



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

INTERIM MANAGEMENT REPORT

Department of Public Works

Year end: 31 March 2019

Communicated to management on: 03 April 2019

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INTERIM MANAGEMENT REPORT DEPARTMENT OF PUBLIC WORKS 31 MARCH 2019

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INTERIM MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE DEPARTMENT OF PUBLIC WORKS FOR THE PERIOD ENDED 31 MARCH 2019

INTRODUCTION

1. The purpose of the management report is to communicate audit findings to the accounting officer and does not constitute public information. This management report is provided to make it easier for the auditee to consider and correct the audit findings arising from the audit of the financial statements, reporting on predetermined objectives and compliance with legislation that have come to our attention to date. We will provide a final management report after the completion of the audit after year-end.

Our engagement letter sets out our responsibilities and those of the accounting officer in detail.

2. The audit work performed to date includes the following:

Financial statements

- Movable assets
- Goods and services
- Employee costs

Reporting on predetermined objectives

- Programme 3: Expanded public works programme interim site visits
- Reliance was placed on the review of quarterly performance report (Quarter one) performed by internal auditors for Programme 4 (Property and construction industry policy and research) and Programme 5 (Prestige policy).

Compliance with legislation

- Supply chain management – Tender and quotation process for awards made until 30 November 2018
- Human Resource Management

Other matters

- Review of the general information systems controls

3. In order to provide management with value adding interim findings which would assist them in addressing all matters prior to submission of final annual financial statements (AFS), it was agreed that the focus of the interim audit would be those areas which management believed were risk areas for the final audit.
4. This management report consists of the overall message arising from the interim audit, summary of key findings and observations, and an annexure containing the detailed audit findings.
5. The auditor's report is finalised only after the final management report has been communicated. All matters included in this report that relate to the auditor's report remains in draft form until the final auditor's report is signed. In adherence to section 50 of the PAA, we do not disclose any information obtained during the audit and contained in this management report.

SECTION 1: OVERALL MESSAGE

1. The main obstacle preventing the department from obtaining a clean audit outcome remains the quality of submitted **performance information**. During the audit of performance information, key findings similar to the prior year were identified, where reported achievements were not adequately supported by valid and complete source information. The department must implement proper record keeping ensuring that the relevant information is accessible which supports the reported performance.
2. In some instances, the department did not effectively implement all recommendations relating to **supply chain management** (SCM) preventative controls, such as non-compliance with the requirements of the Preferential Procurement Regulations and Treasury Regulations. In addition, instances of irregular expenditure were identified during the audit which will be required to be included in the irregular expenditure register before year end.

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SECTION 2: STATUS OF FINANCIAL STATEMENT AREAS

- Below is a summary of the key issues identified from the audit procedures performed on the financial statement areas selected for focus during the interim audit.
- The financial statement areas were assessed as follows:

	No significant matters were identified during the performance of interim audit procedures.
	Improvement is required to ensure that no material misstatements remain at year end.
	Urgent intervention is required to ensure that the financial statement area is free of material misstatements at year end.

Financial statement area	Status	Findings identified
Movable assets		<ul style="list-style-type: none"> No significant matters were identified.
Goods and services		<ul style="list-style-type: none"> On the audit of goods and services an instance was identified where services were performed by the supplier before 31 March 2018, but were not recorded on the accrual listing for 2017/18 financial year.
Employee costs expenditure		<ul style="list-style-type: none"> No significant matters were identified.

SECTION 3: STATUS OF PERFORMANCE INFORMATION

1. Our key focus area for the interim audit was on Programme 3: Expanded Public Works Programme. Forty-four (44) public bodies around the country were visited as part of our interim audit, to determine whether the action plans put in place were effectively implemented.
2. A summary of the findings from the audit of Programme 3: Expanded Public Works Programme are as follows:
 - EPWP beneficiaries were not reported on the EPWP second quarter data.
 - Non submission of attendance register, proof of payment and ID copies.
 - Beneficiaries listed on the EPWP reporting system list not employed on the project.
 - EPWP projects were not reported on the EPWP reporting system.
 - Beneficiary paid two different amounts, in the same month and same day.
3. In addition, we placed reliance on audit procedures performed by internal audit on the quarterly reporting submitted for audit (Quarter one) for Programme 4 (Property and construction industry policy and research) and Programme 5 (Prestige policy). The results of these tests are shown in the table below and are communicated to management to assist in the finalisation of the annual performance report to be submitted at year end.

The audit areas were assessed as follows:

	No significant matters were identified during the performance of interim audit procedures
	Improvement is required to ensure that no material misstatements remain at year end.
	Urgent intervention is required to ensure that the programme is free of material misstatements at year end.

Programmes	Prior period opinion	Status	Key findings
Programme 4: Property and Construction Industry Policy and Research	Unqualified		No significant matters were identified
Programme 5: Prestige Policy	Disclaimer		The Internal Audit (IA) findings raised related to supporting documents not being provided for the reported result, resulting in a limitation of scope. These findings were in most instances a repetition of findings raised previously by both IA and AGSA. This is indicative of a lack of commitment from management and leadership to address challenges regarding reporting on predetermined objectives..

SECTION 4: STATUS OF COMPLIANCE WITH LEGISLATION

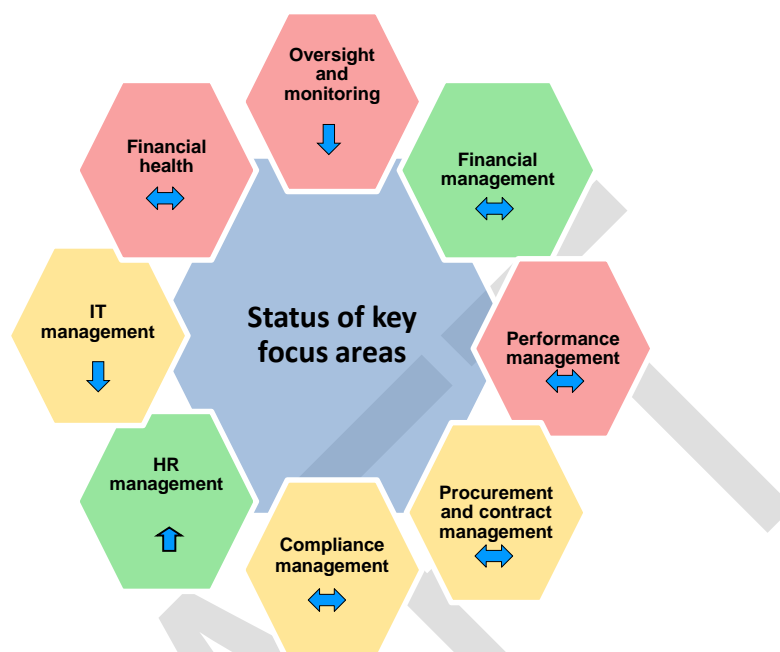
1. The audit included an assessment of compliance with legislation, procurement processes, contract management and the related controls in place. These processes and controls must comply with legislation to ensure a fair, equitable, transparent, competitive and cost-effective supply chain management (SCM) system and to reduce the likelihood of fraud, corruption, favouritism and unfair and other irregular practices.
2. The findings below will be considered together with findings of a similar nature at year end to determine the materiality of the non-compliance. Should the extent of non-compliance be considered material, this will be reported in the final management and the audit report.
3. The compliance areas assessed were as follows:

	The basics are in place as no concerns were identified.
	Concerns identified.

Compliance area	Status	Key findings
Expenditure management		Findings were identified where payments were not made within 30 days.

SECTION 5: STATUS OF KEY FOCUS AREAS

1. The status as presented below is based on the review performed and reflects the involvement from the previous assessment.



The legend applied is as follows:

Good	The basics are in place as no concerns were identified.
Concerning	Concerns identified.
Intervention required	Level of concerns identified is an indicator that the AO needs to urgently intervene to prevent audit failure.

The movement is assessed as follows:

↑	Improved
↔	Unchanged
↓	Regressed

KEY MATTERS FOR ATTENTION

2. The following areas of concern have come to our attention during our review process. Some of the matters had been reported before or raised in the previous engagements and little progress has been made to address these matters.

