

## Summary of detailed audit findings

Page no.	Finding	Classification					Rating			Number of times reported in previous three years	Status of implementation of previous recommendation year(s)
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiencies	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 fourth quarter data.		X				X			3	In progress
	Predetermined objectives: Attendance register and proof of payment provided not reliable		X				X			0	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: Non submission of disability proof		X				X			0	In progress
	Predetermined objectives: Beneficiaries listed on the EPWP reporting system list not employed on the project		X				X			3	In progress
	Predetermined objectives: Beneficiaries listed on beneficiary list as persons with disability is incorrectly reported/ classified		X				X			0	In progress

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	Predetermined objectives: EPWP projects were not reported on the EPWP reporting system		X				X			3	In progress
	Predetermined objectives: Scope limitation - Programme 5		X				X			3	In progress
	Predetermined objectives: Reported performance information not valid		X				X			3	In progress
	Predetermined objectives: Reason for target not achieved not disclosed in the Annual Performance Report		X					X			
	Predetermined objectives: Differences between auditor's calculation and the reported result		X					X			
	Predetermined objectives: Reported performance information not valid		X					X			
	EPWP – Infrastructure training		X					X			
<b>Goods and services</b>											
	Goods and Services: Contractors: Invoiced amounts exceed quoted price and Items invoiced but not included on approved quote			X			X			0	In progress
	Goods and Services - Payments not made within 30 days.			X			X			0	In progress
	Travel and Subsistence: Non-compliance with the Travel and Subsistence Directive (Policy Advisor's Travel)			X			X				
	Goods and Services: Misclassification of Travel Agency Fees	X					X				
<b>Irregular expenditure</b>											
	Goods and Services: Contractors: Invoiced amounts exceed quoted price			X				X			



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	and Items invoiced but not included on approved quote										
	Goods and Services: Misclassification of Travel Agency Fees										
<b>Contract and Procurement management</b>											
	Publication of bidders			X			X				
<b>Compensation of employees</b>											
	Compensation of Employees: Employees could not be verified			X			X				
<b>Commitments</b>											
	Commitments – Understatement	X					X				
	Commitments – Duplication of Purchase Orders in the Commitments Schedule	X						X			
<b>Accrual</b>											
	Accrual - Understatement	X						X			
<b>Information systems</b>											
	Vacant positions within information technology division				X			X		3	In progress
	Inadequate security management controls.				X			X		3	In progress
	Inadequately user access management				X			X		3	In progress
	Inadequate IT service continuity controls.				X			X		3	In progress
	Lack change control on EPWPRS				X			X		0	In progress



## Detailed audit findings

### ANNEXURE A: MATTERS AFFECTING AUDIT REPORT

#### Predetermined Objectives

##### 1. EPWP – EPWP beneficiaries were not reported on the EPWP Q4 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 project at various public bodies, the following beneficiaries were included on the attendance registers and or proof of payments, but were not reported on quarter 4 (April 2018 to 31 March 2019) data submitted for audit.

However, with the subsequent quarter 4 (April 2018 to 31 March 2019) follow up for the public bodies identified during the interim audit, some beneficiaries were still not reported.

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	72052-EPWP3M	Street Cleaning Urban	Limpopo: Polokwane	1
4	6410-EPWP3M	Kwanobamba / Ezitendeni water supply project	Kwazulu/ Natal: Uthukela	1
5	71193-EPWP3M	JabavuNgonini Land Care Project	Kwazulu/ Natal: Umzinyathi	6
6	71114-EPWP3M	Isidingo Security	Kwazulu/ Natal: iLembe	9
7	47153-EPWP3M	Buffelsdraai	Kwazulu/ Natal: eThekweni Metro	7
8	57340-EPWP3M	Point Duty Officers	Western Cape: Bitou	6
9	52947-EPWP3N	Metrox Area 1 Cape Town Court	Western Cape: DPW	1



No	Project code	Name of the Project	Province: Public Body	Reported Work opportunities not reported
10	67850-EPWP3M	Women for change programme - women rising above ad	Western Cape: City of Cape Town Metro	5
11	58939-EPWP3N	Labour/Saldanha Bay and Pepper Bay Harbour	Western Cape: DPW	4
12	74029-EPWP3N	Parkroad SAPS	Free State: DPW	1
13	81181-EPWP3M	Beautification	Free State: Dihlabeng	12
14	85568-EPWP3M	Service delivery and cleaning	Free State: Lejweleputswa	15
15	82090-EPWP3M	Construction of 383 toilet top structures	Free State: Mantsopa	1
16	81687-EPWP3M	Parks and Beautification Tsantsabane	Northern Cape: Tsantsabane	1
17	81676-EPWP3M	Ward Committees	Eastern Cape: Engcobo	27
18	80546-EPWP3N	Mthatha Police Training College: Complete RR	Eastern Cape: DPW	1
19	67353-EPWP3M	SRV : Small Town Revitalisation Programme 17/18	Eastern Cape: Sundays River Valley	1
20	66748-EPWP3M	Tourism and Cultural Services	Eastern Cape: Nelson Mandela Bay	50
21	72762-EPWP3M	Service Delivery JCPZ	Gauteng: City of Johannesburg Metro	52
22	77727-EPWP3N	Baviaanspoort Prison Emthonjeni Youth Centre	Gauteng: DPW	1
23	4586-EPWP3M	HIV and Aids Community Outreach Programme ( Volunteers )	Gauteng: City of Tshwane Metro	98
24	64876-EPWP3M	Bushbuckridge Working on Waste Phase 2	Mpumalanga: Bushbuckridge	2
25	54973-EPWP3M	Road and Stormwater system development and main	Mpumalanga: Thaba Chweu	1
26	56979-EPWP3M	Mbombela Pollution Control and Management	Mpumalanga: City of Mbombela	4
27	71822-EPWP3M	RRT Feeder Routes (71248)	North West: Rustenburg	58
28	56370-EPWP3M	Gasebusho Community Project GTLM	North West: Dr Ruth Segomotsi Mompati	2
29	40608-EPWP3M	Cleaning of ELM Offices	Gauteng: Emfuleni	25
30	85578-EPWP3M	Dr Kenneth Kaunda DM Ward Based Cleaning Project	North West: Dr Kenneth Kaunda	2
31	76890-EPWP3M	Municipal Facilities Caretakers	North West: Ratlou	4
32	76924-EPWP3M	Commonage River Beds	Eastern Cape: Makana	7
33	89121-EPWP3M	Lenyenye Litter Picking Molebogeng	Limpopo: Greater Tzaneen	2
34	85331-EPWP3M	Mogalakwena Waste Management and Parks	Limpopo: Mogalakwena	24
35	79915-EPWP3M	18/19 Cleaning: Streets and Cemeteries	Western Cape: Matzikama	32
36	84608-EPWP3M	Temporary Workers	Western Cape: Cederberg	3
37	77493-EPWP3M	Waste Management	Western Cape: Bitou	2
38	77884-EPWP3M	Cleaning of Parks and Beatification	Free State: Masilonyana	5



No	Project code	Name of the Project	Province: Public Body	Reported Work opportunities not reported
39	80732-EPWP3M	Thabo Mofutsanyana SSETA Nated	Free State: Thabo Mofutsanyana	48
40	39300-EPWP3M	Xhariep Cleaning and Greening	Free State: Xhariep	11
41	56522-EPWP3M	Waste Management Phase 2	Mpumalanga: Victor Khanye	7
42	56607-EPWP3M	Moroka Cleaning of Municipal Facilities	Mpumalanga: Dr JS Moroka	1
43	82889-EPWP3M	Mopani Magistrates Gardening Services	Limpopo: DPW	6
44	61490-EPWP3M	Hobsland to Indaka Bulk Water Feeder Main - Stage 2	Kwazulu/ Natal: Uthukela	16
45	64137-EPWP3M	ZDM Operation	Kwazulu/ Natal: Zululand	1
46	81079-EPWP3M	Ndwedwe North System Refurbishment Water Scheme	Kwazulu/ Natal: iLembe	10
47	80310-EPWP3M	Bohlokong Construction of Lomond 2.6 km road	Free State: Dihlabeng	7
48	67747-EPWP3M	Upgrading of sport facilities Arthur Pitso Stadium	Free State: Mantsopa	2
49	84508-EPWP3M	Public Facilities Maintenance	Western Cape: Bitou	2
50	81726-EPWP3M	SAPS Garage Oudtshoorn	Western Cape: DPW	10
51	78793-EPWP3M	Rehabilitation of Fleet Street	Eastern Cape: Buffalo City Metro	42
52	67355-EPWP3M	Paterson Waste Water Treatment	Eastern Cape: Sundays River Valley	6
53	49192-EPWP3M	Tri Annual Construction of minor sewerage	Eastern Cape: Nelson Mandela Bay	40
54	77395-EPWP3M	Cleaning Maintenance of Rtb Bus	North West: Rustenburg	2
55	56482-EPWP3M	Cleaning Our Environment Christiana LTLM	North West: Dr Ruth Segomotsi Mompoti	1
56	84828-EPWP3M	Routine Road Maintenance Project	North West: Dr Kenneth Kaunda	16
57	76908-EPWP3M	SMMEs Support	North West: Ratlou	3
58	76923-EPWP3M	Peer Educators 2018	Eastern Cape: Makana	1
59	82952-EPWP3M	Upgrading of Gravel to Tar from Mohlonong to Kalks	Limpopo: Polokwane	1
60	79525-EPWP3M	Maintenance of Roads Infrastructure: Mphaphudi	Limpopo: Mogalakwena	6
61	86925-EPWP3M	Umdoni Grass Cutting	Kwazulu/ Natal: Umdoni	7
62	75849-EPWP3M	KDM 19 Waste management	Kwazulu/ Natal: KwaDukuza	2
63	14374-EPWP3M	Ehlanzeni Office Cleaning and Gardening	Mpumalanga: Ehlanzeni	1
64	56510-EPWP3M	Cleaning of Cemeteries Phase 2	Mpumalanga: Victor Khanye	12
<b>TOTAL</b>				<b>747</b>

## 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 participants should have been reported if documentation show participation in the project.

Name: Mr. Stanley Henderson  
Position: DDG: EPWP  
Date: 2 July 2019

### **Auditor's conclusion**

Management agree with the finding, therefore this matter will be reported in the management report



## **2. EPWP- Attendance register and proof of payment provided not reliable.**

### **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, 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 projects no. 84297-EPWP3M (Grass Cutting Project) at the Mandini Local Municipality, we noted that beneficiaries were not paid on their bank account but rather they were signing the attendance register as proof that they have received their wage. The attendance register and proof of payment is the same document.

On performing our audit procedures on the December 2018 and January 2019 attendance register and proof of payment, in certain instances we noted that some beneficiaries had signed twice for different individuals to have attended and received payment.

We further inspected the January 2019 attendance register and proof of payment to validate the beneficiaries signature and noted that the signatures differ significantly to that on the December 2018 attendance register and or proof payment.





Based on the above inconsistencies between the December 2018 and January 2019 signatures on attendance register and proof of payment, the work opportunities reported relating to this project is not valid.

No	First Name	Surname	ID Number	Amount paid
1	Siboniso Mbongeni	Buthlezi	9107315714083	1 800,00
2	Siyabonga Nikayiphi	Chili	8401215682081	1 800,00
3	Sbongile Pretty	Danisa	9106051432082	1 800,00
4	Nomthandazo Brightlady	Dlamini	9004060868083	1 800,00
5	Sbongile Makhosi	Dube	8406180421084	1 800,00
6	Sanelisiwe Lungile	Gcabashe	9505270479081	1 800,00
7	Nkosinathi Sifiso	Gina	7604215426083	1 800,00
8	Xolani Wlnsons	Gumede	9109156320087	1 800,00
9	Makhosonke Siphelele	Gumede	0001295682080	1 800,00
10	Sibongiseni Khulekani	Gumede	9308185391081	1 800,00
11	Thokozani Patrick	Gumede	8010085755081	1 800,00
12	Simphiwe Emmanuel	Gumede	9605045668081	1 800,00
13	Thembelihle Hlengiwe	Gumede	9004120894087	1 800,00
14	Siyabonga Kevin	Gwala	7712055845088	1 800,00
15	Siyabonga Wiseman	Gwamanda	8907225578085	1 800,00
16	Siphamandla Nhlanhla	Hlabisa	8608205707088	1 800,00
17	Thamsanqa Prince	Hlongwa	8712035440082	1 800,00
18	Nkosinathi Emmanuel	Khanyile	7604015968086	1 800,00
19	Thandanani Brian	Khawula	8812055935084	1 800,00
20	Thabani	Khawula	9710295962083	1 800,00
21	Innocent Simiso	Khoza	8208045656080	1 800,00
22	Nkosinathi Jabulani	Khumalo	8502015881086	1 800,00
23	Mfutheni Johan	Khumalo	7205235494083	1 800,00
24	Nhlakanipho Wiseman	Lembede	9308295482085	1 800,00
25	Gabi	Lingani	9507191120083	1 800,00
26	Nkosiyapha Welcome	Mabuyakhulu	8608115804082	1 800,00
27	Lindokuhle Asanda	Magubane	9903105249086	1 800,00
28	Mandla	Majola	7203037225086	1 800,00
29	Lindiwe Abigail Immaculate	Majola	9410120472081	1 800,00
30	Mthobisi Siphesihle	Mangele	8508145700088	1 800,00
31	Sibusiso Shadrack	Mapanga	8411085402080	1 800,00
32	Silindile Precious	Maphumulo	8604120429080	1 800,00
33	Sakhile Andile	Masondo	9512056559086	1 800,00
34	Sboniso Vincent	Mate	8907036268082	1 800,00
35	Khulasande Siyabonga Ridge	Mathonsi	0104105352082	1 800,00
36	Nkululeko	Mathonsi	9408185941081	1 800,00
37	Sabelo Wiseman	Mazibuko	9005075830083	1 800,00
38	Mpilwenhle	Mbanjwa	9804236295081	1 800,00



No	First Name	Surname	ID Number	Amount paid
39	Mlungisi Albert	Mbatha	9308195764087	1 800,00
40	Ntombifuthi Alice	Mbokazi	6201050896081	1 800,00
41	Sakhile Ronaldo	Mbokazi	9701245955087	1 800,00
42	Nolwazi Mpilo	Mbonambi	9605110712087	1 800,00
43	Nomvula Nomasonto	Mbonambi	9507200545080	1 800,00
44	Winile Solani	Mbuthu	9402070657084	1 800,00
45	Bongumusa Phelelani	Mchunu	8505056039084	1 800,00
46	Nomfundo Angeline	Mchunu	9204201009080	1 800,00
47	Ndabenhle Ayanda Innocent	Mchunu	8410075283088	1 800,00
48	Sibongakonke	Mdlalose	9502146141086	1 800,00
49	Siphephile Shadrack	Mdlalose	8910205481080	1 800,00
50	Mthokozisi Terrence	Mdletshe	9409055639086	1 800,00
51	Mondli Penvel	Mgenge	8902185419081	1 800,00
52	Thabani Romanus	Mhlongo	8908175457080	1 800,00
53	Sanele	Mhlongo	9909170727088	1 800,00
54	Simphiwe Brain	Miller	9112305741088	1 800,00
55	Sibonelo Hopewell	Mkhize	9111305612083	1 800,00
56	Xolani Haswell	Mkhize	7710275569082	1 800,00
57	Happy Boy	Mncwabe	9012016385086	1 800,00
58	Zenzele Professor	Mngadi	8611065401081	1 800,00
59	Sanele	Mpungose	9801255511083	1 800,00
60	Philani	Msane	9509256202087	1 800,00
61	Luyanda Thalente	Mthembu	9611275809080	1 800,00
62	Siyabonga	Mthembu	9307225863083	1 800,00
63	Thokozani Dexter	Mthiyane	7803115458085	1 800,00
64	Fanelesibonge Godgave	Mthiyane	9707120768081	1 800,00
65	Mzwandile	Mtshibe	8708265949081	1 800,00
66	Siphosethu Lethukuthula Godfrey	Mwandla	8812315362087	1 800,00
67	Siyanda Vovo	Ndlovu	9411195718085	1 800,00
68	Busani	Ndlovu	9508045660084	1 800,00
69	Mfundo Madoda	Ndlovu	8604285322088	1 800,00
70	Ndumiso	Ndwandwe	9703276242088	1 800,00
71	Siphiwo Zithulele	Ndwandwe	8709115664086	1 800,00
72	Zinhle Isabel	Ngcobo	8706011344086	1 800,00
73	Siyanda Fortune	Ngcobo	9308065545087	1 800,00
74	Bongumusa	Ngema	9711095692086	1 800,00
75	Masibonge Mlondi	Ngubane	9508065552088	1 800,00
76	Sabelo Thomas	Ngubane	9111175682083	1 800,00
77	Asanda	Nkatu	9110165779081	1 800,00
78	Theodora Nontobeko Sinaye	Nkwanyana	7810200765084	1 800,00



