members & a possible action plan drafted for each financial year.
- The most challenging expect we had this year was clarifying Clause 8 of ou CoD, which ment that all the cases could not be finalised on time.

#### Selection Committee

- Not having quality back-up players to replace injured players.
- Not enough games for the academy players.
- The mental side of players also looked at.
- The absence of a good quality local black African batsman.
- Not having enough quality back-up players to replace players that got injured. (depth)
- We as a union must put a mechanism in place for our academy to play more games to better player skills.

- The mental side of players also to be looked at.

#### Transformation

- Transformation as a whole must be explained to each and everyone in SWD Cricket (workshop).
- If we do the above everybody will understand his role and we can take SWD Cricket to new heights.
- We as the committee should aim to achieve more than the minimum requirements, we must put harsher managements in place for those who will not be complying. We need to be more visible in the ground level to see if all that was agreed upon is applied by the members.

#### FINCO

- Monitoring of finances – due to last BoD & Finco meeting taking place in October the updated finance report was not discussed/scrutinised/evaluated by ALL relevant parties.
- As per the ToR, Finco should meet at least 6 times per year.
- The delays in reporting is also concerning although this is perceived to be a short term teething problem due to the conversation of new Pastel.
- The monthly report was issued but the finance report received (inclusive of actuals vs budget and/or forecast) was for the period ending September.
- Maintaining of adequate cash reserves seems to be challenge due to timing of amounts receivable and payable.
- The cash flow forecast would appear to dispel the fear of the ploughing away at reserves.
- Long outstanding debtors more than 120 days remains an area of concern as some debtors have been outstanding for considerable time. Successful recovery of these debt/s need to be evaluated and where need be debt/s has to be written off accordingly.

6. CSA Key Risk Matters

This matter was discussed and the following Going Concern Considerations were highlighted:

Going Concern Considerations
<p><b>Has there been a change in the Member's revenue and or expenditure budget for 2015/16 that will result in the commitment to breakeven not being met - i.e. the Member anticipates to record a loss for the year ending 30 April 2016?</b></p> <p>Clause 5.1.1 of Operational Model Agreement: In consideration of the Funding and the opportunity to participate in the Events, the Member agrees to comply with the following obligation - prepare an activity-based and zero-based annual budget which shall not be less than break even and which shall be approved by the Member Board and provided to CSA in advance of each financial year.</p>
<p><b>Loss of key personnel (staff)* without immediate replacement.</b></p> <p>Is there a possibility of the entity losing key personnel either without an <u>immediate</u> replacement of a similarly skilled, qualified or experienced individual?</p> <p><i>*Key personnel (staff) refers an individual whose knowledge of the business, creativity, inspiration, reputation, and/or skills are critical to the viability or growth of the Members organization, and whose loss may cripple the business. It include but not limited to the CEO and Prescribed Officers</i></p>
<p><b>Externally generated revenue:</b></p> <p>Are there any indications of withdrawal of financial support by sponsors, funders, government or any other external sources of income either due to the expiry of contracts, withdrawal of the sponsor, loss of relationship or firm commitment by the funder to withdraw funds?</p>
<p><b>Debts, Loans &amp; Advances:</b></p> <p>Are there debts, loans or advances that are approaching maturity without realistic prospects of renewal or repayment; or excessive reliance on such borrowings to finance the business operations?</p> <p><i>*Debts, Loans &amp; Advances include overdrafts, loans from external parties and related party loans (CSA and Member loans)</i></p>
<p><b>Receivable Balances:</b></p> <p>Are there any long outstanding* receivable balances that may be unrecoverable** from a debtor?</p> <p><i>*long outstanding refers to balances that have been past due or the days outstanding exceeds 120 days **unrecoverable debts refers to amounts that are due to the entity, however will or may not be received.</i></p>
<p><b>Contingent liabilities &amp; unplanned significant expenditure:</b></p> <p>Are there any possible liabilities that could arise as a result of non-compliance with laws and regulations, law suits against the entity (past, current and pending), disputes with customers, suppliers, sponsors or SARS or unplanned/unbudgeted significant expenditure?</p>
<p><b>Overall going concern assessment:</b></p> <p>Does management believe the entity is <u>not</u> a going concern?*</p> <p><i>*Going concern refers to the ability of the Member to continue operations in the future. The entity should have sufficient cash and resources to meet its obligations to customers, suppliers and other funders of the business (sponsors, CSA, Government etc.)</i></p>

**PROPOSAL**

10. It is proposed that the Board of Directors take note of the report and approve the proposals in terms of revised Terms of Reference as per attachment.