Oversight and monitoring

4. It has been noted that the audit is not always given the proper attention by all branches, with the audit being seen as only the responsibility of the Finance branch. This is evidenced by the low levels of attendance at Audit Steering Committee meetings despite all branch heads being members of the committee. These engagements between auditee management and the senior management of the audit team are critical to the audit process, and assist in resolving matters before they are escalated and reported to oversight bodies. Prioritising these engagements will also assist in embedding a culture of compliance within the entity.

Performance management

3. The reported achievements for predetermined objectives included in the annual performance report (Relating to EPWP and Prestige) were not supported by appropriate audit evidence in the previous audit cycle. Similar findings, as identified in the prior year have been communicated to management in the interim period.

Human resource management

4. Progress was noted with the overall vacancy rate decreasing from 28% on 31 March 2018 to 7% on 31 December 2018. Although the key positions of Chief Financial Officer and Chief Audit Executive positions were vacant as at 31 December 2018, these were filled by the date of this report.

Compliance management

5. The financial statements of the department in the prior year included a narrative under the irregular expenditure note that there is potential irregular expenditure relating to legal fees paid to State Attorney (Department of Justice). This issue was escalated to National Treasury for clarity, and further engagements are taking place between the AGSA technical unit and the Office of the Accountant-General with a view to finalising the matter.
6. Non-compliance with the requirements of the Preferential Procurement Regulations and Treasury Regulations was identified during the performance of our interim audit. In addition, instances of irregular expenditure were identified during the audit which will be required to be included in the irregular expenditure register before year end.

IT Management

7. The department did not have a change management process in place for EPWP-RS, as a result a change log was not provided for audit purposes. Without an adequate change management process, unauthorised changes might be implemented to the production without the acknowledgement of the department and this could result in compromised information systems that do not fully support the business requirements and service interruptions.

Key emerging risks/developments

8. The new Irregular Expenditure Framework became effective from 1 December 2018. Management must ensure that irregular expenditure is dealt with in terms of this new framework including reporting templates. Management must deal with previous cases of irregular expenditure that were not condoned by 1 December 2018 in terms of this new framework
9. The amended Public Audit Act (PAA) will be effective as from 1 April 2019. Management must ensure that procedures are in place to ensure recommendations for material irregularities issued by AGSA are effectively and timeously implemented.

SECTION 6: STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS

1. Below is our assessment of the progress in implementing the commitments made by the accounting officer and the executive authority to address prior and current year audit findings.

No.	Commitment	Made by	Date	Auditors comments	Status
1	<p>The reported achievement in the annual performance report did not agree to the supporting evidence provided for the EPWP indicators.</p> <p>1. Introduce, in addition to site visits, visits to a sample of public bodies with the format of an audit focusing on compliance issues identified by both Internal Audit and AGSA. Strict adherence to sample of public bodies, which is informed by an early-warning criteria for non-compliance.</p> <p>2. Accounting Officers are immediately notified of findings of the public body visits pertaining to grant-funded projects.</p> <p>3. Administration of an intervention register to ensure the resolution of all compliance issues identified in the public body visits and site visits through the allocation of responsibility (to Sector Managers or Programme Managers) and timelines.</p> <p>4. Non-resolution of compliance issues (including reporting) within a reasonable timeframe translates into the notification of Accounting Officers and the withholding of further conditional grant tranches.</p>	S. Henderson (DDG:EPWP)	30-Nov-18	Similar findings have already been identified and communicated to management.	In progress
2	<p>The auditor was unable to obtain sufficient appropriate audit evidence for all the reported achievements under Prestige policy.</p> <p>Record keeping process, management and collation of performance information has been streamlined to ensure only valid, accurate and complete information is submitted.</p>	P.F. Chiapasco (Acting DDG - Programme Management Office)	30-Nov-18	Similar findings were identified by internal auditors and communicated to management.	In progress
3	<p>Travel and Subsistence Expense: Debt not raised within the required time frame.</p> <p>1. Send a memo to originating units (i.e. Finance, Corporate Services and Supply Chain Management) for confirmation any new debtors to be raised. 2. Include the timeframe (30days) for referring debts by the originating office to Financial Accounting in the revised Debt, Claims recoverable and revenue management policy. (31 December 2018).</p>	A. Mazibuko (Acting CFO)	30-Nov-18	A debt was raised.	Resolved

No.	Commitment	Made by	Date	Auditors comments	Status
4	Legal Services: Non-compliance with SCM Processes. - Management must ensure services procured by the legal directorate are in accordance with applicable laws and regulations.	R. Naidoo (CD:SCM)	30-Nov-18	Engagements are taking place between the AGSA technical unit and the Office of the Accountant-General.	In progress
5	The overall vacancy rate has increased from the previous year to the current year for the department. - Identify priority positions for filling within the allocated compensation of employees and in line with Ministerial priorities. Present priority positions at EXCO for endorsement before approval by the Director-General. Facilitate approval of priority positions by the Director-General.	C. Mtshisa (DDG - Corporate Services)	30-Nov-18	Priority positions were presented to EXCO.	In progress
6	Posts vacant for over 12 months. - Identify unfunded vacant positions for abolishing. Actual abolishment of unfunded positions from the post establishment. - Facilitate EXCO approval to automatically advertise and fill positions that becomes vacant during the financial year.	C. Mtshisa (DDG - Corporate Services)	30-Nov-18	No action has been taken by management	In progress

SECTION 7: CONCLUSION

The matters communicated throughout this report relate to the three fundamentals of internal control that should be addressed to achieve sustained clean administration. Our staff remains committed to assisting in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to account for public resources in a transparent manner.

Yours faithfully

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__ April 2019

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Summary of detailed audit findings

Page no.	Finding	Classification					Rating			Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
Predetermined objectives											
	Predetermined objectives: EPWP beneficiaries were not reported on the EPWP second quarter data.		X				X			3	In progress
	Predetermined objectives: Non submission of attendance register		X				X			3	In progress
	Predetermined objectives: Non submission of proof of payment		X				X			3	In progress
	Predetermined objectives: Non submission of ID copies		X				X			3	In progress
	Predetermined objectives: Beneficiaries listed on the EPWP reporting system list not employed on the project		X				X			3	In progress
	EPWP – EPWP projects were not reported on the EPWP reporting system		X				X			3	In progress
	EPWP – Beneficiary paid two different amounts, in the same month and same day.		X				X			0	In progress
Goods and services											
	PTA COFF 2 - Goods and Services: 2017/18 Accrual listing is under stated.	X						X		-	-
	PTA COFF 3 - Goods and Services - Payments not made within 30.			X				X		-	-
Information systems											
	Vacant positions within information technology division				X			X		3	In progress
	Inadequate Security Management controls.				X			X		3	In progress
	Inadequate user access management controls on PERSAL.				X			X		3	In progress

Page no.	Finding	Classification					Rating			Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	Inadequate user access management controls on Active Directory.				X			X		3	In progress
	Inadequate IT service continuity controls.				X			X		3	In progress
	Inadequately implementation of the user account management policy on EPWPRS				X			X		-	-
	Lack change control on EPWPRS				X			X		-	-

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Detailed audit findings

ANNEXURE A: MATTERS AFFECTING AUDIT REPORT

Predetermined Objectives

1. EPWP – EPWP beneficiaries were not reported on the EPWP Q2 data.

Requirements

Public Finance Management Act (PFMA) section 40(3)(a) states that: *“The annual report and audited financial statements referred to in subsection (1)(d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned....”*

Technical indicator description – method of calculation states that: *“A count of the aggregate work opportunities created/reported. Work opportunity is paid work created for an individual on an EPWP project for any period of time. The same person can be employed on different projects and each period of employment will be counted as work opportunity....”*

Nature

During the audit of EPWP projects at various public bodies, the following beneficiaries included on the attendance registers and or proof of payment were not reported on quarter 2 (April 2018 to 30 September 2018) data submitted for audit.