No	First Name	Surname	ID Number	Amount paid
79	Thandiwe Nelisiwe	Ntinga	7912051226081	1 800,00
80	Thokozani Rony	Ntshangase	8508145636084	1 800,00
81	Bhekinkosi Lindelani Wilfredson	Ntshangase	7609126088088	1 800,00
82	Nqobile Nkosikhona	Ntshangase	9007271080083	1 800,00
83	Makwande Mesuli	Ntuli	9605215520088	1 800,00
84	Zakhele Clement	Ntuli	9502215413085	1 800,00
85	Ndumiso	Nxumalo	9601186103087	1 800,00
86	Muzokhona Mishack	Nxumalo	9805075989080	1 800,00
87	Njabulo Nyakalo	Nyawo	8501216044080	1 800,00
88	Bheki Petros	Nyawo	7306215317086	1 800,00
89	Nqubeko Sipho	Nyawo	8312215387086	1 800,00
90	Senzo Velenkosini	Nzuza	8704216206085	1 800,00
91	Xolani	Phungula	8010175602086	1 800,00
92	Mthobisi Justice	Shandu	9503045734088	1 800,00
93	Mfundo	Shezi	9606055742089	1 800,00
94	Simphiwe Goodman	Shobede	8702065413083	1 800,00
95	Sakhile Zakhele	Sibiya	8805057021085	1 800,00
96	Silindile	Vilakazi	8605020756084	1 800,00
97	Sanele Nhlanhla	Vilakazi	9504265445082	1 800,00
98	Musawakhe Skhumbuzo	Xaba	9006196112088	1 800,00
99	Freedom Nkululeko	Xaba	8711055556082	1 800,00
100	Philani Mzwandile	Xulu	9411155803083	1 800,00
101	Bongekile Ignatia	Xulu	8109060737088	1 800,00
102	Nokwanda Precious	Zulu	9703030888085	1 800,00
103	Lwazi Muhle	Zulu	9411045679081	1 800,00
104	Nokuphila Precious	Zulu	9401281286089	1 800,00
105	Celiwe Betty	Zuma	7610050112084	1 800,00
106	Thandinkosi Gcina	Zungu	9510135693082	1 800,00
107	Phelelani Phwayinkosi	Zungu	9507315660089	1 800,00
108	Tholinhlanhla	Zungu	0001095598080	1 800,00
109	Silindile Ntombenhle	Zungu	9110271116087	1 800,00
	<b>TOTAL</b>			<b>R196 200,00</b>

### Impact of the finding

Non-compliance with PFMA section 40(3) (a) and Section 41

Non-compliance with Paragraph 15(a) to (c) of the Public Auditing Act

Non-compliance with Treasury Regulation 17.1

The reported annual report submitted for audit purposes 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.

A fraud prevention plan must form part of the EPWP procedure manual.

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 must strengthen the conditional grant conditions.

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]:

Keeping of these records by reporting public bodies are prescribed by EPWP guidelines.

It is evident that the public body could not provide the required documents to the AGSA.

Name: Mr. Stanley Henderson  
Position: DDG: EPWP  
Date: 1 July 2019

### **Auditor's conclusion**



Management agree with the finding, therefore this finding will be reported in the management report

### 3. 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	72052-EPWP3M	Street Cleaning Urban	Limpopo: Polokwane	4



No	Project code	Name of the Project	Province: Public Body	Number of beneficiaries where attendance were not submitted
2	6410-EPWP3M	Kwanobamba / Ezitendeni water supply project	Kwazulu/ Natal: Uthukela	2
3	71193-EPWP3M	JabavuNgonini Land Care Project	Kwazulu/ Natal: Umzinyathi	1
4	54921-EPWP3M	WS6522_Western Aqueduct	Kwazulu/ Natal: eThekweni Metro	68
5	47153-EPWP3M	Buffelsdraai	Kwazulu/ Natal: eThekweni Metro	36
6	81181-EPWP3M	Beautification	Free State: Dihlabeng	2
7	85568-EPWP3M	Service delivery and cleaning	Free State: Lejweleputswa	1
8	72762-EPWP3M	Service Delivery JCPZ	Gauteng: City of Johannesburg Metro	10
9	4586-EPWP3M	HIV and Aids Community Outreach Programme ( Volunteers )	Gauteng: City of Tshwane Metro	87
10	71822-EPWP3M	RRT Feeder Routes (71248)	North West: Rustenburg	17
11	40608-EPWP3M	Cleaning of ELM Offices	Gauteng: Emfuleni	5
12	76924-EPWP3M	Commonage River Beds	Eastern Cape: Makana	34
13	76773-EPWP3M	Umdoni Litter Picking Programme	Kwazulu/ Natal: Umdoni	4
15	79915-EPWP3M	18/19 Cleaning: Streets and Cemeteries	Western Cape: Matzikama	1
16	77884-EPWP3M	Cleaning of Parks and Beatification	Free State: Mafikeng	2
17	80732-EPWP3M	Thabo Mofutsanyana SSETA Nated	Free State: Thabo Mofutsanyana	89
18	39300-EPWP3M	Xhariep Cleaning and Greening	Free State: Xhariep	7
19	14370-EPWP3M	Ehlanzeni Safety Ambassadors (Social)	Mpumalanga: Ehlanzeni	1
20	56522-EPWP3M	Waste Management Phase 2	Mpumalanga: Victor Khanye	7
21	56607-EPWP3M	Moroka Cleaning of Municipal Facilities	Mpumalanga: Dr JS Moroka	10
22	67355-EPWP3M	Paterson Waste Water Treatment	Eastern Cape: Sundays River Valley	11
23	49192-EPWP3M	Tri Annual Construction of minor sewerage	Eastern Cape: Nelson Mandela Bay	16
24	72054-EPWP3M	Road Maintenance of EPWP projects In Emfuleni	Gauteng: Emfuleni	70
25	86925-EPWP3M	Umdoni Grass Cutting	Kwazulu/ Natal: Umdoni	1
26	75849-EPWP3M	KDM 19 Waste management	Kwazulu/ Natal: KwaDukuza	1
27	79922-EPWP3M	Upgrading of Roads and Stormwater in Vanrhynsdorp	Western Cape: Matzikama	1
28	56510-EPWP3M	Cleaning of Cemeteries Phase 2	Mpumalanga: Victor Khanye	2
	<b>TOTAL</b>			<b>490</b>

### Impact of the finding

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

The quarter 4 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]:

Keeping of these records by reporting public bodies are prescribed by EPWP guidelines.

It is evident that the public body could not provide the required documents to the AGSA.

Name: Mr. Stanley Henderson

Position: DDG: EPWP

Date: 24 June 2019

### **Auditor's conclusion**

Management agree with the finding, therefore this matter will be reported in the management report







#### **4, 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	72052-EPWP3M	Street Cleaning Urban	Limpopo: Polokwane	28
2	54921-EPWP3M	WS6522_ Western Aqueduct	Kwazulu/ Natal: eThekweni Metro	68
3	47153-EPWP3M	Buffelsdraai	Kwazulu/ Natal: eThekweni Metro	38
4	82090-EPWP3M	Construction of 383 toilet top structures	Free State: Mantsopa	1
5	66748-EPWP3M	Tourism and Cultural Services	Eastern Cape: Nelson Mandela Bay	80
6	72762-EPWP3M	Service Delivery JCPZ	Gauteng: City of Johannesburg Metro	2
7	4586-EPWP3M	HIV and Aids Community Outreach Programme ( Volunteers )	Gauteng: City of Tshwane Metro	2
8	71822-EPWP3M	RRT Feeder Routes (71248)	North West: Rustenburg	8
9	76924-EPWP3M	Commonage River Beds	Eastern Cape: Makana	34
10	85331-EPWP3M	Mogalakwena Waste Management and Parks	Limpopo: Mogalakwena	2
11	72065-EPWP3M	KwaDukuza Municipality Security Services	Kwazulu/ Natal: KwaDukuza	117
12	77884-EPWP3M	Cleaning of Parks and Beatification	Free State: Masilanyana	1
13	80732-EPWP3M	Thabo Mofutsanyana SSETA Nated	Free State: Thabo Mofutsanyana	107
14	39300-EPWP3M	Xhariep Cleaning and Greening	Free State: Xhariep	57
15	14370-EPWP3M	Ehlanzeni Safety Ambassadors (Social)	Mpumalanga: Ehlanzeni	1
16	56522-EPWP3M	Waste Management Phase 2	Mpumalanga: Victor Khanye	5
17	56607-EPWP3M	Moroka Cleaning of Municipal Facilities	Mpumalanga: Dr JS Moroka	7
18	67355-EPWP3M	Paterson Waste Water Treatment	Eastern Cape: Sundays River Valley	11
19	49192-EPWP3M	Tri Annual Construction of minor sewerage	Eastern Cape: Nelson Mandela Bay	16
20	72054-EPWP3M	Road Maintenance of EPWP projects In Emfuleni	Gauteng: Emfuleni	70
21	79525-EPWP3M	Maintenance of Roads Infrastructure: Mphaphudi	Limpopo: Mogalakwena	4
22	86925-EPWP3M	Umdoni Grass Cutting	Kwazulu/ Natal: Umdoni	1
23	79922-EPWP3M	Upgrading of Roads and Stormwater in Vanrhynsdorp	Western Cape: Matzikama	7
	<b>TOTAL</b>			<b>667</b>

### Impact of the finding

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

The quarter 4 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]:

Keeping of these records by reporting public bodies are prescribed by EPWP guidelines.

It is evident that the public body could not provide the required documents to the AGSA.

Name: Mr. Stanley Henderson  
Position: DDG: EPWP  
Date: 24 June 2019

### **Auditor's conclusion**

Management agree with the finding, therefore this matter will be reported in the management report



## 5. 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	84898-EPWP3M	CDM-Pump Operators	Limpopo: Capricorn	1
2	72052-EPWP3M	Street Cleaning Urban	Limpopo: Polokwane	29
3	6410-EPWP3M	Kwanobamba / Ezitendeni water supply project	Kwazulu/ Natal: Uthukela	1
4	47153-EPWP3M	Buffelsdraai	Kwazulu/ Natal: eThekweni Metro	4
5	66748-EPWP3M	Tourism and Cultural Services	Eastern Cape: Nelson Mandela Bay	2
6	4586-EPWP3M	HIV and Aids Community Outreach Programme ( Volunteers )	Gauteng: City of Tshwane Metro	32
7	71822-EPWP3M	RRT Feeder Routes (71248)	North West: Rustenburg	1
8	76924-EPWP3M	Commonage River Beds	Eastern Cape: Makana	7
9	79915-EPWP3M	18/19 Cleaning: Streets and Cemeteries	Western Cape: Matzikama	12
10	77884-EPWP3M	Cleaning of Parks and Beatification	Free State: Masilonyana	11
11	80732-EPWP3M	Thabo Mofutsanyana SSETA Nated	Free State: Thabo Mofutsanyana	103
12	61490-EPWP3M	Hobsland to Indaka Bulk Water Feeder Main - Stage 2	Kwazulu/ Natal: Uthukela	16



No	Project code	Name of the Project	Province: Public Body	Number of ids not provided
13	81726-EPWP3M	SAPS Garage Oudtshoorn	Western Cape: DPW	4
14	67355-EPWP3M	Paterson Waste Water Treatment	Eastern Cape: Sundays River Valley	3
15	49192-EPWP3M	Tri Annual Construction of minor sewerage	Eastern Cape: Nelson Mandela Bay	14
16	72054-EPWP3M	Road Maintenance of EPWP projects In Emfuleni	Gauteng: Emfuleni	44
17	56601-EPWP3M	Life Guards	Kwazulu/ Natal: Mandeni	1
18	79922-EPWP3M	Upgrading of Roads and Stormwater in Vanrhynsdorp	Western Cape: Matzikama	2
19	14374-EPWP3M	Ehlanzeni Office Cleaning and Gardening	Mpumalanga: Ehlanzeni	1
	<b>TOTAL</b>			<b>288</b>

### Impact of the finding

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

The quarter 4 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]:

Keeping of these records by reporting public bodies are prescribed by EPWP guidelines.

It is evident that the public body could not provide the required documents to the AGSA.

Name: Mr. Stanley Henderson

Position: DDG: EPWP

Date: 24 June 2019

### **Auditor's conclusion**

Management agree with the finding, therefore this matter will be reported in the management report

## 6. EPWP – Reported persons with disability evidence or supporting documentation were not provided.

### 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....”*

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 project at the various public bodies, the following deficiencies were identified:

The following reported persons with disability, the beneficiary’s evidence or supporting documentation were not provided for audit purposes.

No	Project code	Name of the Project	Province: Public Body	Number of proof of disability not provided
1	76924-EPWP3M	Commonage River Beds	Eastern Cape: Makana	2
2	81181-EPWP3M	Beautification	Free State: Dihlabeng	3
3	84898-EPWP3M	CDM-Pump Operators	Limpopo: Capricorn	3
4	72052-EPWP3M	Street Cleaning Urban	Limpopo: Polokwane	7
5	4586-EPWP3M	HIV and Aids Community Outreach Programme ( Volunteers )	Gauteng: City of Tshwane Metro	2
6	49192-EPWP3M	Tri Annual Construction of minor sewerage	Eastern Cape: Nelson Mandela Bay	1
	<b>TOTAL</b>			<b>18</b>

### Impact of the finding

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

The quarter 4 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 for persons with disability

### **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 pertaining to persons with disability 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 pertaining to the reporting of persons with disability.

### **Management response**

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

Accurate reporting of EPWP participation amongst designated groups depends on the collection of credible supporting documentation and accurate capturing on the EPWP RS.

It is evident that a shortcoming in this regard has been identified.

Name: Mr. Stanley Henderson

Position: DDG: EPWP

Date: 2 July 2019

### **Auditor's conclusion**

Management agree with the finding, therefore this matter will be reported in the management report





## 7. 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	57340-EPWP3M	Point Duty Officers	Western Cape: Bitou	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	71822-EPWP3M	RRT Feeder Routes (71248)	North West: Rustenburg	6
6	85578-EPWP3M	Dr Kenneth Kaunda DM Ward Based Cleaning Project	North West: Dr Kenneth Kaunda	2
7	79915-EPWP3M	18/19 Cleaning: Streets and Cemeteries	Western Cape: Matzikama	1
8	77395-EPWP3M	Cleaning Maintenance of Rtb Bus	North West: Rustenburg	3
9	79922-EPWP3M	Upgrading of Roads and Stormwater in Vanrhynsdorp	Western Cape: Matzikama	2
<b>TOTAL</b>				<b>19</b>

### 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]:

Indications are that the participants were incorrectly reported.

Name: Mr. Stanley Henderson

Position: DDG: EPWP

Date: 2 July 2019

## **Auditor's conclusion**

Management agree with the finding, therefore this matter will be reported in the management report



## **8. EPWP – Beneficiaries listed on beneficiary list as persons with disability is incorrectly reported/ classified**

### **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....”*

### **Nature**

During the audit of EPWP project at the Bitou Municipality, the following deviation was noted:

The beneficiaries listed below for the Point Duty Officers project was reported as persons with a disability on the EPWP reporting system including the number of days worked. However during the audit of the project the municipality indicated that these beneficiaries were incorrectly reported as persons with disability.

Name	Surname	ID Number	Project Code	Project Name
Mzimasi Lewis	Pinyana	6509055377083	57340-EPWP3M	Point Duty Officers
Anthony Arnold	Schwema	9205015213081	57340-EPWP3M	Point Duty Officers

### **Impact of the finding**

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

Persons with disability work opportunities created for the financial year is overstated.

### **Internal control deficiency**

#### *Financial and Performance Management*

The department did not implement effective controls to reconcile the beneficiaries reported as persons with disability evidence or supporting documentation to the beneficiaries reported on the EPWP reporting system.

Beneficiary lists and persons with disability evidence or supporting documentation are not regularly reviewed to ensure that all participants are correctly captured or classified on EPWP reporting system.

### **Recommendation**

It is recommended that:

The department should perform frequent, adequate reviews of beneficiary lists and persons with disability evidence or supporting documentation from the public bodies to ensure that all participants are captured and classified correctly 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]:

Accurate reporting of EPWP participation amongst designated groups depends on the collection of credible supporting documentation and accurate capturing on the EPWP RS.

It is evident that a shortcoming in this regard has been identified.

Name: Mr. Stanley Henderson

Position: DDG: EPWP

Date: 2 July 2019

**Auditor's conclusion**

Management agree with the finding, therefore this matter will be reported in the management report



## 9. 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 Q4 EPWP reporting system as at 31 March 2019.

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
4	Unknown	Valencia Bulk Water Supply	Unknown	Eastern Cape: Sundays River Valley
5	Unknown	Season Holiday Workers	Unknown	Western Cape: Matzikama
6	Unknown	Waste Pickers in the CBD Area	Unknown	Western Cape: Matzikama
7	Unknown	Maintenance of Municipality Vehicles	Unknown	Western Cape: Matzikama
8	Unknown	17/18 WCDM Disaster Management	Unknown	Western Cape: West Coast

### 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]:

The projects were on the business plan of the municipality and were known to be EPWP projects.

Despite repeated follow-ups with the municipality, the projects were not reported as information was not received by the Municipality from the contractors.

Name: Mr. Stanley Henderson  
Position: Deputy Director-General: EPWP  
Date: 3 July 2019

### **Auditor's conclusion**

Management agree with the finding, therefore this matter will be reported in the management report.



## 10. Predetermined objectives: Scope limitation - Programme 5 - COFF 16

### Requirements

Section 40(1)(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....”*

### Nature

During the audit of performance information relating for the Department of Public Works for the 2018/19 performance cycle, the following information requested was not submitted for audit pertaining to Programme 5: Prestige Policy

RFI No. 113

Date issued: 10 June 2019

Due date: 13 June 2019

Indicator 5.3: Percentage movable asset requests provided within 60 days after approval by prestige client		
No	Prestige client	Information required and not submitted
1	Minister in the Presidency (N Dlamini Zuma)	Request letter and Delivery note
2	House of Traditional Leaders (Chairperson)	Request letter and Delivery note
3	House of Traditional Leaders (Chairperson)	Request letter and Delivery note
4	OR Tambo House (The Presidency)	Request letter and Delivery note
5	Minister of Transport (B Nzimande)	Request letter and Delivery note
6	OR Tambo House	Delivery note
7	Minister of Finance (N Nene)	Request letter and Delivery note
8	Deputy Minister of DIRCO (R Mhaule)	Request letter and Delivery note
9	Minister of Human Settlements (N Mfeketo)	Delivery note
10	Deputy Minister of Transport (S Chikunga)	Request letter and Delivery note
11	Deputy Minister of Finance (M Gungubele)	Request letter and Delivery note
12	Minister of Health (A Motswaledi)	Request letter and Delivery note
13	Mahlamba Ndlopfu	Request letter and Delivery note
14	Mahlamba Ndlopfu	Delivery note
15	Minister of Transport (B Nzimande)	Request letter and Delivery note
16	Deputy Minister of Communication (P Kekana)	Request letter and Delivery note
17	Minister Motswaledi	Request letter and Delivery note
18	OR Tambo House	Request letter and Delivery note
19	Walmer B1	Request letter
20	33 Chardonnay	Request letter
21	No 11 Anselia Street	Delivery note
22	33 Chardonnay	Request letter and Delivery note
23	OR Tambo House	Request letter



Indicator 5.3:Percentage movable asset requests provided within 60 days after approval by prestige client		
No	Prestige client	Information required and not submitted
24	Nursery	Request letter and Delivery note
25	VIP House Bryntirion Estate	Request letter and Delivery note
26	Panorama 2	Request letter and Delivery note

### Impact of the finding

This finding may have a limitation of scope impact on the audit report.

### Internal control deficiency

#### *Financial and performance management*

Management 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 must submit the requested information as a matter of urgency.

### Management response

Management agrees with the findings. Here attached document as requested.

Name: Mzwandile Sazona

Position: Chief Director

Date: 8 July 2019

### Auditor's conclusion

Management response noted, however the information submitted relates the SCM documents for appointment of service provider not the request letters and delivery notes as requested in RFI 113, therefore the information submitted is not acceptable.

The finding is unresolved and will be reported in the management report.



## 11. Predetermined objectives: Reported performance information not valid- COFF 8

### 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....”*

### Nature

#### Programme 5: Prestige Policy

During the audit of performance information relating for the Department of Public Works for the 2018/19 performance cycle, it was noted that the following movable assets requests were incorrectly included in the supporting schedules as “provided within 60 days”. As per inspection of supporting documentation, these were not provided within 60 days of approval of request letter, but in period in excess of 60 days, as indicated by the table below:

Indicator 5.3-Percentage of movable assets requests provided within 60 days after approval by prestige clients				
No	Prestige client	Date of request	Date of delivery	Number of days lapsed
1	Paranoma 2 Minister of social development( S Shabangu)	10-May-18	30-Nov-18	204
2	OR Tambo house	25-May-18	15-Oct-18	143
3	OR Tambo house	25-May-18	26-Jul-18	62
4	OR Tambo house	25-May-18	02-Feb-19	253
5	Mahlamba Ndlopfu	25-May-18	27-Aug-18	94

The following request was incorrectly included as request for movable asset provided within 60 days, whereas it related to a relocation of asset:

Indicator 5.3-Percentage of movable assets requests provided within 60 after approval by prestige clients				
No	Prestige client	Date of request	Date of delivery	Assets requested
1	Minister of Higher Education	17-Apr-18	24-Apr-18	Relocation of furniture

### Impact of the finding

The reported performance information as contained in the Annual Performance Report may not be valid and accurate.



## Internal control deficiency

### *Financial and performance management*

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

## Recommendation

It is recommended that:

The department should implement processes to ensure that actual achievements reported on the quarterly reports and ultimately the annual performance report is valid and supported by sufficient and appropriate portfolio of evidence.

## Management response

I am in agreement with the finding that the following movable assets requests were incorrectly included in the supporting schedules as “provided within 60 days”.

The section did not submit the client approval form to indicate that the actual counting starts from the date of approval by client as opposed to the date of receipt of the client request.

Indicator 5.3-Percentage of movable assets requests provided within 60 days after approval by prestige clients				
No	Prestige client	Date of request	Date of delivery	Number of days lapsed
1	Paranoma 2 Minster of social development( S Shabangu)	10-May-18	30-Nov-18	204
2	OR Tambo house	25-May-18	15-Oct-18	143
3	OR Tambo house	25-May-18	26-Jul-18	62
4	OR Tambo house	25-May-18	02-Feb-19	253
5	Mahlamba Ndlopfu	25-May-18	27-Aug-18	94

I am also in agreement with the finding that the following the following request was incorrectly included as request for movable asset provided within 60 days, whereas it related to a relocation of asset:

Indicator 5.3-Percentage of movable assets requests provided within 60 after approval by prestige clients				
No	Prestige client	Date of request	Date of delivery	Assets requested
1	Minister of Higher Education	17-Apr-18	24-Apr-18	Relocation of furniture

Name: Mzwandile Sazona  
Position: Chief Director  
Date: 5 July 2019



**Auditor's conclusion**

Management response noted, the finding will remain and be included in the management report.

## Goods and Services

### 12. Goods and Services – Contractors- COFF 7

#### Requirements

Treasury Regulation paragraph 8.2.1 states that *“An official of an institution may not spend or commit public money except with the approval (Either in writing or duly authorised electronic means) of the accounting officer or a properly delegated or authorised officer.”*

Treasury Regulation 8.2.2 states that *“Before approving expenditure or incurring a commitment to spend, the delegated or authorised official must ensure compliance with any limitations or condition attached to the delegation or authorisation.”*

#### Nature

During the 2017/18 financial period, the department embarked on a tender process in order to appoint a service provider which would provide services related to state events. The bidders were required to quote prices per item on a specified list of items. The contract period was for 24 months, and explicitly required that prices be fixed for this term (as per terms of reference). Crocia Events was awarded the tender, and was thus the supplier for state events during the year under review.

During the audit of Goods and Services (Contractors) and Contract Management we noted the following discrepancies:

1. The prices that were charged on the invoice were different from the prices that were quoted on the pricing schedule that was submitted by the supplier during the tender process
2. The invoice that was submitted by the supplier for payment purposes included items that were not initially quoted as per pricing schedule (Quotation) which was submitted by the supplier during the tender process;

#### Invoiced amounts exceed quoted price

It was noted that an internal memorandum was attached to the payment batch stating that the items and prices on the invoice have been compared to the prices and items on the pricing schedule and that no differences were noted. These memorandums were submitted to the accounting officer to approve the payments for the state funerals. However, when comparing the invoices with the approved pricing schedule differences were identified as indicated on the table below:

Event	Supplier	Difference identified (Rand)	VAT (Rand)	TOTAL (Rand)
State Funeral for Mama Winnie Madikizela Mandela	Crocia Events	1 722 273,46	258 341,02	1 980 614,48
State Funeral for Zola Skweyiya	Crocia Events	2 887 088,76	433 063,31	3 320 152,07
State Funeral for Billy Modise	Crocia Events	67 100,00	10 065,00	77 165,00
<b>TOTAL</b>				<b>5 377 931,55</b>



#### Items invoiced but not included on approved quote

Furthermore, it was noted that there was no approval of variation for additional items and amounts that were included on the invoice and paid for, which did not appear on the approved pricing schedule submitted by the supplier, as indicated on the table below:

Event	Supplier	Difference identified (Rand)	VAT (Rand)	TOTAL (Rand)
State Funeral for Mama Winnie Madikizela Mandela	Crocia Events	14 592 557,54	2 188 883,63	16 781 441,17
State Funeral for Zola Skweyiya	Crocia Events	3 619 199,04	542 879,86	4 162 078,90
State Funeral for Billy Modise	Crocia Events	3 365 390,00	504 808,50	3 870 198,50
<b>TOTAL</b>				<b>24 813 718,57</b>

Please refer to Annexure A, B and C for detailed calculations.

#### **Impact of the finding**

Non-compliance with Treasury Regulation paragraph 8.2.1 and Treasury regulation 8.2.2 resulting in irregular expenditure of R30 191 650,12.

#### **Internal control deficiency**

##### *Financial and performance management*

Management did not review and monitor compliance with applicable laws and regulations. As a result, irregular expenditure was incurred.

Management did not implement controls over reconciling quotations received from suppliers and invoices submitted for payment

#### **Recommendation**

It is recommended that:

Management must enhance compliance procedures to ensure compliance with all prescribed laws and regulations.

The accounting officer must investigate the reasons for irregular expenditure and confirm if it was deliberate. The expenditure must be included in the irregular expenditure register

Management must revisit the population for expenditure relating to state events and determine if there are more misstatements and update the register. The workings must be submitted to the AGSA.

#### **Management response**

Management agrees with the audit findings. The root cause of the misstatement primarily was because of non-compliance to existing controls by Projects Managers and lack of adequate



controls. Upon discovery of the irregularity on the three funerals, management took the following action:

1. Removed the responsible officials (Project Managers) from events management including funerals.
2. Instituted a forensic investigation on the three funerals to determine the cause, extent and who is responsible for the irregularity, and it is expected to be completed by the end of July 2019.
3. Put in place more controls to ensure segregation of duties and proper approvals.
4. Developed costs norms and standards for provision of infrastructure for State, Official and Special Official funerals.
5. The business processes were reviewed to ensure the strengthening of controls.

Since the responsible Project Managers were removed from events management and more controls were put in place, there were no discrepancies that were identified on the invoices and quotations, were such exist proper approvals were applied for such deviations.

We are however undertaking to do further investigation on all funerals that were held in the financial year in question and results of which will be communicated with the AGSA.

Name: Mzwandile Sazona

Position: Chief Director

Date: 2 July 2019

#### **Auditor's conclusion**





### 13. Goods and Services - Payments not made within 30 days - CoFF PTA 3 and 4, HO 19

#### 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



No.	Batch no	Supplier	Invoice number	Date invoice received by Regional Office	Payment date of invoice	Days	Amount
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
8	AP 2413854	Konica Minolta		06/03/2018	31/05/2018	86	8 289,34
9	AP 2413867	Konica Minolta		25/02/2018	31/05/2018	126	8 289,34
10	AP 2421473	Department of Justice and Constitutional Development	Various Invoices	13/03/2018	08/02/2019	332	795 448,69
11	AP 2421469	Department of Justice and Constitutional Development	Various Invoices	13/03/2018	08/02/2019	332	280 866,66
<b>TOTAL</b>							<b>1 191 085,99</b>

### 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 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**

- Pretoria Regional Office

I am in agreement with the finding. The payments concerned were processed way after 30 days.

Responsible line functions will be encouraged to process invoices in time so that they can be settled within 30 days' period.

The official responsible will face consequence management.

Name: Tebogo Phiri  
Position: Regional Manager  
Date: 3 July 2019

- Head Office

### **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 pertaining to Section 38(1)(f) of the Public Finance Management Act and Treasury Regulations 8.2.3.



## Commitments

### 14. Commitments – Understatement - COFF 17

#### Requirements

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

Chapter 14, Paragraph 64 of Modified Cash Standard states that *“A department shall separately disclose its commitments for current expenditure and capital expenditure at the reporting date. In disclosing the commitments, the department shall differentiate between the following: a) Approved and contracted; and b) Approved but not yet contracted.”*

#### Nature

During the Audit of Commitments, we noted that the tenders included in the table below were awarded in the current financial period, however we could not trace them to the commitment schedule.

We were unable to determine the amount of expenditure to date as per the contracts awarded, however we confirmed that none of these contracts was expired as at 31 March 2019, and thus should have been included on the commitments disclosure in the annual financial statements.