No	Project code	Name of the Project	Province: Public Body	Reported Work opportunities not reported
1	79934-EPWP3M	Security Services At GTM	Limpopo: Greater Tzaneen	5
2	82887-EPWP3N	Waterberg Magistrates Gardening Services	Limpopo: DPW	8
3	82889-EPWP3N	Mopani Magistrates Gardening Services	Limpopo: DPW	7
4	72052-EPWP3M	Street Cleaning Urban	Limpopo: Polokwane	58
5	6410-EPWP3M	Kwanobamba / Ezitendeni water supply project	Kwazulu/ Natal: Uthukela	1
6	61490-EPWP3M	Hobsland to Indaka Bulk Water Feeder Main - Stage 2	Kwazulu/ Natal: Uthukela	16
7	71193-EPWP3M	JabavuNgonini Land Care Project	Kwazulu/ Natal: Umzinyathi	12
8	64137-EPWP3M	ZDM Operation	Kwazulu/ Natal: Zululand	23
9	81079-EPWP3M	Ndwedwe North System Refurbishment Water Scheme	Kwazulu/ Natal: iLembe	10
10	71114-EPWP3M	Isidingo Security	Kwazulu/ Natal: iLembe	47
11	47153-EPWP3M	Buffelsdraai	Kwazulu/ Natal: eThekwin Metro	9
12	57340-EPWP3M	Point Duty Officers	Western Cape: Bitou	12
13	84508-EPWP3M	Public Facilities Maintenance	Western Cape: Bitou	3
14	81726-EPWP3M	SAPS Garage Oudtshoorn	Western Cape: DPW	10
15	52947-EPWP3N	Metrox Area 1 Cape Town Court	Western Cape: DPW	1
16	67850-EPWP3M	Women for change programme - women rising above ad	Western Cape: City of Cape Town Metro	7
17	58939-EPWP3N	Labour/Saldanha Bay and Pepper Bay Harbour	Western Cape: DPW	4
18	74029-EPWP3N	Parkroad SAPS	Free State: DPW	1

No	Project code	Name of the Project	Province: Public Body	Reported Work opportunities not reported
19	81181-EPWP3M	Beautification	Free State: Dihlabeng	31
20	80310-EPWP3M	Bohlokong Construction of Lomond 2.6 km road	Free State: Dihlabeng	12
21	85568-EPWP3M	Service delivery and cleaning	Free State: Lejweleputswa	15
22	82090-EPWP3M	Construction of 383 toilet top structures	Free State: Mantsopa	1
23	67747-EPWP3M	Upgrading of sport facilities Arthur Pitso Stadium	Free State: Mantsopa	2
24	79097-EPWP3M	Rural Road Asset Management System	Northern Cape: Pixley Ka Seme	1
25	85090-EPWP3M	Community Project in Magareng	Northern Cape: Magareng	1
26	81687-EPWP3M	Parks and Beautification Tsantsabane	Northern Cape: Tsantsabane	8
27	81676-EPWP3M	Ward Committees	Eastern Cape: Engcobo	58
28	80546-EPWP3N	Mthatha Police Training College: Complete RR	Eastern Cape: DPW	2
29	67353-EPWP3M	SRV : Small Town Revitalisation Programme 17/18	Eastern Cape: Sundays River Valley	1
30	67355-EPWP3M	Paterson Waste Water Treatment	Eastern Cape: Sundays River Valley	6
31	49192-EPWP3M	Tri Annual Construction of minor sewerage	Eastern Cape: Nelson Mandela Bay	41
32	66748-EPWP3M	Tourism and Cultural Services	Eastern Cape: Nelson Mandela Bay	62
33	78793-EPWP3M	Rehabilitation of Fleet Street	Eastern Cape: Buffalo City Metro	42
34	72762-EPWP3M	Service Delivery JCPZ	Gauteng: City of Johannesburg Metro	100
35	77727-EPWP3N	Baviaanspoort Prison Emthonjeni Youth Centre	Gauteng: DPW	7
36	4586-EPWP3M	HIV and Aids Community Outreach Programme (Volunteers)	Gauteng: City of Tshwane Metro	98
37	64876-EPWP3M	Bushbuckridge Working on Waste Phase 2	Mpumalanga: Bushbuckridge	5
38	54973-EPWP3M	Road and Stormwater system development and main	Mpumalanga: Thaba Chweu	1
39	56979-EPWP3M	Mbombela Pollution Control and Management	Mpumalanga: City of Mbombela	11
40	71822-EPWP3M	RRT Feeder Routes (71248)	North West: Rustenburg	58
41	77395-EPWP3M	Cleaning Maintenance of Rtb Bus	North West: Rustenburg	2
42	56482-EPWP3M	Cleaning Our Environment Christiana LTLM	North West: Dr Ruth Segomotsi Mompati	3
43	56370-EPWP3M	Gasebusho Community Project GTLM	North West: Dr Ruth Segomotsi Mompati	2
Total				805

Impact of the finding

Non-compliance with PFMA section 40(3) (a)

Understatement of work opportunities created reported

Internal control deficiency

Financial and Performance Management

The department did not implement effective controls to reconcile the beneficiaries on the attendance registers to the beneficiaries reported on the EPWP reporting system.

Beneficiary lists and attendance registers are not regularly reviewed to ensure that all participants are captured on EPWP reporting system.

Recommendation

It is recommended that:

The department should perform frequent, adequate reviews of beneficiary lists and attendance registers from the public bodies to ensure that all participants are captured on EPWP reporting system.

Management should review all EPWP projects reported on the system against the attendance registers, to ensure that all work opportunities created are reported.

Management response

I am in agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

The listed participants were not captured by the public body on the EPWP RS for the project by the end of Quarter 2 of 2018/19.

For projects not implemented by the Department of Public Works, the following must be noted:

- The EPWP guidelines in terms of reporting was not followed by the public body.
- Beneficiary lists and attendance registers were evidently not regularly reviewed by the public body to ensure that all the participants are correctly captured on the EPWP Reporting System. The Department relies on the public body for this.
- The EPWP RS is a reporting system. Validations on the compliance and internal consistency of captured data is possible, but under-reporting of participants can only be detected through actual visits to the public body and inspection of the project records. The Department does not have the funds and required human resource to monitor all the projects in this way continually.
- Whether such visits take place or not, proper record-keeping and oversight in reporting is an administrative responsibility of the public body.
- The EPWP RS is designed such that data captured by a data capture for each month has to be authorized by a responsible manager appointed by the public body.

Auditor's conclusion

Management responses were noted. The finding will be followed up during the final audit, therefore this issue remains unresolved and will be included in the management report.

2. EPWP - Attendance registers were not provided

Requirements

Section 40(a) and (b) of the Public Finance Management Act (PFMA) states that: *“The accounting officer for a department must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards; must prepare financial statements for each financial year in accordance with generally recognized accounting practice...”*

Section 40(3)(a) of the Public Finance Management Act (PFMA) states that: *“The annual report and audited financial statements referred to in subsection (1)(d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned....”*

Section 41 of the Public Finance Management Act (PFMA) furthermore states *that an accounting officer of a department must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require....”*

Paragraph 15(a) to (c) of the Public Auditing Act states that: *“the Auditor-General has at all reasonable times full unrestricted access to Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee; Any of the assets of or under the control of the auditee; or Any staff member or representative of the auditee....”*

Technical indicator description – method of calculation states that: *“A count of the aggregate work opportunities created/reported. Work opportunity is paid work created for an individual on an EPWP project for any period of time. The same person can be employed on different projects and each period of employment will be counted as work opportunity.....”*

The ministerial determination 4: Expanded Public Works Programme dated 04 May 2012 paragraph 12(1)(a) to (e) and 12.2 – Keeping records it states that: *“Every employer must keep a written record of at least the worker’s name and position; copy of an acceptable worker identification; in the case of task-rated worker, the number of tasks completed by the worker; in the case of a time-rated worker, the time worked by the worker; payments made to each worker. The employer must keep this record for a period of at least three years after completion of the EPWP”*

Nature

During the audit of the EPWP projects at the various public bodies, the following beneficiary’s attendance registers were not provided for audit purposes.

No	Project code	Name of the Project	Province: Public Body	Number of beneficiaries where attendance were not submitted
1	79934-EPWP3M	Security Services At GTM	Limpopo: Greater Tzaneen	20
2	84898-EPWP3M	CDM-Pump Operators	Limpopo: Capricorn	261
3	82887-EPWP3N	Waterberg Magistrates Gardening Services	Limpopo: DPW	4
4	72052-EPWP3M	Street Cleaning Urban	Limpopo: Polokwane	45
5	6410-EPWP3M	Kwanobamba / Ezitendeni water supply project	Kwazulu/ Natal: Uthukela	3

No	Project code	Name of the Project	Province: Public Body	Number of beneficiaries where attendance were not submitted
6	71193-EPWP3M	JabavuNgonini Land Care Project	Kwazulu/ Natal: Umzinyathi	1
7	54921-EPWP3M	WS6522_Western Aqueduct	Kwazulu/ Natal: eThekweni Metro	68
8	47153-EPWP3M	Buffelsdraai	Kwazulu/ Natal: eThekweni Metro	38
9	57340-EPWP3M	Point Duty Officers	Western Cape: Bitou	7
10	58939-EPWP3N	Labour/Saldanha Bay and Pepper Bay Harbour	Western Cape: DPW	3
11	81181-EPWP3M	Beautification	Free State: Dihlabeng	11
12	85568-EPWP3M	Service delivery and cleaning	Free State: Lejweleputswa	1
13	67355-EPWP3M	Paterson Waste Water Treatment	Eastern Cape: Sundays River Valley	19
14	49192-EPWP3M	Tri Annual Construction of minor sewerage	Eastern Cape: Nelson Mandela Bay	16
15	66748-EPWP3M	Tourism and Cultural Services	Eastern Cape: Nelson Mandela Bay	19
16	72762-EPWP3M	Service Delivery JCPZ	Gauteng: City of Johannesburg Metro	33
17	4586-EPWP3M	HIV and Aids Community Outreach Programme (Volunteers)	Gauteng: City of Tshwane Metro	102
18	71822-EPWP3M	RRT Feeder Routes (71248)	North West: Rustenburg	22
Total				673

Impact of the finding

Non-compliance with PFMA section 40(3) (a)

The quarter 2 data reported submitted for audit might be overstated.

Non-compliance with ministerial determination 4: Expanded Public Works Programme dated 04 May 2012.

Limitation of scope in confirming the reported information pertaining to work opportunities created

Internal control deficiency

Financial and Performance Management

The department did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

EPWP Projects are not adequately reviewed against the supporting documentation to ensure that work opportunities created are supported by valid supporting documentation

Recommendation

It is recommended that:

The department should increase their visibility at the public bodies and adequately review the projects at the public bodies for compliance with the Ministerial Handbook.

The department should follow up on all findings noted by the internal, external auditors and also findings from their visits to public bodies to ensure that corrective measures have been implemented.

The department should also obtain evidence from the public bodies that the corrective measures have been implemented on all other EPWP projects not selected for the audit.

Management response

I am in agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

1. Keeping of these records by reporting public bodies are prescribed by EPWP guidelines.
2. It is evident that the public body could not provide the required documents to the AGSA.

For projects not implemented by the Department of Public Works, the following must be noted:

- Proper record-keeping was evidently not implemented by the public body. The Department relies on the public body for this.
- Inadequate record-keeping by reporting public bodies can only be detected through actual visits to the public body and inspection of record by the Department. The Department does not have the funds and required human resource to monitor all the projects in this way continually.
- Whether such visits take place or not, proper record-keeping and oversight is an administrative responsibility of the reporting public body.

Auditor's conclusion

Management responses were noted. The findings will be followed up during the final audit, therefore this issue remains unresolved and will be included in the management report.

3. EPWP – Proof of payments were not provided/ submitted.

Requirements

Section 40(a) and (b) of the Public Finance Management Act (PFMA) states that: *“The accounting officer for a department must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards; must prepare financial statements for each financial year in accordance with generally recognized accounting practice...”*

Section 40(3)(a) of the Public Finance Management Act (PFMA) states that: *“The annual report and audited financial statements referred to in subsection (1)(d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned....”*

Section 41 of the Public Finance Management Act (PFMA) furthermore states that *“an accounting officer of a department must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require....”*

Paragraph 15(a) to (c) of the Public Auditing Act states that: *“the Auditor-General has at all reasonable times full unrestricted access to Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee; Any of the assets of or under the control of the auditee; or Any staff member or representative of the auditee....”*

Technical indicator description – method of calculation states that: *“A count of the aggregate work opportunities created/reported. Work opportunity is paid work created for an individual on an EPWP project for any period of time. The same person can be employed on different projects and each period of employment will be counted as work opportunity.....”*

The ministerial determination 4: Expanded Public Works Programme dated 04 May 2012 paragraph 12(1)(a) to (e) and 12.2 – Keeping records it states that: *“Every employer must keep a written record of at least the worker’s name and position; copy of an acceptable worker identification; in the case of task-rated worker, the number of tasks completed by the worker; in the case of a time-rated worker, the time worked by the worker; payments made to each worker. The employer must keep this record for a period of at least three years after completion of the EPWP.....”*

Nature

During the audit of the EPWP projects at the various public bodies, the following beneficiary’s proof of payment were not provided for audit purposes.

No	Project code	Name of the Project	Province: Public Body	Number of work opportunities where proof of payments not provided
1	79934-EPWP3M	Security Services At GTM	Limpopo: Greater Tzaneen	19
2	84898-EPWP3M	CDM-Pump Operators	Limpopo: Capricorn	60
3	82887-EPWP3N	Waterberg Magistrates Gardening Services	Limpopo: DPW	7
4	72052-EPWP3M	Street Cleaning Urban	Limpopo: Polokwane	62
6	64137-EPWP3M	ZDM Operation	Kwazulu/ Natal: Zululand	7
7	54921-EPWP3M	WS6522_Western Aqueduct	Kwazulu/ Natal: eThekwin Metro	68
8	47153-EPWP3M	Buffelsdraai	Kwazulu/ Natal: eThekwin Metro	38

No	Project code	Name of the Project	Province: Public Body	Number of work opportunities where proof of payments not provided
9	57340-EPWP3M	Point Duty Officers	Western Cape: Bitou	2
10	58939-EPWP3N	Labour/Saldanha Bay and Pepper Bay Harbour	Western Cape: DPW	2
11	81181-EPWP3M	Beautification	Free State: Dihlabeng	7
12	82090-EPWP3M	Construction of 383 toilet top structures	Free State: Mantsopa	1
13	67355-EPWP3M	Paterson Waste Water Treatment	Eastern Cape: Sundays River Valley	19
14	49192-EPWP3M	Tri Annual Construction of minor sewerage	Eastern Cape: Nelson Mandela Bay	16
15	66748-EPWP3M	Tourism and Cultural Services	Eastern Cape: Nelson Mandela Bay	82
16	72762-EPWP3M	Service Delivery JCPZ	Gauteng: City of Johannesburg Metro	16
17	4586-EPWP3M	HIV and Aids Community Outreach Programme (Volunteers)	Gauteng: City of Tshwane Metro	100
18	71822-EPWP3M	RRT Feeder Routes (71248)	North West: Rustenburg	11
	Total			517

Impact of the finding

Non-compliance with PFMA section 40(3) (a)

The quarter 2 data reported submitted for audit might be overstated.

Non-compliance with ministerial determination 4: Expanded Public Works Programme dated 04 May 2012.

Limitation of scope in confirming the reported information pertaining to work opportunities created

Internal control deficiency

Financial and Performance Management

The department did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

EPWP Projects are not adequately reviewed against the supporting documentation to ensure that work opportunities created are supported by valid supporting documentation

Recommendation



It is recommended that:

The department should increase their visibility at the public bodies and adequately review the sample of projects at the public bodies for compliance with the Ministerial Handbook.

The department should follow up on all findings noted by the internal, external auditors and also findings from their visits to public bodies to ensure that corrective measures have been implemented.

The department should also obtain evidence from the public bodies that the corrective measures have been implemented on all other EPWP projects not selected for the audit.

Management response

I am in agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

1. Keeping of these records by reporting public bodies are prescribed by EPWP guidelines.
2. It is evident that the public body could not provide the required documents to the AGSA.

For projects not implemented by the Department of Public Works, the following must be noted:

- Proper record-keeping was evidently not implemented by the public body. The Department relies on the public body for this.
- Inadequate record-keeping by reporting public bodies can only be detected through actual visits to the public body and inspection of record by the Department. The Department does not have the funds and required human resource to monitor all the projects in this way continually.
- Whether such visits take place or not, proper record-keeping and oversight is an administrative responsibility of the reporting public body.

Auditor's conclusion

Management responses were noted. The findings will be followed up during the final audit, therefore this issue remains unresolved and will be included in the management report.