No.	Tender No	Award Date as per the appointment letter	Expiry Date	Supplier Name	Project Description	Tender Amount "R"	Management Comments
1	HP17/021	17-Apr-18	16-Oct-19	Bisky Engineering & Associates, Ebamina Trading (Pty) Ltd t/a Inkanyiso Consulting, LTM Consulting Solution (Pty) Ltd and CA Petersen Building Consultant CC	Panel of consultants to provide mentorship services on the EPWP Vuk'Uphile Learnership Programme for a period of 18 months	As per rates tendered	<b>Do not Agree with finding</b> , as this is a rate based on tender once a need is identified an order will be captured as required from the Cost Centre and a commitment will be registered accordingly. OR-061515 for supplier name LTM Consulting Solution amounting to R106 3116.12 was reported on the LOGIS Commitment report for 31 March 2019 P47/RR083
2	HP17/005	17-May-18	15-Dec-22	NS Joint Venture	Provision of Technical Support to Provincial Departments and Municipalities implementing EPWP Infrastructure Sector: Cluster 3	22 671 048,55	<b>Do not Agree with finding</b> , The contract was awarded to Naidu and SMEC JV. OR-061693 for Naidu Consulting was reported on the LOGIS Commitments report for 31 March 2019 P38/RR083
3	HP18/006GS	29-Oct-18	Not indicated	Institute For Performance Management	Development of the 5 year strategic plan and Annual Performance Plans for DPW and the PMTE	3 135 337,00	<b>Agree with the finding</b> , The tender register that was used to complete the commitment listing was yet to be updated hence the omission
4	HP18/007GS	15-Oct-18	30-Dec-21	MIE	Procurement of database security screening services	1 470 098,27	<b>Agree with the finding</b> , The tender register that was used to complete the commitment listing was yet to be updated hence the omission
5	HP18/003GS	17-Oct-18	30-Dec-21	Imbawula Civil Projects (PTY)LTD	Provision of Training of contractors and supervisors in NQF 4 Supervision of Construction processes (ID49053) on the EPWP Vuk'uphile learnership programme for Sekhukhune District Municipality.	1 647 794,75	<b>Do not Agree with finding</b> , as OR-062203 Imbawula Civil Projects (PTY)LTD was reported on the LOGIS Commitment report for 31 March 2019 P33/RR083
6	HP18/002GS	16-Oct-18	30-Dec-21	Imbawula Civil Projects (PTY)LTD	Provision of Training of contractors and supervisors in NQF 4 Supervision of Construction processes (ID49053) on the EPWP Vuk'uphile learnership programme for Vhembe District Municipality.	706 197,75	<b>Agree with the finding</b> , The tender register that was used to complete the commitment listing was yet to be updated hence the omission
7	H18/010AI HP17/020	05-Mar-19	05-Mar-20	CA Petersen Building Consultant CC	Provision of mentorship services on the EPWP Vuk'Uphile Learnership Programme for Mathajabeng Municipality (Panel nomination HP17/020 on the EPWP Vuk' Uphile	1 141 753,70	<b>Do not Agree with finding</b> , OR- 062283, for CA Peterson Building Consultant CC was reported on the LOGIS Commitment report for 31 March 2019 P33/RR083



No.	Tender No	Award Date as per the appointment letter	Expiry Date	Supplier Name	Project Description	Tender Amount "R"	Management Comments
					Learnership Programme for Polokwane Municipality		
8	HP18/009GS	29-Mar-19	03-Apr-22	NS Joint Venture	Provision of technical support to Provincial Department and Municipalities implementing EPWP Infrastructure Sector, Cluster 2: EC,FS and WC - 36 months	20 994 337,47	<b>Agree with the finding,</b> The tender register that was used to complete the commitment listing was yet to be updated hence the omission
	<b>TOTAL</b>					<b>51 766 567,49</b>	



### **Impact of the finding**

This results in understatement of the commitments disclosed in the annual financial statements of an amount of R 51 766 567,49

### **Internal control deficiency**

#### *Financial and performance management*

Management did not implement controls over daily and monthly processing and reconciling of transactions to ensure that all tenders that are awarded in the current year are included in the commitment schedule at the correct commitment amount, therefore resulting in the understatement of commitments.

### **Recommendation**

It is recommended that:

Management must revisit the population of Commitments, calculate the correct commitment amount as at 31 March 2019 to be disclosed, and also determine if there are more Commitments that have not been included in the Commitment Schedule.

Thereafter the listing and the disclosure note should be updated with relevant information.

The updated listing and the updated Annual Financial Statements must be submitted to the Auditor General South Africa.

### **Management response:**

Management agree that from the tender register 4 commitments were omitted after reviewing the update register. The omitted commitments amounts to R26 305 970.49. kindly see management response on pages to 4 to 5 (above table)

Name: Aaron Mazibuko

Position: Chief Director

Date: 8 July 2019

### **Auditor's conclusion**

## ANNEXURE B: OTHER IMPORTANT MATTERS

### Predetermined Objectives

#### 15. Predetermined objectives: Reason for target not achieved not disclosed in the Annual Performance Report – COFF 09

##### 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....”*

##### Nature

During the audit of performance information relating for the Department of Public Works for the 2018/19 performance cycle, it was noted that the reason for not achieving the set target is not disclosed in the Annual Performance Report.

#### Programme 4: Property and Construction Industry and Policy research

Indicator 2: Developed Construction Industry Development Board amendment bill			
No	Target	Actual performance per APR	Comments on deviation
1	CIDB amendment bill submitted to minister for gazetting for public comments.	Proposed draft amendments on chapter 1 and 2 of the CIDB act of 2000 developed.	<p>Not disclosed</p> <p>Proposed amendments to CIDB Act and its Regulations require further consideration</p> <p>Conduct further consultation on the proposed amendments and source additional capacity to undertake research.</p>

##### Impact of the finding

Reported performance information may not be valid and accurate.

##### Internal control deficiency

##### *Financial and performance management*

Management 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 disclose reasons supported by corroborating evidence for indicators whose targets were not achieved.

**Management response**

Management agrees with the finding

Name: Sekamotho Mthembu

Position: Director

Date: 11 July 2019

**Auditor's conclusion**

Management response noted, this finding will remain and be included in the management report.

## 16. Predetermined objectives: Differences between auditor's calculation and the reported result – COFF 4

### 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...."*

### Nature

During the audit of performance information relating for the Department of Public Works for the 2018/19 performance cycle, the following differences were noted between the actual reported performance as per the Annual Performance Report and the listing submitted for audit:

### Programme 5: Prestige Policy

Indicator 3:Percentage of movable asset requests provided within 60 days after approval by prestige client			
No	Actual performance per APR	Actual performance per listing	Difference
1	79%	88%	9%

### Impact of the finding

The reported information as contained in the annual performance report is inaccurately reported.

### Internal control deficiency

#### *Financial and performance management*

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

### Recommendation

It is recommended that:

The department should implement processes to ensure that actual achievements reported on the quarterly reports and ultimately the annual performance report are accurate, valid and supported by sufficient and appropriate evidence.

### Management response

I am not agreement with the finding for the following reason:

The difference in Indicator 3: Percentage of movable asset requests within 60 days after approval by Prestige client can be attributable to the method of calculation, see attached remarks by the Department's Head of Monitoring and Evaluation, in his email dated 31 May 2019:

On the Percentage of movable assets requests provided within 60 days after approval by prestige client – we have broken it down quarterly (see table) and the actual performance is 79% and NOT 81 as this is average of averages. See below:

Quarter	Requests Received	Requests Provided	Percentage Request Provide
Q1	31	26	83,9
Q2	21	12	57,1
Q3	12	12	100,0
Q4	7	6	85,7
<b>Total</b>	<b>71</b>	<b>56</b>	<b>79</b>

Name: Mzwandile Sazona  
 Position: Chief Director: Prestige  
 Date: 14 June 2019

### Auditor's conclusion

Management comment noted and we are not in agreement with the response given.

Our recalculations on the listings provided notes a difference between Annual Performance Report and listings provided.

The recalculated performance as per the auditors have been calculated as follows:

Requests received	Requests provided	Percentage
43	38	88%

Therefore, the finding will remain and will be included in the management report.

**17. Predetermined objectives: Reported performance information not valid- COFF 11****Requirements**

Section 40(1)(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....”*

**Nature**

During the audit of performance information relating for the Department of Public Works for the 2018/19 performance cycle, it was noted that the reported achievement is not validated with appropriate supporting evidence. The bill was submitted to minister after year end.

**Programme 4: Property and Construction Industry and Policy research**

Indicator 4.1: Developed Public Work Bill			
No	Target	Actual performance per APR	Actual performance per supporting documentation
1	Draft Public Works bill submitted to minister for gazetting for public comments.	Comprehensive Public Works White Paper review report submitted to minister.	Bill submitted to minister-30 April 2019

**Impact of the finding**

Reported performance information may not be valid and accurate.

**Internal control deficiency***Financial and performance management*

Management 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 disclose reasons supported by corroborating evidence for indicators whose targets were not achieved.

**Management response**

Management disagrees with the finding based on the below statements and snapshot of the APR.

The annual target, in terms of the performance indicators (Page 106 and 107) and the technical indicator (Page 178 of the) 2018/19 APP was and reads as follows:

- “Draft Public Works Bill submitted to Minister for gazetting for public comment.”

Two consecutive meetings were convened with Ministry in March 2018 (Deputy Minister and later with the Minister). The main resolutions from the meetings were that:

- An intermediate deliverable: Diagnostic Review Report to be developed by July 2018 and was approved by the Minister before the end of the 2018/19 financial year; and
- The Policy Branch had to focus on developing a Comprehensive Policy Review Report as the final deliverable for the 2018/19 financial year. This therefore meant that the new focus deviated from the Annual Target stated in the 2018/19 Annual Performance Plan. The target to be reached then for the financial year then became the development of a Comprehensive Public Works White Papers Review Report (see attached as POE for APP4.1).

The Minister informed the Portfolio Committee of the change in focus and undertook to deliver a Comprehensive Policy Review Report as the annual target against KPI 1 of Programme 4, instead of a Public Works Bill as articulated in the 2018/19 APP. Policy Branch reviewed the Project Implementation Plan (PIP), galvanised resources and reported against the ‘new’ stated deliverables. No changes were effected on the 2018/19 APP. A principle understanding that the Portfolio Committee, as the highest structure for accountability, had been informed and had not raised objections against the changes to the target. The Report was developed and finalised prior to the 31<sup>st</sup> of March 2018, however it was submitted after the last day of the financial year.

However, for reasons articulated above and substantiated by evidence, there was a change in direction on the instruction of Ministry. The change in the direction was also communicated to the Portfolio Committee for Public Works. The august body endorsed the change; no objections were received from the Portfolio Committee. It is our firm belief and we motivate to AG that, in the context of the change in direction caused by Ministry, the annual target was achieved. The Report developed thus far is a critical part of the value chain towards policy and legislative processes. The Report has been submitted to the Minister for her consideration.

Name: Florence Rabada  
Position: Acting DDG: Policy, Research and Regulation  
Date: 4 July 2019

### **Auditor’s conclusion**

Management response noted.

We are not in agreement with the response as there was a change in target in the current year and the change was not disclosed in the Annual Performance Plan and the Annual Performance Report.

Therefore, the finding will remain and will be included in the management report.

## 18. EPWP – Infrastructure training - COFF 14

### Background

The National Youth Service (NYS) Programme was launched in April 2007 following the 2006 State of the Nation Address which called on the need to increase the participation of the youth in service delivery programme. The NYS Programme focuses on capital works and maintenance projects and forms part of the EPWP, a government programme aimed at alleviating poverty and unemployment among the poor in the country.

The Programme is implemented by the National Department of Public Works and provincial departments of public works.

The broad objectives of the Programme as indicated in the Guidelines for the Implementation of the National Youth Programme under EPWP (guidelines) are the following:

- Develop skills, knowledge and abilities of young people to enable them to make meaningful transition to adulthood; and
- Improve employability through opportunities for skills development, work experience and support to gain access to economic and further learning opportunities.

The guidelines also provide for exit interventions which relate to opportunities and pathways for participants after the programme has been completed. Young participants should be aware of the employment; further skills development or entrepreneurial opportunities they could realistically access once they have completed the programme.

The programme should ensure that there is a clear pathway that young people can pursue. In addition, NYS programmes must include a post-service component that actively supports young people to access economic opportunities. Finally, the programme must have begun the process of identifying and concretising these possible opportunities from the planning stages.

The following documents were used in conducting this audit which focussed on the effectiveness, efficiency and economical implementation of the infrastructure training:

- Guidelines for Implementation of the National Youth Service Programme under the Expanded Public Works Programme; and
- PFMA

The focus of the audit was on the following:

- Assess whether training was planned effectively;
- Determine whether the procurement of service providers for classroom training was done according to stipulated requirements;
- Determine whether the implementation of training was done according to the processes outlined in the NYS manual;
- Determine whether the management of beneficiaries/participants post training was done effectively and efficiently; and
- Assess the effectiveness of monitoring and reporting of training conducted.

### Nature

- **Briefing and Induction of participants**



Paragraph 5.3.1 of the NYS Guidelines states that the purpose of the NYS orientation programme is to provide platform for the broader NYS EPWP programme. It serves to set the stage for the overall learning that will take place.

The briefing and induction conducted at the start of training was not adequate in ensuring that participants clearly understood the process followed regarding training for projects audited in Pretoria and Mthatha regional offices.

The concerns raised by NYS participants and discussed during meetings relates to participants misunderstanding of the process.

Participants were not happy with the process followed during training. In some cases, the participants expected to just focus on the training for the trade they were recruited for without realising the end-to-end process of such work may entail more than their expectations. For example, being skilled in plumbing requires the participants to spend time in digging trenches in preparation for the laying of pipes and in some instances tiling, plastering and painting. The participants regarded this as unrealistic and this came up during an interview with one of the former participants who expressed dissatisfaction with the way training was managed.

The DPW officials responded that although this was explained to participants during orientation, the participants' concerns are unavoidable. It was also noted that some participants dropped out for mainly believing that the work they were doing was not part of their training programme.

The absence of a clearly spelt out orientation manual stipulating that mentoring and coaching of participants preceding trade related training may include additional tasks such as digging trenches resulted to the orientation of participants not being effective and resulting to concerns raised by participants.

- **Procurement of service providers for classroom training**

In terms of paragraph 7 of Guidelines for the Implementation of the NYS programme, authority to appoint service providers for classroom training was granted to the contractor. However, this was done without ensuring that provisions of section 38 (a) (iii) of PFMA was complied with.

In the Pretoria Regional Office for the Baviaanspoort Prison project, the contractor appointed a service provider for classroom training for an amount of R646 249,98 and this was done without ensuring that a transparent, competitive and cost-effective process was followed, since no other service providers were considered.

However, in the case of Mthatha Regional Office, a transparent, competitive and cost-effective process was followed, since three quotations were considered for the Mthatha Prison project, with the second lowest service provider at R368 299,80 being awarded the contract.

- **Project plan/Construction Schedule**

Paragraph 5.3 of annexure D to the guidelines for the implementation of NYS states that "the employer will ensure that the contractor provides opportunity for the technical training and life skills providers to periodically discuss progress with the participant in terms of a schedule provided by the contractor in the inception project training plan and will be reported on in the monthly operations meetings.

Paragraph 5.4 further states "that the employer shall reach an agreement with the contractor to ensure that the participant is provided with adequate and appropriate support in the work environment to achieve relevant outcomes of the Youth Service/EPWP Programme.



The mentor should be employed specifically for developing NYS beneficiaries, the contractor will indicate the target dates he needs to meet set in consultation with NDPW. This will also be outlined in the project training plan agreed upon in the inception meeting and will be reported on in the monthly operations meetings”.

The project training plan/schedule referred to above was not available when requested from the Pretoria and Mthatha Regional Offices for on-site training.

The only project training plans available were specifically for classroom training.

- **Management of participants during training**

Paragraph 6.2 of the Implementation phase of the guidelines requires that “...once on-site training starts, each participant should be given a logbook (Annexure I). These logbooks should be recorded daily and consistently to ensure that the work of participants is recorded and signed for by supervisors. This is meant to assist participants with a portfolio of evidence for work completed and thus increase their chance of accessing employment and further skills development where they can be taken through a process of Recognition of Prior Learning (RPL)”.

The same paragraph referred to above states that “the training provider must constantly monitor and assess the quality of training that participants receive while on site and ensure the smooth running of the project. The work of the participants should be monitored consistently to ensure that they are gaining the intended skills”.

It was found that participants were not supplied with logbooks and there was no evidence that these logbooks were monitored by the regional offices during the term of training.

For, example, in Mthatha the log-books referred to could not be provided when requested for audit purposes and the officials indicated that they did not have knowledge of such logbooks.

In Pretoria Regional Office, it was reported that it was difficult to get copies of logbooks from the contractor, but a promise was made that the Pretoria Regional Office would approach the contractor for a copy to confirm that the logbooks referred to were maintained. There was, however, no evidence from the Pretoria Regional Office that completion of logbooks had been done during training.

- **Monitoring of training**

The Mthatha Regional office did not adequately monitor the implementation of training but instead relied on the project managers and the contractor to provide information on aspects related to the trainees. This was due to absence of guidance from the Department, despite monitoring being a requirement in terms of paragraphs 2.3 and 8.1 of the guidelines for implementation of NYS training.

A participant on the project managed by Mthatha Regional Office highlighted that some of the participants including herself were only exposed to practical training in a simulated environment during workshop training. The exposure they received at the project site was not related to the training they signed for which was for plumbing. The absence of logbooks any monitoring report for the on-site training implies that there is no evidence to justify that the training took place as planned.