4. EPWP – ID copies were not provided/ submitted.

Requirements

Section 40(3)(a) of the Public Finance Management Act (PFMA) states that: *“The annual report and audited financial statements referred to in subsection (1)(d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned....”*

Technical indicator description – method of calculation states that: *“A count of the aggregate work opportunities created/reported. Work opportunity is paid work created for an individual on an EPWP project for any period of time. The same person can be employed on different projects and each period of employment will be counted as work opportunity.....”*

The ministerial determination 4: Expanded Public Works Programme dated 04 May 2012 paragraph 12(1)(a) to (e) and 12.2 – Keeping records it states that: *“Every employer must keep a written record of at least the worker’s name and position; copy of an acceptable worker identification; in the case of task-rated worker, the number of tasks completed by the worker; in the case of a time-rated worker, the time worked by the worker; payments made to each worker. The employer must keep this record for a period of at least three years after completion of the EPWP.”*

Nature

During the audit of the EPWP projects at the various public bodies, the following beneficiary's ID copies were not provided for audit purposes.

No	Project code	Name of the Project	Province: Public Body	Number of ids not provided
1	79934-EPWP3M	Security Services At GTM	Limpopo: Greater Tzaneen	23
2	84898-EPWP3M	CDM-Pump Operators	Limpopo: Capricorn	20
3	82887-EPWP3N	Waterberg Magistrates Gardening Services	Limpopo: DPW	5
4	72052-EPWP3M	Street Cleaning Urban	Limpopo: Polokwane	49
5	6410-EPWP3M	Kwanobamba / Ezitendeni water supply project	Kwazulu/ Natal: Uthukela	1
6	61490-EPWP3M	Hobsland to Indaka Bulk Water Feeder Main - Stage 2	Kwazulu/ Natal: Uthukela	16
7	64137-EPWP3M	ZDM Operation	Kwazulu/ Natal: Zululand	2
8	47153-EPWP3M	Buffelsdraai	Kwazulu/ Natal: eThekweni Metro	40
9	58939-EPWP3N	Labour/Saldanha Bay and Pepper Bay Harbour	Western Cape: DPW	24
10	67355-EPWP3M	Paterson Waste Water Treatment	Eastern Cape: Sundays River Valley	3
11	49192-EPWP3M	Tri Annual Construction of minor sewerage	Eastern Cape: Nelson Mandela Bay	23
12	66748-EPWP3M	Tourism and Cultural Services	Eastern Cape: Nelson Mandela Bay	36
13	4586-EPWP3M	HIV and Aids Community Outreach Programme (Volunteers)	Gauteng: City of Tshwane Metro	112
14	71822-EPWP3M	RRT Feeder Routes (71248)	North West: Rustenburg	1
	Total			355

Impact of the finding



Non-compliance with PFMA section 40(3) (a)

The quarter 2 data reported submitted for audit might be overstated.

Non-compliance with ministerial determination 4: Expanded Public Works Programme dated 04 May 2012.

Limitation of scope in confirming the reported information pertaining to work opportunities created

Internal control deficiency

Financial and Performance Management

The department did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

EPWP Projects are not adequately reviewed against the supporting documentation to ensure that work opportunities created are supported by valid supporting documentation

Recommendation

It is recommended that:

The department should increase their visibility at the public bodies and adequately review the sample of projects at the public bodies for compliance with the Ministerial Handbook.

The department should follow up on all findings noted by the internal, external auditors and also findings from their visits to public bodies to ensure that corrective measures have been implemented.

The department should also obtain evidence from the public bodies that the corrective measures have been implemented on all other EPWP projects not selected for the audit.

Management response

I am in agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

1. Keeping of these records by reporting public bodies are prescribed by EPWP guidelines.
2. It is evident that the public body could not provide the required documents to the AGSA.

For projects not implemented by the Department of Public Works, the following must be noted:

- Proper record-keeping was evidently not implemented by the public body. The Department relies on the public body for this.
- Inadequate record-keeping by reporting public bodies can only be detected through actual visits to the public body and inspection of record by the Department. The Department does not have the funds and required human resource to monitor all the projects in this way continually.
- Whether such visits take place or not, proper record-keeping and oversight is an administrative responsibility of the reporting public body.

Auditor's conclusion

Management responses were noted. The findings will be followed up during the final audit, therefore this issue remains unresolved and will be included in the management report.

DRAFT

5. EPWP – Beneficiaries listed on beneficiary list not employed on the project

Requirements

Public Finance Management Act (PFMA) section 40(3)(a) states that: “*The annual report and audited financial statements referred to in subsection (1)(d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned....*”

Technical indicator description – method of calculation states that: “*A count of the aggregate work opportunities created/reported. Work opportunity is paid work created for an individual on an EPWP project for any period of time. The same person can be employed on different projects and each period of employment will be counted as work opportunity.....*”

Nature

During the audit of EPWP projects at the various public bodies, the following deviation was noted:

The beneficiaries listed below for the projects were reported as beneficiaries on the EPWP reporting system including the number of days worked. However, during the audit of the project we noted that the beneficiaries did not work on the project as attendance register and proof of payment could not be obtained.

No	Project code	Name of the Project	Province: Public Body	Number of beneficiaries not part of the project
1	71193-EPWP3M	JabavuNgonini Land Care Project	Kwazulu/ Natal: Umzinyathi	1
2	52947-EPWP3N	Metrox Area 1 Cape Town Court	Western Cape: DPW	1
3	85568-EPWP3M	Service delivery and cleaning	Free State: Lejweleputswa	1
4	72762-EPWP3M	Service Delivery JCPZ	Gauteng: City of Johannesburg Metro	2
5	77727-EPWP3N	Baviaanspoort Prison Emthonjeni Youth Centre	Gauteng: DPW	1
6	71822-EPWP3M	RRT Feeder Routes (71248)	North West: Rustenburg	6
7	77395-EPWP3M	Cleaning Maintenance of Rtb Bus	North West: Rustenburg	3
	Total			15

Impact of the finding

Non-compliance with PFMA section 40(3)(a)

Work opportunities created for the financial year could be overstated.

Internal control deficiency

Financial and Performance Management

The department did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Beneficiary lists and attendance registers are not regularly reviewed to ensure that participants as per the attendance registers agree to the beneficiary list reported on the EPWP reporting system.

Recommendation

It is recommended that:

The department should perform frequent and adequate reviews of the beneficiary lists and attendance registers to ensure that the number days of beneficiaries worked and reported is accurate and valid.

Management response

I am in agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

1. Indications are that persons were incorrectly reported as participants in the projects in 2018/19.

For projects not implemented by the Department of Public Works, the following must be noted:

- The EPWP guidelines in terms of reporting was not followed by the public body.
- Beneficiary lists and attendance registers were evidently not regularly reviewed to ensure that all participants are correctly captured on EPWP reporting system. The Department relies on the public body for this.
- The EPWP RS is a reporting system. Validations on the compliance and internal consistency of captured data is possible, but incorrect reporting of participants can only be detected through actual site visits by the Department. The Department does not have the funds and the required human resource to monitor all the reported projects continually through site visits.
- Whether site visits take place or not, proper record-keeping and oversight is an administrative responsibility of the public body.

Auditor's conclusion

Management responses were noted. The findings will be followed up during the final audit to the Q4 participant list of the selected project, therefore this issue remains unresolved and will be included in the management report.

6. EPWP – EPWP projects were not reported on the EPWP reporting system

Requirements

Public Finance Management Act (PFMA) section 40(3)(a) states that: *“The annual report and audited financial statements referred to in subsection (1)(d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned....”*

Technical indicator description – method of calculation states that: *“A count of the aggregate work opportunities created/reported. Work opportunity is paid work created for an individual on an EPWP project for any period of time. The same person can be employed on different projects and each period of employment will be counted as work opportunity.....”*

Nature

The EPWP projects were not reported on the Q2 EPWP reporting system as at 30 September 2018.

No.	Project code	Project name	No of beneficiaries listed on the municipal records	Province: Public Body
1	57061	New Horizons: Upgrading of electrical Main Supply	Unknown	Western Cape: Bitou
2	57087	Kwa- Nokuthula: Upgrading of bulk electrical network	Unknown	Western Cape: Bitou
3	57064	Poortjies: Upgrading of water reticulation	Unknown	Western Cape: Bitou

Impact of the finding

Non-compliance with PFMA section 40(3) (a)

Work opportunities created for the financial year could be understated.

Internal control deficiency

Financial and Performance Management

The department did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Project lists are not regularly reviewed, validated and reported on the National Department of Public Works and Expanded Public Works Programs (EPWP) project list to ensure that all participants are captured on EPWP reporting system.