The monitoring reports provided by the two Regional Offices are minutes of meetings where training was discussed, but the issues discussed in these meetings related to cases of discipline and not progress and quality of training. There was nothing in the form of a monitoring report by the Regional Offices to disprove the allegations made by the participant, as such reports did not exist.

Similarly, the situation was the same with the Pretoria Regional Office.





- **Reporting of drop-out participants**

Paragraph 8.1 of the guidelines requires that when reporting on the participants exiting the programme the reasons for the drop-out should be stated. Without identifying the reasons for the participants leaving the programme, weaknesses in the programme will not be known and reasons for leaving may not be identified and addressed to avoid recurrence.

The exit reports provided indicated that there were drop-outs during training, but reasons thereof were not stated.

- **Exit Strategy**

Paragraph 1.5 (c) under introduction of the guidelines states that “the programme should ensure that there is a clear pathway that young people can pursue. In addition, NYS programme must include a post-service component that actively supports young people to access economic opportunities. The NYS programme management should include a plan that identifies and concretising these possible opportunities from planning stages.

However, from the NYS Projects audited there was no clear plan as to how the participants would be assisted after training. As a result, once the participants had exited the programme, there was no follow-up or strategy to assist them.

The workshop which is used as an exit strategy only comes at the end of training where stakeholders are invited to be part of certification. The participants are, however, provided with a tool box at the end of practical on-site training. Furthermore, the exit strategy is not funded and therefore does not have funds to explore means to assist participants for further opportunities.

Tracking of participants to assist them in finding opportunities was last done in 2012. This was partly due to lack of funds, since the exit strategy was not funded.

From the reports provided by the Department, the participants' absorption rates for the 2016/17 and 2017/18 financial years was low at 3,92% and 13,47 respectively as indicated in the table below:

The number of participants that exited the programme and the number absorbed			
Financial year	Total number exited	Total number absorbed	% absorption
2016/17	1 425	56	3,92
2017/18	1 062	143	13,47

The above picture raises a question of whether the level of skills provided through skills training under EPWP, matches what the labour market demands. This view does not disregard the unfortunate high rate of unemployment in the country.

### **Impact of the finding**

Inadequate communication during recruitment and briefing sessions to ensure that participants have a clear understanding of the process followed during training.

Inadequate measures to ensure that contractors comply with the principle of transparency, economy and effectiveness when procuring services of service providers for classroom training.

Absence of standard operating procedures (SOP) to guide regional offices on the implementation of infrastructure training including monitoring to ensure quality and effective training.

Unclear pathway that participants can pursue after training and lack of involvement of the Exit Strategy unit from the planning stage of training.

Non-availability of funding for the implementation of the exit programme

## Recommendations

It is recommended that:

Challenges experienced by various regional offices during training should be consolidated, with a view to developing an adequate communication strategy during recruitment and briefing sessions.

Awareness should be created to the contractors for ensuring that they comply with the principle of transparency, competitiveness, and cost-effectiveness when procuring service providers for classroom training.

The Standard Operating Procedures should be developed to ensure that there is a clear understanding of the process followed when implementing infrastructure training and also to ensure consistency in the management of infrastructure training.

The Exit Strategy should provide a clear pathway for the benefit of participants and the EPWP should also consider involving relevant stakeholders from the planning stage of the training process for effective absorption of participants after training.

The Department of Public Works should consider setting aside funding to support the implementation of the Exit Strategy to ensure its effectiveness. This should also include ensuring that an appropriate structure is created to ensure that the necessary support is provided to the participants.

## Management response

Management comment on root causes: The comment on the root causes are as follows:

1. In terms of communication during induction on training processes, management is of the view that there is adequate communication during recruitment and briefing sessions on the training process. This is evidenced by the fact that most of the learners recruited complete their training. A few learners are disgruntled and have the wrong attitude towards training and performing tasks on site.
2. On the issue of inadequate measures to ensure that contractors comply with the principle of transparency, economy and effectiveness when procuring services of service providers for classroom training, management agrees with the root cause identified. The Bill of Quantities will be modified to have a clause on how service providers for training should be procured to ensure fairness. The contractors will be monitored to ensure fairness in this regard.
3. Regarding the root cause of absence of standard operating procedures (SOP) to guide regional offices on the implementation of infrastructure training including monitoring to ensure quality and effective training, management disagrees with the finding. The National Youth Service guidelines act a Standard Operating Procedure (SOP) on training and provide guidance on how training should be conducted. What needs to improve is the monitoring of training as stipulated in the NYS guidelines. A directive will be given to NYS managers to ensure that they monitor training and provide learners with log books to ensure that the training provide on-site is documented.
4. On the issue of unclear pathway that participants can pursue after training and lack of involvement of the Exit Strategy unit from the planning stage of training, management does not agree with the notion that the path ways post training are not clear. The NYS guidelines define three possible pathways on exit as follows:



absorption by the contractor, creation of small business by participants and further training of the participants. Management agrees with the aspect of the root cause that the exit unit is not involved in planning of projects.

5. On the root cause of non-availability of funding for the implementation of the exit programme. Management does not agree with the root cause of lack of availability of funds. The exit strategy is dependent on the collaboration of external stakeholders like Contractors and Training institutions that the Department cannot dictate to. In order to improve the exit strategy implementation, there is need for more engagement of stakeholders.

Management comment on recommendations: The comment on the recommendations are as follows:

1. On the issue of consolidation of challenges on training and improvement of communication during recruitment and briefing sessions on training issues, Management is in agreement with the recommendation
2. Management is in agreement that awareness should be created to the contractors for ensuring that they comply with the principle of transparency, competitiveness, and cost-effectiveness when procuring service providers for classroom training. This will be done by amending the clause in the Bill of Quantities on training that is part of the contractor's contract.
3. Management is not in agreement with the recommendation that Standard Operating Procedures should be developed to ensure that there is a clear understanding of the process followed when implementing infrastructure training and also to ensure consistency in the management of infrastructure training. This is because these guidelines already exist in the form of the NYS guidelines. Awareness and compliance to the NYS guidelines will be improved through awareness workshops and monitoring.
4. Management does agree with the recommendation that the Exit Strategy pathway should be developed because this has been developed and is contained in the NYS guidelines. Management agrees with the recommendation that the NYS Exit unit should involve stakeholders in the planning of projects to improve exit.
5. Management does not agree with recommendation of setting aside funding for exit because funding for the Exit unit is available rather what is required is the engagement of more external stakeholders to get their buy in and collaboration to improve effectiveness of exit.

Remedial action:

What actions will be taken: The remedial actions that will be undertaken are as follows:

1. Better communication to participants during recruitment and briefing sessions will be done through development of communication materials like brochures.
2. Better monitoring of training will be done by conducting site visits and providing learners with log books.
3. The Bills of Quantities on training will be modified to ensure that there is a clause that specifies that the contractor must follow a fair process in the appointment of contractors.
4. The Exit unit will engage more stakeholders especially during planning and initial stages of projects to improve on implementation of Exit strategies.

Actions to be undertaken by:  
Ignatius Ariyo,  
Chief Director:  
EPWP  
Infrastructure  
Sector

Actions to be undertaken by 28<sup>th</sup>  
February  
2020.



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**Auditor's conclusion**

## Goods and Services

### 19. Travel and Subsistence: Non-compliance with the Travel and Subsistence Directive (Policy Advisor's Travel) – COFF 23

#### Requirements

Public Finance Management Act (PFMA) section 38(1)(a) states: *"The accounting officer for a department trading entity or constitutional institution 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."*

Paragraph 24.1 (2) and (4) of the Travel and Subsistence Directive Number P&L/2013/09 states: "Officials accompanying the Minister or Deputy Minister on international flights may no longer travel in the same class as both the minister or the Deputy Minister" and "Travelling in a more expensive class requires a detailed motivation and written approval from the Minister or in instances where no other class of travel is available from the CD: SCM"

#### Nature

While auditing Travel and Subsistence Expenditure it was identified that payments were made for international travel using business class for Dr. J Lewis (Policy Advisor). On further perusal of the payment batch it was noted that a memorandum requesting for ministerial authorization for officials to accompany the Minister on an official trip to Havana, Cuba from 28 March to 08 April 2018 was attached. The memorandum stated the classes that were going to be used by the officials accompanying the Minister together with the financial implications thereof, and was approved by the S Vukela (Director General) and Mr. TW Nxesi (Minister) on 27 March 2018.

However, no motivation was made stating the reasons why the officials were travelling in business class as required by the Travel and Subsistence Directive.

No	Supplier name	Date of trip	Payment Date	Batch Number	Amount "R"
1	Travel with flair	29-Mar-18	17-Apr-18	2412386	120 459,29

#### Impact of the finding

This results in non – compliance with the Travel and Subsistence Directive approved by the Accounting Officer

#### Internal control deficiency

*Financial and performance management*

*Management did not review and monitor compliance with applicable laws and regulations*

Management did not review and monitor compliance with the Travel and Subsistence Directive which has resulted in non – compliance with internal policies.

#### Recommendation

It is recommended that:

Management must ensure that they implement effective controls to ensure that officials of the department comply with internal policies

Management must ensure that remedial steps are taken against the officials that do not comply with internal policies of the department.

### Management response

I am in not/ agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

Description	Response	
Corrective action to be taken		
Does the finding affect an amount disclosed in the financial statements		
If yes, what corrections will be made to the population		
If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future.		
If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation.		
Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.)	Yes	No
If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated.		
Position of official responsible to take corrective actions		
Estimated completion date for corrective action		
Does management agree with the root cause indicated	Yes	No
If management does not agree with the root cause indicated, please provide the root cause according to management.		
Does management agree with the internal control deficiencies indicated	Yes	No
If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management.		

Name:

Position:

Date:

### Auditor's conclusion

No management response received as yet



## 20. Goods and Services: Misclassification of Travel Agency Fees – COFF 21

### Requirements

Public Finance Management Act (PFMA) section 38(1)(a) states: *“The accounting officer for a department trading entity or constitutional institution 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.”*

Classification circular 4 of 2005/06: Adjustments to the Standard Chart of Accounts (SCOA) states: *“The non-posting level item previously known as “Personnel Agency” fees (segment number 1059888) has been changed to “Agency fees” to provide for other types of agency fees. An additional account has been created for the monthly and/or annual fees paid to travel agencies in connection with the services rendered to a department. The item “Travel agency fees” has been added under the non-posting level item “Agency fees”.*

Standard Chart of Account (SCOA) defines Travel Agency Fees as follows: *“Cost incurred by departments for services rendered by a Travel Agency for the administration and management of travel arrangements of employees. It is important to note that any transaction relating to administration fee payable to a service provider is excluded from the scope of the agency fee account. Important: Fees payable to a car rental service provider in respect of traffic fines should not form part of departmental expenditure, but should be recovered from the employee receiving the traffic fine.”*

### Nature

The department appointed Travel with Flair to facilitate travel and accommodation and related expenditure by officials, other defined individuals and groups.

During the audit of goods and services (Travel and Subsistence and Venues and Facilities) we noted that the agency fees that the department paid to the travel agency were expensed to the travel & subsistence and venues & facilities line items instead of to travel agency fees, which is contradictory to the requirements of Classification circular 4 of 2005/06.

### • Travel and Subsistence Expenditure

Batch No: 2412386							
No	Date	Description	Invoice No.	Supplier	Actual Allocation as per GL	Correct SCoA allocation	Amount
1	16-Mar-18	Travel Management Fee	3659007	Travel With Flair	T&S Dom:Air Transport	Travel Agency fees	165,00
2	31-Mar-18	Travel Management Fee	3681134	Travel With Flair	T&S Dom:Air Transport	Travel Agency fees	195,00
3	16-Mar-18	Travel Management Fee	3658783	Travel With Flair	T&S Dom:Air Transport	Travel Agency fees	165,00
4	29-Mar-18	Travel Management Fee	3678302	Travel With Flair	T&S Dom:Air Transport	Travel Agency fees	195,00
5	29-Mar-18	Travel Management Fee	3677424	Travel With Flair	T&S Dom:Air Transport	Travel Agency fees	165,00
Batch No:2412666							
No	Date	Description	Invoice No.	Supplier	Actual Allocation as per GL	Correct SCoA allocation	Amount
1	27-Mar-18	Service Fees	Hof 0199300	Travel Adventures	T&S Dom: Car Rental	Travel Agency fees	66,14
2	22-Mar-18	Service Fees	Hof 0199142	Travel Adventures	T&S Dom: Car Rental	Travel Agency fees	66,14





3	28-Mar-18	Service Fees	Hof 0198746	Travel Adventures	T&S Dom: Car Rental	Travel Agency fees	66,14
4	28-Mar-18	Service Fees	Hof 0198825	Travel Adventures	T&S Dom: Car Rental	Travel Agency fees	66,14
5	29-Mar-18	Service Fees	Hof 0199017	Travel Adventures	T&S Dom :Car Rental	Travel Agency fees	66,14
6	28-Mar-18	Service Fees	Hof 0198749	Travel Adventures	T&S Dom: Car Rental	Travel Agency fees	66,14
7	28-Mar-18	Service Fees	Hof 0198749	Travel Adventures	T&S Dom: Car Rental	Travel Agency fees	66,14
<b>Batch No: 2412384</b>							
No	Date	Description	Invoice No.	Supplier	Actual Allocation as per GL	Correct SCoA allocation	Amount
1	20-Mar-18	Travel Management Fee	3662260	Travel With Flair	T&S Dom: Accommodation	Travel Agency fees	160,00
2	20-Mar-18	Travel Management Fee	3662308	Travel With Flair	T&S Dom: Accommodation	Travel Agency fees	160,00
3	31-Mar-18	Travel Management Fee	3679952	Travel With Flair	T&S Dom: Accommodation	Travel Agency fees	160,00
4	31-Mar-18	Travel Management Fee	3679726	Travel With Flair	T&S Dom: Accommodation	Travel Agency fees	160,00
5	31-Mar-18	Travel Management Fee	3679742	Travel With Flair	T&S Dom: Accommodation	Travel Agency fees	160,00
<b>Batch No: 2412476</b>							
No	Date	Description	Invoice No.	Supplier	Actual Allocation as per GL	Correct SCoA allocation	Amount
1	27-Feb -18	Travel Management Fee	3626184	Travel With Flair	T&S: Air Transport	Travel Agency fees	165,00
2	02-Mar-18	Travel Management Fee	3633572	Travel With Flair	T&S: Air Transport	Travel Agency fees	165,00
3	12-Mar-18	Travel Management Fee	3648461	Travel With Flair	T&S: Air Transport	Travel Agency fees	165,00
4	29-Mar-18	Travel Management Fee	3678305	Travel With Flair	T&S: Air Transport	Travel Agency fees	195,00
5	19-Mar-18	Travel Management Fee	3661564	Travel With Flair	T&S: Air Transport	Travel Agency fees	150,00
<b>Batch No: 2418534</b>							
No	Date	Description	Invoice No.	Supplier	Actual Allocation as per GL	Correct SCoA allocation	Amount
1	13-Sep-18	Travel Management Fee	3955009	Travel With Flair	T&S: Air Transport	Travel Agency fees	166,45
2	15-Oct-18	Travel Management Fee	4019885	Travel With Flair	T&S: Air Transport	Travel Agency fees	195,00
3	12-Oct-18	Travel Management Fee	4017680	Travel With Flair	T&S: Air Transport	Travel Agency fees	166,45
4	10-Oct-18	Travel Management Fee	4009979	Travel With Flair	T&S: Air Transport	Travel Agency fees	166,45
5	12-Oct-18	Travel Management Fee	4017406	Travel With Flair	T&S: Air Transport	Travel Agency fees	166,45
6	09-Oct-18	Travel Management Fee	4007751	Travel With Flair	T&S: Air Transport	Travel Agency fees	166,45
<b>TOTAL</b>							<b>4 015,23</b>

• **Venues and Facilities Expenditure**

<b>Batch No: 2418856</b>							
No	Date	Description	Invoice No.	Supplier	Actual Allocation as per GL	Correct SCoA allocation	Amount
1	13-Feb-18	Travel Agency Fees	197988	Travel Adventures	Venue and Facilities	Travel Agency fees	2 718,97





2	31-Oct-17	Travel Agency Fees	196957	Travel Adventures	Venue and Facilities	Travel Agency fees	276,14
3	31-Aug-17	Travel Agency Fees	191037	Travel Adventures	Venue and Facilities	Travel Agency fees	423,43
4	21-Dec-17	Travel Agency Fees	194372	Travel Adventures	Venue and Facilities	Travel Agency fees	370,94
<b>Batch No: 2415847</b>							
No	Date	Description	Invoice No.	Supplier	Actual Allocation as per GL	Correct SCoA allocation	Amount
1	05-Jul-17	Travel Agency Fees	3826848	Travel With Flair	Venue and Facilities	Travel Agency fees	50 919,77
<b>Batch No: 2419576</b>							
No	Date	Description	Invoice No.	Supplier	Actual Allocation as per GL	Correct SCoA allocation	Amount
1	20-Nov-18	Travel Agency Fees	4094806	Travel With Flair	Venue and Facilities	Travel Agency fees	4 460,69
2	15-Nov-18	Travel Agency Fees	4085537	Travel With Flair	Venue and Facilities	Travel Agency fees	9 945,42
3	19-Nov-18	Travel Agency Fees	4092972	Travel With Flair	Venue and Facilities	Travel Agency fees	58 067,04
<b>Total</b>							<b>127 182,40</b>

### Impact of the finding

The incorrect classification has resulted in the overstatement of T&S Dom: Accommodation, T&S Dom: Air Transport, T&S Dom: Car Rental, T&S: Air Transport, Venue and Facilities and an understatement of Travel Agency Fees as per the table above.

### Internal control deficiency

#### *Financial and performance management*

Daily and monthly reconciliations not performed

Inadequate reviews were performed prior to processing payments to ensure service fees and management fees expenditure for the travel management and accommodation agency is posted to the correct account.

Management has not implemented an effective reconciliation process to prevent and/or detect expenditure incorrectly classification.

### Recommendation

It is recommended that:

Implement all new and/or updated regulations circulars practice notes and acts and change internal policies accordingly.

Adequate reviews are performed on transactions prior to making payments to ensure that all transactions are correctly allocated on the system.

Management should revisit the total population to identify the extent of the incorrect classification which includes the comparative figure for the prior year.

Provide the auditors with all adjustments processed for inspection.



## Management response

I am in not/ agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

Description	Response	
Corrective action to be taken		
Does the finding affect an amount disclosed in the financial statements		
If yes, what corrections will be made to the population		
If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future.		
If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation.		
Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.)	Yes	No
If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated.		
Position of official responsible to take corrective actions		
Estimated completion date for corrective action		
Does management agree with the root cause indicated	Yes	No
If management does not agree with the root cause indicated, please provide the root cause according to management.		
Does management agree with the internal control deficiencies indicated	Yes	No

Name:

Position:

Date:

## Auditor's conclusion

No management comment received as yet



## Irregular Expenditure

### 21. Goods and Services – Contractors – COFF 18

#### Requirements

Treasury Regulation paragraph 8.2.1 states that *“An official of an institution may not spend or commit public money except with the approval (Either in writing or duly authorised electronic means) of the accounting officer or a properly delegated or authorised officer.”*

Treasury Regulation 8.2.2 states that *“Before approving expenditure or incurring a commitment to spend, the delegated or authorised official must ensure compliance with any limitations or condition attached to the delegation or authorisation.”*

#### Nature

During the 2017/18 financial period, the department embarked on a tender process in order to appoint a service provider which would provide services related to state events. The bidders were required to quote prices per item on a specified list of items. The contract period was for 24 months, and explicitly required that prices be fixed for this term (as per terms of reference). Croacia Events, Be Sure Production and Side Production were awarded tenders, and was thus the suppliers for state events during the year under review.

During the audit of Goods and Services (Contractors) and Contract Management we noted the following discrepancies:

- The prices that were charged on the invoice were different from the prices that were quoted on the pricing schedule that was submitted by the supplier during the tender process
- The invoice that was submitted by the supplier for payment purposes included items that were not initially quoted as per pricing schedule (Quotation) which was submitted by the supplier during the tender process;

#### Invoiced amounts exceed quoted price

We noted the differences below when comparing the invoices with the approved pricing schedule submitted by the supplier. It was also noted that the suppliers submitted amended quotations which had different prices that agreed with the amounts charged as per invoice, however we were not provided with approvals for the change in quoted prices.

Event	Supplier	Payment Batch Number	Difference identified (Rand)	VAT	TOTAL
				(Rand)	(Rand)
State Funeral for Mama Veronica Sobukwe	Croacia Events	2419110	108 100,00	16 215,00	124 315,00
State Funeral for M Mtshali	Croacia Events	2420349	317 370,00	47 605,50	364 975,50
BRICS Summit	Side Production	2418760	1 170,00	175,5	1 345,50
China State Visit	Side Production	2417704	555 530,00	83 329,50	638 859,50
Ghana State Visit	Side Production	2416023	152 400,00	22 860,00	175 260,00
<b>TOTAL</b>					<b>1 304 755,50</b>

#### Items invoiced but not included on approved quote



Furthermore, it was noted that there was no approval of variation for additional items and amounts that were included on the invoice and paid for, which did not appear on the approved pricing schedule submitted by the supplier, as indicated on the table below. With respect to the state funeral for Mama Veronica Sobukwe, there was an amount of R480 000 approved by the director-general which was taken into consideration. We however noted that there were additional amounts invoiced in excess of this amended approval, which is included in the table below.

Event	Supplier	Payment Batch Number	Difference identified (Rand)	VAT	TOTAL
				(Rand)	(Rand)
State Funeral for Mama Veronica Sobukwe	Croacia Events	2419110	1 072 088,70	160 813,30	1 232 902,00
State Funeral for M Mtshali	Croacia Events	2420349	46 200,00	6 930,00	53 130,00
BRICS Summit	Side Production	2418760	7 902 240,00	1 185 336,00	9 087 576,00
China State Visit	Side Production	2417704	676 950,00	101 542,50	778 492,50
Ghana State Visit	Side Production	2416023	296 500,00	44 475,00	340 975,00
<b>TOTAL</b>					<b>11 493 075,50</b>

Please refer to Annexure A, B, C, D and E for detailed calculations.

### Impact of the finding

Non – compliance with Treasury Regulation paragraph 8.2.1 and Treasury regulation 8.2.2 resulting in irregular expenditure of R12 797 831,00.

Understatement of irregular expenditure as disclosed on the annual financial statements.

### Internal control deficiency

#### *Financial and performance management*

Management did not review and monitor compliance with applicable laws and regulations. As a result, irregular expenditure was incurred.

Management did not implement controls over reconciling quotations received from suppliers and invoices submitted for payment

### Recommendation

It is recommended that:

Management must enhance compliance procedures to ensure compliance with all prescribed laws and regulations.

The accounting officer must investigate the reasons for irregular expenditure and confirm if it was deliberate. The expenditure must be included in the irregular expenditure register

Management must revisit the population for expenditure relating to state events and determine if there are more misstatements and update the register. The workings must be submitted to the AGSA.

### Management response



I am in not/ agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

Description	Response	
Corrective action to be taken		
Does the finding affect an amount disclosed in the financial statements		
If yes, what corrections will be made to the population		
If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future.		
If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation.		
Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.)	Yes	No
If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated.		
Position of official responsible to take corrective actions		
Estimated completion date for corrective action		
Does management agree with the root cause indicated	Yes	No
If management does not agree with the root cause indicated, please provide the root cause according to management.		
Does management agree with the internal control deficiencies indicated	Yes	No

Name:

Position: Director:

Date:

### Auditor's conclusion

No management response received as yet



## Procurement and contract management

### 22. Procurement and contract management- COFF 5

#### Requirements

Instruction note 32 section 3.2.1 states that *“within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.”*

#### Nature

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days. Furthermore, no evidence could be obtained that the details of the winning bidder was published in the government tender bulleting.

No	Tender Number	Advertisement date	Supplier	Amount (R')
1	HP18/006GS	20 July 2018	Institute for Performance Management (PTY) LTD	3 135 337,00

#### Impact of the finding

Non-compliance with instruction note 32 par 3.2.1

#### Internal control deficiency

##### *Financial and performance management*

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

#### Recommendation

It is recommended that:

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

#### Management response

I am in agreement with the finding for the following reasons:

The names of the bidders received were not published within 10 days as required. This was an oversight on the part of the relevant official and it occurred because the official was having x2 projects simultaneously with almost similar tender numbers (H18/006GS and HP18/006GS).

The official managed to successful publish bids received for tender number H18/006GS and the bid award.

The award however tender number HP/18/006GS was duly published on the Government Tender Bulletin and evidence has been attached as such. See attached proof of the published award on all platforms.

Name: Xolani Makhonco  
Position: Deputy Director  
Date: 13 June 2019

### **Auditor's conclusion**

Management comment noted however the finding remains and will be included in the management report.

## Compensation of employees

### 23. Compensation of Employees: Employees could not be verified – COFF 22

#### Requirements

Chapter 5 of the Public Finance Management Act (PFMA) section 40(1)(a) stipulates that the accounting officer for a department must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards, section 41 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 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.

#### Nature

During the audit of compensation of employees (Basic Salaries and Invalid Employees), it was noted that the below employees who were required to present themselves for physical verification as per Request for Information (RFI) 65 issued on the 5<sup>TH</sup> April 2019 and RFI 87 and 89 issued on the 17<sup>th</sup> May 2019 did not present themselves for verification:

Number	Persal No	Surname	Initials	RFI No
1	54117828	Wababa	TC	RFI 87
2	16794559	Davids	N	RFI 87
3	22718168	Buthlezi	D	RFI 65
4	27026281	Ndlovu	A	RFI 65
5	27157610	Masete	SKD	RFI 65
6	28615166	Josi	TT	RFI 65
7	28644034	Mabetwa	DL	RFI 65
8	28644051	Hlongoane	H	RFI 65
9	28644069	Nicodemus	PL	RFI 65
10	61025640	Nzimande	ES	RFI 65
11	19111096	Mothlamonyane	BT	RFI 65
12	28581016	Nkoana	KP	RFI 65
13	27749720	Tshabalala	LPD	RFI 65

#### Impact of the finding

The existence of the employees could not be verified which might result in the compensation of employees cost reflected in the Annual Financial Statements being overstated with the salaries and allowances paid to officials which do not exist.

#### Internal control deficiency





*Leadership*

Exercise oversight responsibility regarding internal controls were not exercised as the employees as per the listing could not verified.

**Recommendation**

It is recommended that:

Management must make ensure that employees that are required for physical verification make themselves available or supporting documents are submitted for employees that are on sick leave or resigned.

Where employees don't exist, management need to investigate the internal controls and any possible fraudulent payments made to the possible ghost employees.

**Management response**

I am in [not] agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

Description	Response	
Corrective action to be taken		
Does the finding affect an amount disclosed in the financial statements	Yes	No
If yes, what corrections will be made to the population		
If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future.		
If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation.		
Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.)	Yes	No
If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated.		
Position of official responsible to take corrective actions		
Estimated completion date for corrective action		
Does management agree with the root cause indicated	Yes	No
If management does not agree with the root cause indicated, please provide the root cause according to management.		
Does management agree with the internal control deficiencies indicated	Yes	No
If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management.		

Name:

Position:

Date:

**Auditor's conclusion**

No management comment received as yet



## Commitments

### 24. Commitments – Duplication of Purchase Orders in the Commitments Schedule- COFF 13

#### Requirements

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

Chapter 4, Paragraph 11 of Modified Cash Standard states that: *“Financial statements shall present fairly the financial position, financial performance and cash flows of a department. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Standard. The application of the Standard with additional disclosures when necessary is presumed to result in financial statements that achieve fair presentation.”*

#### Nature

During the audit of Commitments, we noted that the below purchase orders were duplicated on the commitments schedule used to compile the disclosure note:

No.	Service Provider	Batch Order Payment number	Remaining Commitments	Auditors Recalculation	Differences
1	Brandbase IT and Printing Solution	OR-062280	80 000,00	-	80 000,00
2	C A Petersen Building	OR-056940	3 681 163,92	-	3 681 163,92
<b>TOTAL</b>			<b>3 761 163,92</b>	<b>-</b>	<b>3 761 163,92</b>

#### Impact of the finding

Overstatement of Commitments recorded in the financial statements by R3 761 163,92

#### Internal control deficiency

##### *Financial and performance management*

Management did not implement controls over daily and monthly processing and reconciling of transactions to ensure that no duplications occur in the Commitment Schedule, as a result, Commitments Notes disclosed in the financial statement has been overstated by R3 761 163,92

#### Recommendation

It is recommended that:

Management must revisit the population of Commitments and determine if there are more misstatements and thereafter update the listing and the disclosure note. The updated listing and the updated Annual Financial Statements must be submitted to the Auditor General South Africa.

#### Management response



I am in agreement with the finding, it was an oversight; the department revisited the entire population and performed all tests to ensure completeness of commitments and the total overstated transactions amounts to **R 10 818 281.40**. The financial statements (Word and Excel) updated accordingly, See **Annexure A**.

Name: Azwihangwisi Negota

Position: Director

Date: 27 June 2019

**Auditor's conclusion**

## Accrual

### 25. Accrual – Understated – COFF 20

#### Requirements

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

Chapter 4, Paragraph 11 of Modified Cash Standard states that: *“Financial statements shall present fairly the financial position, financial performance and cash flows of a department. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Standard. The application of the Standard with additional disclosures when necessary is presumed to result in financial statements that achieve fair presentation.”*

#### Nature

During the audit of Accruals, we noted differences between the amount on the accrual listing and the amount on the supporting documents used to determine the accrual as at 31 March 2019. Refer to the below table for differences identified:

No	Service Provider	Description of service	Supporting document date	Date of receipt Goods/ Services	Amount per accrual listing	Invoice amount / open voucher amount	Differences
1	CathsSETA	Training	20-Sep-14	20-Sep-14	2 265 312,69	2 652 312,69	(387 000,00)

#### Impact of the finding

Accruals recorded in the financial statements were understated by R387 000,00.

#### Internal control deficiency

##### *Financial and performance management*

Management did not implement controls over daily and monthly processing and reconciling of transactions to ensure that the correct amounts as per the supporting documents is used to determine the accrual amount disclosed in the accrual listing, as a result, Accruals and Payables not Recognised Notes disclosed in the financial statement has been understated.

#### Recommendation

It is recommended that:

Management must revisit the population of Accruals and determine if there are more misstatements and thereafter update the listing and the disclosure note.

The updated listing and the updated Annual Financial Statements must be submitted to the Auditor General South Africa.

#### Management response



I am in not/ agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

Description	Response	
Corrective action to be taken		
Does the finding affect an amount disclosed in the financial statements		
If yes, what corrections will be made to the population		
If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future.		
If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation.		
Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.)	Yes	No
If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated.		
Position of official responsible to take corrective actions		
Estimated completion date for corrective action		
Does management agree with the root cause indicated	Yes	No
If management does not agree with the root cause indicated, please provide the root cause according to management.		
Does management agree with the internal control deficiencies indicated	Yes	No

Name:

Position: Director:

Date:

### Auditor's conclusion

Management response not received as yet



## Information Systems

### 26. 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 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

The implementation of the cost containment measures and budget cuts on the compensation budget contributed to the delayed and non-filling of in the Department.

#### Recommendation

It is recommended that:

Human Resource together with the Chief Information Officer should ensure that the IT organisational structure is reviewed on an annually basis to ensure that all vacant positions are filled. Furthermore, 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 vacant positions.

#### Management response

Management agrees with the finding.

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.

Name: Ernest Ledwaba

Position: Chief Director: Information and Communication Technology

Date: 10 September 2019

### **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.

## 27. Security Management

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.