Recommendation

It is recommended that:

The department should perform adequate and frequent reviews of project lists and it must be reviewed by the senior officials to ensure that all the projects are captured on EPWP reporting system.

Management response



I am in agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

1. The projects were implemented in 2018/19, but not yet reported by the end of quarter 2 of 2018/19.
2. Feedback from the municipality indicates that in the case of Project 57061, the project information was not received from the contractor timely for reporting.
3. In the case of the other two projects, capacity issues internal to the reporting public body have led to the projects not being reported.

Please further note that:

- The Department is responsible for neither the implementation of projects, nor the collection of data from project sites. The data flow is from the contractor (implementing the project), to the consultant (if such is employed by the public body), then from the consultant to the public body and then lastly from the public body to the Department of Public Works through reporting on the EPWP RS.
- The projects were not reported by the public body despite feedback to the public body on the projects which it reported and follow-ups with the public body on the projects that it is implementing.
- Project lists of municipalities are regularly reviewed and the reporting of projects is monitored against it.
- At monthly MIG Monitoring Meetings there are follow-ups with municipalities to ensure that all EPWP projects that are implemented are reported.
- There is not an internal control deficiency that relates to this finding.

Auditor's conclusion

Management responses were noted. The findings will be followed up during the final audit to the Q4 participant list of the selected project, therefore this issue remains unresolved and will be included in the management report.

7. EPWP – Beneficiary paid two different amounts, in the same month and same day.

Requirements

Section 40(3)(a) of the Public Finance Management Act (PFMA) states that: *“The annual report and audited financial statements referred to in subsection (1)(d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned....”*

Technical indicator description – method of calculation states that: *“A count of the aggregate work opportunities created/reported. Work opportunity is paid work created for an individual on an EPWP project for any period of time. The same person can be employed on different projects and each period of employment will be counted as work opportunity.....”*

The ministerial determination 4: Expanded Public Works Programme dated 04 May 2012 paragraph 12(1)(a) to (e) and 12.2 – Keeping records it states that: *“Every employer must keep a written record of at least the worker’s name and position; copy of an acceptable worker identification; in the case of task-rated worker, the number of tasks completed by the worker; in the case of a time-rated worker, the time worked by the worker; payments made to each worker. The employer must keep this record for a period of at least three years after completion of the EPWP.....”*

Nature

During the audit of EPWP projects at EThekweni municipality, Project Buffelsdraai - 47153-EPWP3M the following findings were noted.

The following beneficiaries with same ID numbers and Physical address were paid two different amounts in the same month and day.

No	Name	ID	Date of payment	Amount
1	Ms NP Gcabashe	9106130304088	25/10/2018	2 330,46
2	Ms NP Gcabashe	9106130304088	25/10/2018	3 601,42

Impact of the finding

Non-compliance with PFMA section 40(3) (a)

The quarter 2 data reported submitted for audit might be overstated.

Non-compliance with ministerial determination 4: Expanded Public Works Programme dated 04 May 2012.

Internal control deficiency

Financial and Performance Management

The department did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

EPWP Projects are not adequately reviewed against the supporting documentation to ensure that work opportunities created are supported by valid supporting documentation

Recommendation

It is recommended that:

The department should follow up reason why the beneficiary was paid twice in the same month and day

The department should consider the reason provided by the public body and determine the impact of such action on the reported work opportunities and incentive granted to the municipality.

Management response

I am in agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

As per the recommendation of the AGSA, the reason for the duplicate payment and its impact must be considered.

Auditor's conclusion

Management responses were noted. The findings will be followed up during the final audit to the Q4 participant list of the selected project, therefore this issue remains unresolved and will be included in the management report.

DRAFT

ANNEXURE B: OTHER IMPORTANT MATTERS

Goods and Services

8. 2017/18 Accrual listing is under stated

Requirements

Section 38(1)(a)(1) of the Public Finance Management (PFMA) states that: *“The accounting officer for a department must ensure that that department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control”.*

Section 40(a) and (b) of the Public Finance Management Act (PFMA) states that: *“The accounting officer for a department must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards; must prepare financial statements for each financial year in accordance with generally recognized accounting practice...”*

Chapter 14 Provisions and Contingencies, paragraph 10.1 Identification and recording of the Accounting Manual for Departments *“Accruals – A department record an accrual when: Goods and Services have been received or supplied but have not been paid, invoiced or formally agreed with the supplier”*

Nature

During the performance of our audit of goods and services, we noted that the following services were received before 31 March 2018 but were not recorded on the accrual listing for 2017/18 financial year.

No	Batch no	Supplier	Service Received	Date services received	Date invoice received by Regional Office	Payment date by Regional Office	Amount
1	AP 2414112	Travel with Flair	Hotel Accommodation at Manhattan Hotel	28/01/2018 to 28/02/2018	09/02/2018	12/06/2018	53 945,00
2	AP 2404766	PhakisaWorld Fleet Solutions	Vehicle supplying	19/02/2017 to 21/03/2017	10/04/2017	20/06/2018	7 779,05
	Total						61 724,05

Impact of the finding

2017/18 Accruals disclosure note been understated with R61 724,05.

Internal control deficiency

Financial and performance management

The department did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

Recommendation

It is recommended that:

Management should enhance review of the interim financial statements prior to submission for audit purposes and ensure that all information that is included in the interim financial statements is accurate and fairly presented.

Management should make the necessary adjustments to the interim financial statement, based on their determination and audit finding raised.

Management response

I am in agreement with the finding for the following reasons, it was an oversight on our part and the population will be adjusted accordingly. The Accruals population as at 31/03/2018 will be adjusted with the amount of R61724,05.

Auditor's conclusion

Management comment noted. The finding will be followed up during the final audit therefore, this issue remains unresolved and will be included in the interim management report.

9. Payments not made within 30 day

Requirements

Section 38(1) (f) of the Public Finance Management Act (PFMA) states that: *“The accounting officer for a department must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period;”*

Regulation 8.2.3 of the Treasury Regulations states that: *“Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement.”*

Instruction Note number 34 of National Treasury dated 30 November 2011 Paragraph 4.1 to 4.7 and 4.11 states that: *“The accounting officer’s responsibility [in terms of section 38(1) (f)] to settle all contractual obligations and to pay all money owing, including intergovernmental claims, within the prescribed (30 days) or agreed period is hereby re-iterated; within thirty days (30) days from the date of this Instruction Note, all departments are required to have in place systems (processes and procedures) that will enable the tracking of each invoice received from the various service providers; the system referred to in paragraph 4.2 above may either be manual or electronic in nature and such a system must also be able to track progress with the processing of each invoice; at any given time, such a system must be able to provide information related to the date on which an invoice was received, the date on which it was paid and the time period between the date of receipt and the date of payment, if the invoice was indeed paid; the information required in paragraph 4.5 above must be submitted to the National Treasury within seven (7) days after the end of the preceding month in the format prescribed in the enclosed Annexure A; the accuracy of information in paragraph 4.5 must be confirmed by signature of the department’s accounting officer prior to its submission to the National Treasury; If accounting officers of national and provincial departments delegate the power to confirm the accuracy of information in paragraph 4.5 to their respective department’s chief financial officer or to any other functionary, the accounting officers are not divested of the responsibility concerning the exercising of the delegated power, as provided in section 44(1)(d) of the PFMA.”*

Nature

During the testing of goods and services the following payments were not made within 30 days from the date of receipt of the invoice.

No.	Batch no	Supplier	Invoice number	Date invoice received by Regional Office	Payment date of invoice	Days	Amount
1	AP 2414112	Travel with Flair	3638808	09/02/2018	12/06/2018	122	53 945,00
2	AP 2414116	Travel with Flair	3586898	05/03/2018	12/06/2018	98	18 160,00
3	AP 2404766	Phakisaworld Fleet Solutions	SIN06S200-059869	10/04/2017	20/06/2018	437	7 779,05
4	AP 2410771	Phakisaworld Fleet Solutions	SIN07S200-031631	10/01/2018	20/06/2018	161	7 628,02
5	AP 2419144	Vodacom PTY LTD	B284759546	23/08/2018	28/11/2018	92	2 587,16
6	AP 2419135	Vodacom PTY LTD	B291911747	23/08/2018	28/11/2018	92	6 714,71
7	AP 2419135	Vodacom PTY LTD	B307917474	11/10/2018	28/11/2018	47	1 378,02
Total							98 191,96

Impact of the finding

Non-compliance with Section 38(1) (f) of the Public Finance Management Act.