### 27.1 Inadequate Security Management controls

#### 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.
- Ensure that antivirus updates and patches are implemented on the IT environment

#### Management response

Management agrees with the finding.





ICT Security policy has been drafted, adopted by EXCO and submitted for sign-off and final approval by the Accounting Officer. 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.

Name: Lindiswa Skhosana

Position: Director: System Operations

Date: 25 July 2019

**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.

## 27.2 Missing security updates and unsupported software on various systems

A patch is software developed and released by a vendor with the intention of correcting flaws in the software or operating system. Patches may include resolutions to security vulnerabilities or fixes to a malfunctioning component of the software.

### Nature

A total of one hundred and nineteen (119) internal hosts (e.g. production servers, switches, routers, etc.) were either running unsupported software, operating systems and/or databases, or missing critical and/or high risk security updates with exploits available.

The issues detected included:

- Missing Microsoft patches
- Unsupported operating systems, internet information services and application software
- Vulnerable Windows shares
- Cisco vulnerabilities
- Virtual machine vulnerabilities
- Vulnerable encryption

The following section details the vulnerabilities and their prevalence:

### a) Missing Microsoft patches

A total of thirty-four (34) servers were missing three critical and one high and one medium Microsoft security updates.

These updates corrected multiple flaws within the underlying operating systems and unauthorised individuals or attackers on the internal network could attempt to leverage these vulnerabilities in an attempt to gain access to confidential information hosted on these systems or limit valid users access to these systems by causing these systems to continuously reboot.

### b) Unsupported operating systems, internet information services and application software

A total of thirteen (13) systems on the network were out of date and no longer supported by the vendor. In addition, these servers were affected by vulnerabilities that could affect the overall availability of services these servers provide.

According to their version, the operating systems listed below were obsolete and would therefore no longer be maintained by the vendor or provider. Lack of support implies that the vendor will not release any new security patches for these products. As a result, they will probably contain security vulnerabilities.

An attacker could leverage these vulnerabilities to obtain access to sensitive information or disrupt the services provided by these operating systems.

### c) Vulnerable Windows shares

Microsoft Windows SMB shares unprivileged is when one or more shares that could be accessed remotely through the network with given credentials.



One (1) host have Microsoft Server Message Block 1.0 (SMBv1) shares enabled and if exploited it could allow an attacker to disclose sensitive confidential data, to execute arbitrary code or a denial of service.

#### **d) Cisco vulnerabilities**

A total of five (5) devices were running versions of the Cisco Internetwork Operating Systems (IOS) that were missing one or more high risk security updates and/ or contained bugs (technical issues) identified by the vendor.

A total of 3 missing patches and/or bug references were detected amongst the 2 systems, for example referenced:

- Cisco TelePresence Endpoint SIP INVITE Packet Flood DoS (cisco-sa-20170607-tele)
- Cisco TelePresence TC and TE Software Multiple Vulnerabilities (cisco-sa-20150513-tc)
- Cisco Wireless LAN Controller Multiple Vulnerabilities

Affected systems: 10.154.1.2, 10.130.1.10, 10.130.1.13, 10.130.1.7, cisco-lwapp-controller.ndpw.local

#### **e) Virtual machine vulnerabilities**

VMware ESXi is a management component of VMware that is not dependent on an operating system. It provides an independent operating console in a virtualised environment.

The version of VMware ESXi on ten (10) hosts was outdated, therefore, affected by multiple vulnerabilities including arbitrary code execution and information disclosure.

An unauthenticated, attacker can exploit this, via a crafted package, to execute arbitrary code or cause a denial of service condition thus disrupting services provided by these systems.

Affected systems: 10.128.78.80, 10.128.78.81, 10.128.78.82, 10.128.78.83, 10.128.78.84, 10.128.78.85, 10.128.78.86, 10.128.78.87, 10.128.78.88, 10.128.78.89

#### **f) Vulnerable encryption**

Open secure Shell (SSH), is a cryptographic network protocol to allow remote login and other network services to operate securely over an insecure network.

A total of seventeen (17) hosts were running SSH version 1.33 and/or 1.5 protocol. This version is not completely cryptographically safe. SSH version 1 is vulnerable to information leaking related vulnerabilities where attackers will attempt to intercept traffic that should be encrypted, and potentially decrypt portions of information.

Affected systems: 10.130.0.2, 10.130.0.242, 10.130.0.35, 10.130.0.52, 10.130.0.70, 10.130.0.84, 10.130.1.1, 10.130.10.1, 10.130.10.4, 10.130.40.1, 10.130.48.1, 10.130.10.5, 10.130.10.6, 10.130.2.1, 10.130.32.1, 10.130.36.1, 10.130.4.1

Secure Sockets Layer (SSL) are the standard security technology for establishing an encrypted link between a web server and a browser. This link ensures that all data passed between the web server and browsers remain private and secure. Due to its cryptographic vulnerabilities, SSL was therefore preceded by Transport Layer Security (TLS).

It was found that SSL version 2 and 3 was enabled on nineteen (19) systems. This version of SSL is affected by several cryptographic flaws, including: an insecure padding scheme with CBC ciphers



and insecure session renegotiation and resumption schemes. An attacker could exploit these flaws to conduct man-in-the-middle attacks or to decrypt communications between the affected service and clients.

Affected systems: 10.128.78.11, 10.128.78.13, 10.128.78.22, 10.128.78.34, pmte-fen-tms-db01.ndpw.local, 10.128.78.49, 10.128.78.51, 10.128.78.104, 10.128.78.126, 10.128.78.85, 10.128.78.86, 10.128.78.87, 10.128.78.88, 10.142.0.52, 10.144.96.158, 10.130.1.12, 10.130.10.4, 10.130.40.83, dpwsitw4u01.ndpw.local

### **Impact of the finding**

An attacker may use the enumerated vulnerabilities to cause unapproved/malicious activities within the confines of the network, directly/indirectly affecting critical business applications.

Exploits (note: exploits available freely online) would primarily disrupt services provided by the affected hosts.

Information disclosure exploits and default access vulnerabilities were also detected. If used, attackers may successfully conduct privileged access attacks.

### **Internal control deficiency**

#### *Financial and performance management*

#### Information technology systems

Weaknesses identified is attributed to lack of approved operating system configuration standard and security hardening standards not in place for management to comply with.

### **Recommendation**

It is recommended that:

Management should ensure that approved operating system configuration standard and security hardening standards is in place and compliance with management.

A complete system evaluation is performed to detect and update/ upgrade outdated/ unsupported systems.

Relevant patches for outdated Windows operating systems are tested and applied by considering the following remedial actions:

- The required Microsoft patches should be loaded on all systems.
- Consider upgrading to a supported service pack or operating system. If these systems are no longer in use, ICT should consider decommissioning these systems.
- For outdated and vulnerable web servers the following should be considered:
  - i) For unsupported software and web server remove the service if it is no longer needed. Otherwise, upgrade to a newer version if possible or switch to another server.
  - ii) Upgrade to PHP version 5.3.12 or later.
  - iii) Upgrade to Apache version 2.2.34 or later.
  - iv) Upgrade to a version of OpenSSL that is currently supported
- Apply the applicable security update for your Windows version.
- Upgrade to Cisco TelePresence Codec (TC) version 7.3.8 or Cisco Collaboration Endpoint (CE) version 8.3.0.



- Apply patch ESXi550-201703401-SG according to the vendor advisory
- Ensure that the SSL is update to a supporting version. Disable support for SSL 2.0, SSL 3.0 and TLS 1.0 and enable support for TLS 1.1 and TLS 1.2. Upgrade to SSH version 2016.74 or later or disable compatibility with version 1 of the protocol.

### **Management response**

We agree with the auditors' finding, and the following action will be taken to improve the situation. WSAS device is already configured to target all servers at Vodacom for updates and patches, SAS device has been already configured to target all servers at SITA for updates and patches.

### **Auditor's conclusion**

Management comment noted, however this is still a risk and management should accept the risk and include it into their Risk Register.

## 27.3 Insecure configurations on internal network systems

### Nature

A total of eighty-six (86) internal systems (e.g. production servers, switches, routers, etc.) were vulnerable as a result of weak configuration settings.

The issues detected included:

- Vulnerable services allowing clear text transmissions
- Non-credentialed access and password hash disclosures
- Simple Network Management Protocol Vulnerabilities
- Network File System vulnerabilities
- Vulnerable databases - Oracle vulnerabilities

The following section details the vulnerabilities and their prevalence:

#### a) Vulnerable services allowing clear text transmissions

Communication between the administrators and servers was transmitted in unencrypted format over the network, i.e. in clear text. File transfer protocol (FTP) and Telnet communication protocols were used to facilitate access to the servers.

A total of forty-six (46) hosts connected on the internal network had clear text ports enabled. The service ports enabled was telnet. Telnet is a network protocol that allows the user of one computer to log into another computer on the same network. Telnet allows an administrator or another user to access someone else's computer remotely. If information is intercepted, usernames and passwords, as well as any other communication transmitted using clear-text methods between the servers and end-users would be visible to an unauthorised individual attempting to gain access to the information hosted on these servers.

Affected systems: 10.128.78.1, 10.128.78.55, 10.128.78.56, 10.128.78.57, 10.145.0.17, 10.145.0.19, 10.145.0.49, 10.145.0.51, 10.147.0.1, 10.149.0.51, 10.154.0.17, 10.154.0.19, 10.154.0.49, 10.154.0.51, 10.154.1.2, 10.144.0.1, 10.130.0.1, 10.130.0.2, 10.130.0.242, 10.130.0.35, 10.130.0.52, 10.130.0.54, 10.130.0.70, 10.130.0.84, 10.130.1.1, 10.130.1.10, 10.130.1.13, 10.130.1.4, 10.130.1.7, 10.130.1.9, 10.130.10.1, 10.130.10.4, 10.130.40.1, 10.130.48.1, 10.131.0.1, 10.132.0.1, 10.132.0.35, 10.132.0.81, 10.134.0.1, 10.142.0.1, 10.130.10.5, 10.130.10.6, 10.130.2.1, 10.130.32.1, 10.130.36.1, 10.130.4.1

A total of twenty-eight (28) systems were running file FTP and TFTP. FTP allows the user's name and password to be transmitted in clear text, which could be intercepted by a network sniffer or a man-in-the-middle attack.

If intercepted, all username and passwords between the server and administrator would be visible to an unauthorised individual attempting to gain access to the systems or networked devices.

Affected systems: 10.128.78.1, 10.128.78.32, 10.128.78.37, 10.128.78.63, 10.128.78.64, 10.128.78.65, 10.128.78.66, 10.128.78.67, 10.128.78.68, 10.128.78.69, 10.128.78.118, 10.128.78.91, 10.130.0.2, 10.130.0.242, 10.130.0.35, 10.130.0.52, 10.130.0.70, 10.130.0.84, 10.130.1.1, 10.130.10.1, 10.130.40.1, 10.130.48.1, 10.130.10.5, 10.130.10.6, 10.130.2.1, 10.130.32.1, 10.130.36.1, 10.130.4.1

#### b) Non-credentialed access and password hash disclosures



IPMI is a method used for remote connection to a network deployed server. It ships standard with most of the well-known brands of servers. It provides administrators complete access/ control to a server as if they were physically at the server itself.

A total of nine (9) systems support Platform Management Interface version 2 (IPMI v2) which is affected by an information disclosure vulnerability due to the support of Remote Management and Control Protocol (RMCP) + Authenticated Key-Exchange Protocol (RAKP) authentication. A remote attacker can obtain password hash information for valid user accounts.

Affected systems: 10.128.78.62, 10.128.78.63, 10.128.78.64, 10.128.78.65, 10.128.78.66, 10.128.78.67, 10.128.78.68, 10.128.78.69, 10.128.78.72

### **c) Simple Network Management Protocol vulnerabilities**

Simple Network Management Protocol (SNMP) is used to monitor the performance and statistical information of systems over the network and often contains detailed configuration information about the servers. SNMP if vulnerable could allow attackers to orchestrate denial-of-service attacks, service interruptions and total takeovers of network devices (buffer overflow).

A total of fourteen (14) systems used SNMP configured with the default “public” community strings.

Affected systems: 10.128.78.55, 10.128.78.56, 10.128.78.57, 10.128.78.58, 10.128.78.114, 10.128.78.115, 10.154.1.2, 10.130.1.10, 10.130.1.11, 10.130.1.13, 10.130.1.2, 10.130.1.4, 10.130.1.7, 10.130.1.9

### **d) Network File System vulnerabilities**

Network file system (NFS) is a type of file system mechanism that enables the storage and retrieval of data from multiple disks and directories across a shared network.

A total of two (2) NFS server is active but not exporting any shares and also these NFS shares could be mounted by the scanning host. An attacker may be able to leverage this to read (and possibly write) files on NFS server.

Affected systems: pmte-fen-tms-web01.ndpw.local, 10.128.78.91,

### **e) Vulnerable databases - Oracle vulnerabilities**

One (1) host allows Oracle TNS listener service registration. An attacker can exploit this issue to divert data from a legitimate database server or client to an attacker-specified system.

Successful exploits will allow an attacker to divert data from a legitimate database server or client to an attacker-specified system or potentially facilitating man-in-the-middle, session-hijacking, or denial of service attacks on a legitimate database server.

Affected systems: 10.130.40.83

### **Impact of the finding**

An attacker may be able to use these vulnerabilities to access the affected system(s), disrupt services provided by the affected systems or gather sensitive/ confidential information generated by the entity.



In addition, an attacker may use the enumerated issues to conduct unapproved/ malicious activities in the confines of the network.

### Internal control deficiency

#### *Financial and performance management*

#### Information technology systems

Weaknesses identified is attributed to lack of approved operating system configuration standard and security hardening standards not in place for management to comply with.

### Recommendation

It is recommended that:

Management should ensure that approved operating system configuration standard and security hardening standards is in place and in compliance with management.

A complete system evaluation is performed to detect and update/ upgrade outdated/ unsupported systems Relevant patches for outdated Windows operating systems are tested and applied and system configurations are adequately set by considering the following remedial actions:

- The following should be considered on clear text:
  - i) Disable the Telnet service and use SSH instead.
  - ii) Disable FTP and TFTP if are not being used.
- For IPMI vulnerability, no specific fix is available, thus consider:
  - i) Disabling IPMI over LAN if it is not needed.
  - ii) Using strong passwords to limit the successfulness of off-line dictionary attacks (i.e. use 10 characters or more; use complexities including at least one uppercase, one lowercase, one numeric and one non-alphanumeric character, and; change passwords through the cycle).
  - iii) Using Access Control Lists (ACLs) or isolated networks to limit access to your IPMI management interfaces.
- Disable the SNMP service on the remote host if you do not use it. Either filter incoming UDP packets going to this port, or change the default community string.
- Disable NFS on the server if not in use and configure NFS shares so that only authorized hosts can mount its remote shares.
- Apply the workaround in Oracle's advisory.

### Management response

The department accept the findings and remedial action plan will be put in place to closes the gaps.

By whom: Pakiso Mphuthi and Dintheng Matlala

By when: 31st March 2020

### Auditor's conclusion

Management comments are required. The risks will be reassessed in the following audit (19/20) cycle based on changes to the environment.





## 28. 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.

### 28.1 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	05/2018
190001	PBA604 Machaba	ADDED: 50758	22/06/2018
190001	PBA780 Shelleng	ADDED: 40329	01/10/2018
190494	190860 Sibeko	ADDED: 40845	22/05/2018
190860	190001 Khumalo	ADDED: 50619	18/05/2018
191296	191313 Manzini	ADDED: 40612	17/10/2018

#### 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.

Name: Mr C Mtshisa

Position: DDG: CS

Date: 20 July 2019

### **Auditor's conclusion**

Management comments are noted; however, it was noted that the comment does not address the finding raised.

## 28.2 Inadequate user access management controls on Active Directory

### Nature

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

- The "Account Management Policy" was not approved by management.
- Security question 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\_Adm;
  - 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.

ICT Security policy has been drafted, adopted by EXCO and submitted for sign-off and final approval by the Accounting Officer. 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.

Name: Lindiswa Skhosana

Position: Director: System Operations

Date: 10 July 2019

### **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.

### 28.3 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 require 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 were 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

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 require access to be assigned on the EPWPRS. (Repeat finding )

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 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 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 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.

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.

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 single role of system administration is shared among the six helpdesk officials. The functions of the helpdesk are 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 password configuration on EPWPRS system was not configured according to DPW password policy as the password attempts threshold and history were not set furthermore, review of login violations was not performed. (Repeat finding)



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.

Name:

Position:

Action Date:

### **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.



## 29. 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:

- Although Disaster Recovery Plan (DRP) was developed and approved, it was noted that the DRP was not tested in the financial year under review.
- There was no formal backup policy and procedure.
- There was no performance of periodic restoration of backups.
- There was no evidence to demonstrate that backups were taken to an offsite storage during the financial year.
- EPWP backups were performed, however evidence provided could not conclude that backups performed was not successfully backed up.
- 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:

- Backup strategy
- Roles and responsibilities
- Backup frequency





- Retention period
- Backup window (time available each day to complete backups)
- Back restoration process
- On and off-site requirements
- Archival requirements
- 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 back up 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.

Name: Lindiswa Skhosana  
Position: Director: System Operations  
Date: 11 November 2019

### **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.

**30. 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 is 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.

Name:

Position:

Action Date:

**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.

## 1.1 Annexure D: Performance management and reporting framework

The Performance Management and Reporting Framework (PMRF) consists of the following:

- Legislation applicable to performance planning, management and reporting, which includes the following:
  - Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)
  - Treasury Regulations, 2005 issued in terms of the PFMA
  - National treasury practice note 4 of 2009-10
  - Public Service Act, 1994 (PSA)
  - Public Service Regulations, 2016 issued in terms of the Public Service Act
- The Framework for Managing Programme Performance Information (FMPPI), issued by the National Treasury. This framework is applicable to all spheres of government.
- The Framework for Strategic Plans and Annual Performance Plans (FSAPP), issued by the National Treasury. This framework is applicable to all national and provincial departments, constitutional institutions and those public entities listed in parts A and C of schedule 3 of the PFMA.
- Circulars and guidance issued by the National Treasury, Department of Public Service and Administration (DPSA) and supported by the Department of Planning Monitoring and Evaluation (DPME) regarding the planning, management, monitoring and reporting of performance against predetermined objectives.



## Annexure D – Criteria developed from the performance management and reporting framework

CRITERIA	REFERENCES TO THE PMRF PER TYPE OF ENTITY			
	Departments / constitutional institutions / trading entities	Public entities	Parliament / provincial legislatures	Universities
<b>Consistency: Objectives, performance measures / indicators and targets are consistent between planning and reporting documents</b>				
1. Reported strategic or development objectives are consistent or complete when compared to planned objectives	Section 40(3)(a) of the PFMA TR 5.2.4 NT Instruction Note 33: Implementation of the FSAPP Sec 25(1) and 31(1) of the PSR	Section 55(2)(a) of the PFMA TR 28.2.2 Applicable to 3A & 3C public entities: TR 30.1.3(g) NT Instruction Note 33: Implementation of the FSAPP Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2	Section 55(3)(d) of the FMPPLA	Sec 5(2)(k) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions
2. Changes to strategic or development objectives are approved	TR 5.1.1 NT Instruction Note 33: Implementation of the FSAPP Sec 4 of FSAPP	Applicable to schedule 3A & 3C public entities: TR 30.1.1 NT Instruction Note 33: Implementation of the FSAPP Sec 4 of FSAPP Applicable to schedule 2, 3B & 3D public entities: TR 29.1.1 and TR 29.2	Section 15(1) and (2)(b) of the FMPPLA	Sec 5(2)(m) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions
3. Reported measures or indicators are consistent or complete when compared to planned measures or indicators	Section 40(3)(a) of the PFMA TR 5.2.4 NT Instruction Note 33: Implementation of the FSAPP Sec 25(1) of the PSR	Section 55(2)(a) of the PFMA TR 28.2.2 Applicable to 3A & 3C public entities: TR 30.1.3(g) NT Instruction Note 33: Implementation of the FSAPP Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2	Section 55(3)(d) of the FMPPLA	Sec 5(2)(k) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions



CRITERIA	REFERENCES TO THE PMRF PER TYPE OF ENTITY			
	Departments / constitutional institutions / trading entities	Public entities	Parliament / provincial legislatures	Universities
4. Changes to measures or indicators are approved	TR 5.1.1 NT Instruction Note 33: Implementation of the FSAPP Sec 4 of FSAPP	Applicable to 3A & 3C public entities: TR 30.1.1 NT Instruction Note 33: Implementation of the FSAPP Sec 4 of FSAPP Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2	Section 15(1) and (2)(b) of the FMPPLA	Sec 5(2)(m) of the regulations for reporting by Public Higher Education Institutions
5. Reported targets are consistent or complete when compared to planned targets	Section 40(3)(a) of the PFMA TR 5.2.4 NT Instruction Note 33: Implementation of the FSAPP Sec 25(1) of the PSR	Section 55(2)(a) of the PFMA TR 28.2.2 Applicable to 3A & 3C public entities: TR 30.1.3(g) Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2	Section 55(3)(d) of the FMPPLA	Sec 5(2)(k) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions
6. Changes to targets are approved	TR 5.1.1 NT Instruction Note 33: Implementation of the FSAPP Sec 4 of FSAPP	Applicable to 3A & 3C public entities: TR 30.1.1 NT Instruction Note 33: Implementation of the FSAPP Sec 4 of FSAPP Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2	Section 15(1) and (2)(b) of the FMPPLA	Sec 5(2)(m) of the regulations for reporting by Public Higher Education
7. Reported achievements are consistent with the planned and reported indicator and target	Sec 40(3)(a) of the PFMA	Sec 55(2)(a) of the PFMA	Sec 55(3)(d) of the FMPPLA	Sec 7(4)(a) of the regulations for reporting by Public Higher Education Institutions



CRITERIA	REFERENCES TO THE PMRF PER TYPE OF ENTITY			
	Departments / constitutional institutions / trading entities	Public entities	Parliament / provincial legislatures	Universities
<b>Measurability: Performance measures / indicators are well defined and verifiable, and targets are specific, measurable and time bound</b>				
8. A performance measure or indicator is well defined when it has a clear definition so that data will be collected consistently and is easy to understand and use	FMPPI Chapter 3.2		Criteria not applicable	Sec 1(d) of the regulations for reporting by Public Higher Education Institutions
9. A performance measure / indicator is verifiable when it is possible to validate or verify the processes and systems that produce the indicator	FMPPI Chapter 3.2		Criteria not applicable	
10. A target is specific when the nature and the required level of performance of the target are clearly identifiable	FMPPI Chapter 3.3		Criteria not applicable	Sec 1(a) of the regulations for reporting by Public Higher Education Institutions
11. A target is measurable when the required performance can be measured	FMPPI Chapter 3.3		Criteria not applicable	Sec 1(b) of the regulations for reporting by Public Higher Education Institutions
12. A target is time bound when the time frames for	FMPPI Chapter 3.3		Criteria not applicable	Sec 1(c) of the regulations for reporting by Public Higher Education Institutions



CRITERIA	REFERENCES TO THE PMRF PER TYPE OF ENTITY			
	Departments / constitutional institutions / trading entities	Public entities	Parliament / provincial legislatures	Universities
the achievement of the target are indicated				
Relevance: Performance measures / indicators relate logically and directly to an aspect of the entity’s mandate and the realisation of its strategic goals and objectives				
13. The performance measure / indicator and target relate logically and directly to an aspect of the entity's mandate and the realisation of its strategic goals and objectives	FMPPI Chapter 3.2		Criteria not applicable	Sec 1(e) of the regulations for reporting by Public Higher Education Institutions
Presentation and disclosure: Performance information in the annual performance report is presented and disclosed in accordance with the requirements contained in legislation, frameworks, circulars and guidance				
14. Reasons for variances between planned and actual performance are disclosed in the annual performance report.	The NT’s annual report guide for national and provincial departments Sec 31(1) of the PSR	Applicable to schedule 3A & 3C public entities: The NT’s annual report guide for schedule 3A and 3C public entities	Criteria not applicable	
15. Reasons for variances are corroborated by source documentation	The NT’s annual report guide for national and provincial departments FMPPI chapter 5	Applicable to schedule 3A & 3C public entities: The NT’s annual report guide for schedule 3A and 3C public entities FMPPI chapter 5	Criteria not applicable	
16. Changes to objectives, performance indicators and performance targets	NT annual report guide for national and provincial departments	Applicable to 3A & 3C public entities:	Criteria not applicable	



CRITERIA	REFERENCES TO THE PMRF PER TYPE OF ENTITY			
	Departments / constitutional institutions / trading entities	Public entities	Parliament / provincial legislatures	Universities
are disclosed in the annual performance report	Sec 31(1) of the PSR	NT annual report guide for schedule 3A and 3C public entities		
<b>Reliability: Recording, measuring, collating, preparing and presenting information on actual performance / target achievements that is valid, accurate and complete</b>				
1. Reported performance occurred and pertains to the reporting entity	Section 40(3)(a) of the PFMA Chapter 5 of the FMPPi Sec 25(1)(e) of the PSR	Section 55(2)(a) of the PFMA Chapter 5 of the FMPPi	Section 55 of the FMPPLA	Section 7 of the regulations for reporting by Public Higher Education Institutions
2. Reported performance is recorded and reported accurately				
3. All actual performance is recorded and included in the reported performance information				





## 1.2 Annexure E: Auditor general's responsibility for the audit of the reported performance information!

1. As part of our engagement conducted in accordance with ISAE 3000, we exercise professional judgement and maintain professional scepticism throughout our reasonable assurance engagement on reported performance information for selected programmes.
2. We are independent of the Department in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to our audit in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

### 1.2.1 QUALITY CONTROL RELATING TO ASSURANCE ENGAGEMENTS

3. In accordance with the International Standard on Quality Control 1, the Auditor-General of South Africa maintains a comprehensive system of quality control that includes documented policies and procedures on compliance with ethical requirements and professional standards.

### 1.2.2 REPORTED PERFORMANCE INFORMATION

4. In addition to our responsibility for the assurance engagement on reported performance information as described in the auditor's report, we also:
  - identify and assess risks of material misstatement of the reported performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. In making those risk assessments, we consider internal control relevant to the management and reporting of performance information per selected programme in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
  - evaluate the documentation maintained by the Department that supports the generation, collation, aggregation, monitoring and reporting of performance indicators/measures and their related targets for the selected programmes.
  - evaluate and test the usefulness of planned and reported performance information, including presentation in the annual performance report, its consistency with the approved performance planning documents of the Department and whether the indicators and related targets were measurable and relevant.
  - evaluate and test the reliability of information on performance achievement to determine whether it is valid, accurate and complete.



### **1.2.3 COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**




5. We communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also confirm to the accounting officer that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.




### 1.3 Annexure F: Assessment of internal controls<sup>ii</sup>
















Below is our assessment of implementing the drivers of internal control based on significant deficiencies identified during our audit of the financial statements, the annual performance report and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented. These either had caused, or could cause, the financial statements or the annual performance report to be materially misstated, and material instances of non-compliance with legislation to occur.

The internal controls were assessed as follows:

	The required preventative or detective controls were in place.
	Progress was made on implementing preventative or detective controls, but improvement is still required, or actions taken were not or have not been sustainable.
	Internal controls were either not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls.



















The movement in the status of the drivers from the previous year-end to the current year-end is indicated collectively for each of the three audit dimensions under the three fundamentals of internal control. The movement is assessed as follows:

	Improved
	Unchanged
	Regressed

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
<b>Leadership</b>						
<b>Overall movement from previous assessment</b>						
• Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protecting and enhancing the best interests of the entity						
• Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls						

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
<ul style="list-style-type: none"> <li>Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored</li> </ul>						
<ul style="list-style-type: none"> <li>Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities</li> </ul>						
<ul style="list-style-type: none"> <li>Develop and monitor the implementation of action plans to address internal control deficiencies</li> </ul>						
<ul style="list-style-type: none"> <li>Establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance</li> </ul>						
<b>Financial and performance management</b>						
<b>Overall movement from previous assessment</b>						
<ul style="list-style-type: none"> <li>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</li> </ul>						
<ul style="list-style-type: none"> <li>Implement controls over daily and monthly processing and reconciling transactions</li> </ul>						
<ul style="list-style-type: none"> <li>Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</li> </ul>						
<ul style="list-style-type: none"> <li>Review and monitor compliance with applicable legislation</li> </ul>						
<ul style="list-style-type: none"> <li>Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information relating to user access management, program change control and IT service continuity.</li> </ul>					N/A	N/A
<b>Governance</b>						
<b>Overall movement from previous assessment</b>						



	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
• Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored						
• Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively						
• Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation						

## ii Annexure F – Assessment of internal controls

The assessment should be done at an overall level for each audit dimension. The table summarises the overall status of the drivers of internal control after the assessment of key controls for financial statements, performance information and compliance with legislation. The overall status presented in this table informs the information in the general report. The movement from the prior year-end to the current year-end should be included next to the heading *Overall movement from previous assessment* under each fundamental of internal control for each audit dimension.

The assessment should be obtained as follows, using the ASMIS report 129 – AO Listing-PFMA Key drivers of audit outcomes- by ABU:

### Leadership:

Add all the "Overall" scores of the six areas under leadership per auditee.

By using the following formula for leadership, determine the total and percentage for:

(i) Green =COUNTIFS(Range,"<10")

(ii) Orange =COUNTIFS(Range,">9", Range,"<14")

(iii) Red =COUNTIFS(Range,">13")

### Financial and performance management

Add all the "Overall" scores of the five areas under financial and performance management per auditee.



By using the following formula for financial and performance management determine the total and percentage for:

- (i) Green =COUNTIFS(Range,"<9")
- (ii) Orange =COUNTIFS(Range,">8", Range,"<13")
- (iii) Red =COUNTIFS(Range,">12")

### Governance

Add all the "Overall" scores of the three areas under governance per auditee.

By using the following formula for governance determine the total and percentage for:

- (i) Green =COUNTIFS(Range,"<5")
- (ii) Orange =COUNTIFS(Range,">4", Range,"<7")
- (iii) Red =COUNTIFS(Range,">6")

Please note that the formula for each of the three areas (leadership, financial and performance management and governance) is different - do not copy the same formula for each of the areas.

The internal control table should be included even if there is nothing to report, because the auditor includes an icon in the cells next to each driver to indicate whether management had achieved the three fundamentals of internal control.

If material non-compliance with supply chain management legislation is reported in the auditor's report and/or in part A of section 3 of the management report, the internal control table should reflect the applicable control deficiencies in the compliance with legislation column. Refer to chapter 5 for guidance on the typical control deficiencies.

When detailing the deficiencies below, reflect on the root cause of the deficiency (in other words, why it had occurred).

If a root cause is not clear, try asking questions that start with "why" until there are no more questions that can be asked. The answer to the last "why" is probably the root cause of the finding.

Because there may be many potential root causes, it is important to focus on the key causes. That is, the actions need to address the primary drivers of the findings, and not necessarily all of the potential, yet minor, causes.

Sometimes the root cause is quite simple or obvious (e.g. management simply did not think about doing something). The auditor should not assume that the root cause is an elaborate or complicated set of circumstances.

The root cause should be described in concise, direct language. It is typically necessary to share the root causes with the process owner who is typically looking for a brief explanation of why a finding is raised.

The table should be completed as follows in relation to work performed by information systems auditors:

**Leadership – IT governance framework:**

The cells relating to **Financial, Performance reporting and Compliance with legislation** should be completed.

**Governance – IT risks:**



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A separate assessment will not be done under Governance. It should be dealt with as part of the IT governance framework.

Financial and Performance management – **Formal controls over IT systems:**

The cells relating to the **Financial** column should be completed for the general control audits performed. The cells relating to **Performance objectives** and **Compliance with legislation** should be marked as **N/A**.

The **Performance reporting** cells should only be completed if IS audits on performance objectives have actually been performed.