Non-compliance with Regulation 8.2.3 of the Treasury Regulation.

Non-compliance with Paragraph 4.1 of Instruction Note 34 of National Treasury.

Internal control deficiency

Leadership

Monitoring controls did not ensure that creditors were paid within the required 30 days of receipt of the invoice.

Financial and Performance Management

The department did not effectively review and monitor compliance with applicable laws and regulations

Management does not regularly monitor the effectiveness of controls with regards to the receiving, capturing and approval of invoices to ensure payment within 30 days from invoice date.

Sundry payment checklists are prepopulated and incorrectly completed by the relevant officials in SCM or Line function responsibility and Finance management responsibilities

Recommendation

It is recommended that:

It is recommended that payments be processed in a speedy manner without compromising internal controls.

Management should regularly monitor effectiveness of controls with regards to the receiving, capturing and approval of invoices to ensure payment within 30 days from invoice date on a sample basis at the regional office to ensure that the controls are effective.

Management should follow up the reasons why the invoices are not paid within 30 days of the receipt of the invoice, then corrective action need to be taken to address the control weaknesses.

Management Response

I am in agreement with the finding. Responsible line functions will be encouraged to process invoices in time so that they can be settled within 30 days' period.

Auditor's conclusion

Management agrees with the finding, therefore this issue remains unresolved and will be included in the management report as non-compliance with laws and regulations.

Information Systems

13. IT Governance - Vacant positions within information technology division

Nature

During the audit, it was noted that there was an established and approved IT department structure. However, the following listed positions were vacant:

- Solution Architect;
- Quality Assurers;
- Database Administrator;
- Network Architect;
- Application Architect;
- Ass Dir: Automation;
- Deputy Project Manager (ICT);
- Security Specialists; and
- DRP & BCP Specialist.

Impact of the finding

The inadequate staffing of the ICT division may result in inefficient service delivery and lack of segregation of duties within the ICT function which might lead to integrity of data being compromised.

Internal control deficiency

Leadership

Lack of implementation of appropriate key controls

DPW HR and Finance has not resolved the finding as previously reported, due to the implementation of the cost containment measures. Furthermore, IT vacant positions were not prioritised as key positions to be filled by the department.

Recommendation

It is recommended that:

Human Resource/ Finance together with the Chief Information Officer should ensure IT department is adequately structured and staffed to support the organisational goals. Furthermore, DPW Management should allocate adequate funds to IT to allow the department to fast track the process of appointing appropriately qualified and experienced personnel for the key vacant positions identified.

Management response

The implementation of cost containment measures, budget cuts and budget ceilings (Human Resource Budget Plan) contributed to the delayed and non-filing of posts in the Department.

In addition, the approved organisational structure and its implementation on the post establishment increased the number of positions and vacancies whilst the compensation budget remains insufficient. Having finalised the matching and placing processes, the department will soon engage in a process of identifying positions for filling informed by the availability of funds.

The Chief Directorate ICT is one of the DPW priorities for advertisement and filling of posts.

Auditor's conclusion

Management comments are noted; however, an assessment of the corrective actions agreed upon by management will be performed during the next financial audit.

DRAFT

14. Security Management - Inadequate Security Management controls

Security management ensures that security controls are implemented to prevent unauthorised access to the network and information systems that generate the information used to prepare the financial statements.

Nature

During the audit, the following security management processes weaknesses were noted:

Consideration was taken that an ICT Security Policy was developed, however the policy was still not approved;

There was no process in place to review the activity logs on active directory for security significant events;

Furthermore, there were some workstations which were not installed with the latest network agent/patches and anti-virus protection.

These matters were reported in 2017-18 financial year.

Impact of the finding

Security breaches and incidents may not be timely detected, which may affect the confidentiality, integrity and availability of the systems.

Internal control deficiency

Financial and performance management

Formal controls over IT Systems

Lack of consequence management for not resolving prior audit findings.

Recommendation

It is recommended that:

The Chief Information Officer should ensure that the required leadership direction and involvement is provided in the adequate design and implementation of operating system and network security controls. Management should consider implementing the following:

Commit to findings resolution by approving and implementing the Security management policy.

Ensuring that operating security logs are enabled and reviewed on the regular basis. The system administrators should review user activity logging at various levels, (i.e. network, operating system and application) on a regular basis.

Examples of user activity logs that should be activated at a minimum are the following:

- a) Failed user login attempts
- b) User account changes or deletions
- c) Object access denied logs
- d) Invalid requests

Ensure that antivirus updates and patches are implemented on the IT environment and deployed to all workstations within the department.

Management response

Management agrees with the finding. ICT Security policy has been drafted and in a process on being approved. This will assist to ensure that processes and security are enforced and followed. A process will be put in place to ensure that updates, patches and logs are done and registered.

Auditor's conclusion

Management comments are noted; however, an assessment of the corrective actions agreed upon by management will be performed during the next financial audit.

DRAFT

15. User Access Management

User access controls ensures that only valid and authorised users are allowed access to initiate and approve transactions on the system and that user access is adequately segregated when transactions are captured and approved.

15.1 Inadequate user access management controls on PERSAL

Nature

During the audit, it was noted that the PERSAL user account management procedure was in place; however, procedure did not provide adequate guidance on the process to follow when performing the following user access management activities:

Monitoring actions of the system controllers on application security level (creation of IDs, user ID maintenance, allocating functions to users etc.)

Periodic checks to ensure employees' access is commensurate with their job responsibilities

These matters were also reported in 2017-18 financial year.

Furthermore, the authorisation of the following users whose functions were modified during the period under review were not provided for audit purposes:

ADVISING USER		FUNCTIONS	DATE
190001	PBA760 NDLOVU	ADDED: 50619	20180518
190001	PBA604 MACHABA	ADDED: 50758	20180622
190001	PBA780 SHELENG	ADDED: 40329	20181001
190494	190860 SIBEKO	ADDED: 40845	20180522
190860	190001 KHUMALO	ADDED: 50619	20180518
191296	191313 MANZINI	ADDED: 40612	20181017

Impact of the finding

Without an adequately designed user account management procedure, there will be inconsistencies in processes followed for user creation, termination, modification of user accounts and resetting of user passwords. This weakness could compromise the integrity of data and ultimately financial statements. Furthermore, failure to perform user reviews might result in employees being granted excessive rights that would allow them to perform inappropriate activities on the applications such as fraud being committed on the systems.

Internal control deficiency

Financial and performance management

Formal controls over IT Systems

Lack of consequence management for not resolving prior audit findings.

Recommendation

It is recommended that:

PERSAL management or system controller should consult with BAS system controller to ensure that the current PERSAL user access management procedure is benchmarked with the BAS user access management procedure to update and include the following key requirements for implementation:

Monitoring actions of the system controllers on application security level (creation of IDs, user ID maintenance, allocating functions to users etc.)

Periodic checks to ensure employees' access is commensurate with their job responsibilities

The PERSAL management should commit to findings resolution by implementing adequate user access controls within the PERSAL environment.

Furthermore, ensure that there is a formal process in place to manage change of functions/ roles on the system.

Management response

PERSAL Controller's activities and performance is reviewed by the Director: Human Resource Administration.

Auditor's conclusion

Management comments are noted; however, it was noted that the comment does not address the finding raised. The finding will remain and be reported in the management report.

15.2 Inadequate user access management controls on Active Directory

Nature

During the audit, the following weaknesses were identified on Active Directory:

Consideration was taken that the Account Management Policy was developed, however it was still not approved.

Security questions were not asked by the administrator before resetting user password to confirm the identity of the user.

Review of administrator activities were not performed on a regular basis by an independent person.

Furthermore, there were active accounts that could not be linked to the specific user such as:

- ARCOS_Admi;
- SQLADMIN;
- PAYMENTS NSP;
- Bfn Accounts; and
- Invoice.

These matters were also reported in 2017-18 financial year.

Furthermore, it was noted that there was no process in place to suspend/disable/terminate user access on Active Directory who left the department.

Impact of the finding

Without an adequately designed user account management procedure, there will be inconsistencies in processes followed for user creation, termination, modification of user accounts and resetting of user passwords. This weakness could compromise the integrity of data and ultimately financial statements.

Internal control deficiency

Financial and performance management

Formal controls over IT Systems

Lack of consequence management for not resolving prior audit findings.

Recommendation



It is recommended that:

The CIO should ensure the following with regards to user access management on active directory:

Ensure that they expedite the process of approving the Account Management policy.

Ensure that the administrator introduces security questions to assist in identifying users for password reset.

Ensure that the activities performed by the users with administrator access is reviewed on a regular basis to ensure that only authorised activities were performed and evidence of review is retained for audit purposes.

Ensure that there is an implemented formal process to suspend/disable/terminate user access on Active Directory.

The ICT management should commit to findings resolution by implementing adequate user access controls within the AD environment

Management response

Management agrees with the finding. A policy has been drafted and in a process on being approved. This will assist to strengthen the security area around Active Directory. A process will also be put in place to ensure that all activities are managed properly and registered for record keeping purpose.

Auditor's conclusion

Management comments are noted; however, an assessment of the corrective actions agreed upon by management will be performed during the next financial audit.

16. IT Service Continuity - Inadequate IT service continuity controls

IT service continuity is the process of managing the availability of hardware, system software, application software and data to enable an organisation to recover/re-establish information systems services in the event of a disaster. The process includes Business Continuity Plan (BCP), Disaster Recovery Plan (DRP) and backups.

Nature

The following deficiencies were noted with regard to the management and implementation of IT Service Continuity/ Disaster Recovery processes at the department:

- a) Although Disaster Recovery Plan (DRP) was developed and approved, it was noted that the DRP was not tested in the financial year under review.
- b) There was no formal backup policy and procedure.
- c) There was no performance of periodic restoration of backups.
- d) There was no evidence to demonstrate that backups were taken to an offsite storage during the financial year.
- e) EPWP backups were performed, however evidence provided could not conclude that backups performed was not successfully backed up during daily backups. Furthermore, on weekly backups it could not be demonstrated that the backups were successful or unsuccessful and there was no date for the backups performed on weekly.

These matters were reported in 2017-18 financial year.

Impact of the finding

Without a comprehensively documented, tested and regularly updated Disaster Recovery and Business Continuity Plan, it might not be possible to recover the key business operations, critical systems, applications, their supporting infrastructure or networking capability in the correct sequence and time, to ensure that the department's business operations could be sufficiently resumed at an alternative processing site without considerable loss to its financial well-being and negative impact of service delivery should a disaster occur.

Internal control deficiency

Financial and performance management

Formal controls over IT Systems

Lack of consequence management for not resolving prior audit findings.

Recommendation

It is recommended that:

The Chief Information Officer should ensure that the DRP is periodically tested to ensure that the plan is practical with regard to its execution. During the testing process, the relevant role players in the disaster recovery process should receive the necessary training to ensure the success of the recovery process. Furthermore, document and approve the backup policy to include the following:

- a) Backup strategy
- b) Roles and responsibilities
- c) Backup frequency
- d) Retention period
- e) Backup window (time available each day to complete backups)
- f) Back restoration process
- g) On and off-site requirements
- h) Archival requirements
- i) Special media considerations

Management response

Management agrees with the finding. The DRP/ICT Service Continuity strategy is in place, the Chief Directorate ICT is in a process of putting in place a DR environment with full infrastructure to ensure that activities such as testing are done regularly.

ICT Security policy, which includes backups, has been drafted, adopted by EXCO and submitted for sign-off and final approval by the Accounting Officer. Chief Directorate ICT has a process which is follow to ensure that backups and retentions are done properly and in time. Full backup of ICT systems including EPWP system are done on weekly basis as per the backup procedure. Off-site storage is done at our Johannesburg regional office. Chief Directorate ICT has started a process to upgrade the overall backup solution to ensure that other features such as electronic archiving are available.

Auditor's conclusion

Management comments are noted; however, an assessment of the corrective actions agreed upon by management will be performed during the next financial audit

17. User access management EPWPRS system – Inadequately implementation of the user account management policy on EPWPRS

Nature

The following weaknesses were identified:

The approved system user account management state that for user to be assigned access to the EPWPRS have to complete the request for access form and entities letter head signed by the user's supervisor. However, request for access form and letter head signed by the user's supervisor was not yet implemented for the new user that requires access to be assigned on the EPWPRS. (Repeat finding)

The approved system user account management state that user that require profile to be change, they supervisors has to send email to the system administrator. However, user profiles were changed without supervisor sending email to the system administrator as the control was not yet implemented.

The approved system user account management state that privileged user access rights shall be review every six months and the activities of the privileges user account (Helpdesk and system administrator) shall be closed monitored and review by the senior manager: Data Quality and modelling on a monthly basis. However, review of privileged user access rights and their activities were not performed for the period under review.

They were six super administrators with conflict access such as admin, user/capture, authorizer, project owner and participant approver on the system. (Repeat finding)

The password configuration on EPWPRS system was not configured according to DPW password policy as the password attempts threshold and history was not set furthermore, review of login violations was not performed. (Repeat finding)

Impact of the finding

Users with unauthorised access to EPWPRS system might results in unauthorised project capture that could negatively impact data integrity and quality on the EPWPRS system.

Lack of review of the privilege activities and privilege user access right might result in ghost users created on the system that might have unauthorised access to confidential information or might compromise the data quality on EPWPRS system.

Unauthorised access to the EPWPRS system may be gained via weak password configuration management which could impact on the integrity and quality of data.

Internal control deficiency

Financial and performance management

Formal controls over IT Systems

EPWRS senior manager prioritised to implement action plan to the AGSA 17/18 findings in the new version to be rolled-out in 01 April 2019 as the current version had limitation.

Recommendation



It is recommended that:

Management should work together with the service provider to ensure that when the new version of the EPWPRS system is implemented the findings above are addressed and resolved.

Management response

User access requests for the current EPWP Phase 3 reporting system are done via email. A request is sent to system administrator. After verifications on the authenticity of the request, system access is granted. The implementation of the above mentioned policy is effective 1st April 2019 for the EPWP Phase 4 reporting system.

The current EPWP Phase 3 system has limitations and the above findings will be addressed in the new version of the EPWPRS system to be implemented during EPWP Phase 4.

The privileges of the system administrator and the helpdesk personnel were reviewed twice during the 2018/19 financial year. The first review was in September 2018 where no changes in privileges were effected as the functions of the officials did not change. The second review was at the end of the financial year whereby four helpdesk officials' accounts were revoked as their employment contracts has come to an end.

The single role of system administration is shared among the six helpdesk officials. The functions of the helpdesk is to effectively and efficiently assist system users' with challenges encountered during data capturing. The nature of the assistance necessitates full access by the helpdesk officials to the system in order to effectively assist users. This is due to the nature of the system design. All helpdesk activities are logged and are traceable. Reporting public bodies have full access to their information captured in the system and are able to monitor and track changes to their information. Only authorised and validated data is published. The updated version 2 EPWP Phase 4 system will address the above mentioned finding by separating the access rights of helpdesk officials from those of the system administrator. This implies that the system admin role will not have the ability to capture, update or authorise information.

The EPWPRS is only accessible to registered users. Configuration of the password strength is in line with the department's requirements for system access control, as per the department's password policy. It is noted that the system is not complying in terms of password attempts threshold. This has been reviewed to comply accordingly in the updated EPWP version 2 reporting system which will be implemented during the 2019/20 financial year.

Auditor's conclusion

Management responses are noted; however, the corrective actions agreed upon by management will be followed-up during the next audit.

However kindly provide evidence to the auditor for review of privileged user access rights and their activities performed for the period under review as per your comments above.

18. Program Change Management – Lack change control on EPWPRS**Nature**

The department did not have a change management process in place for EPWPRS, as result change log was not provided for audit purposes.

Impact of the finding

Without an adequate change management process, unauthorised change might be implemented to the production without the acknowledgement of the department and this could result in compromised information systems that do not fully support the business requirements and service interruptions.

Internal control deficiency*Financial and performance management*

Formal controls over IT Systems

The system was not yet handover to the department.

Recommendation

It is recommended that:

Management should ensure that the system is handover to the department and change controls are developed and implemented so that only authorised change are implemented to the live environment.

Management response

The EPWP system will be handed over to the Department in May 2019. The ICT has started the process for ensuring that the process of handover happens without challenges. The ICT change management process will be in effect as of May 2019.

Auditor's conclusion

Management responses are noted; however, the corrective actions agreed upon by management will be followed-up during the next audit