



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

FINAL MANAGEMENT REPORT

Department of Public Works and Infrastructure

31 March 2021

Communicated to the accounting authority: 31 August 2021





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MANAGEMENT REPORT

Department of Public Works and Infrastructure

31 March 2021

Discussed with the accounting officer on: 30 August 2021

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MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE DEPARTMENT OF PUBLIC WORKS AND INFRASTRUCTURE FOR THE YEAR ENDED 31 MARCH 2021

INTRODUCTION

1. The purpose of the management report is to communicate audit findings and other key audit observations to the accounting officer and to provide a summary of the material irregularities and suspected material irregularities of which the accounting officer was notified. The report does not constitute public information.

The management report includes audit findings arising from the audit of the financial statements, performance information and compliance with legislation for the year ended 31 March 2021. These findings were communicated to management and this report details management's response to these findings. The report includes information on the internal control deficiencies that we identified as the root causes of the matters reported. Addressing these deficiencies will help to improve the audit outcome.

2. In accordance with the terms of engagement, our responsibility in this regard is to:
 - Express an opinion on the financial statements
 - Express an opinion in the management report on the usefulness and reliability of the reported performance information for selected programmes, and report the material findings in the auditor's report
 - Report on material findings relating to compliance with specific requirements in key applicable legislation, as set out in the general notice issued in terms of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)
 - Notify the accounting officer of any material irregularity or suspected material irregularities identified during the audit, and report on it in the auditor's report.
3. Our engagement letter sets out our responsibilities and those of the accounting officer in detail.
4. This management report consists of the overall message arising from the audit, summary of key findings and observations, annexures containing the detailed audit findings, annexures to the report on the audit of performance information as well as the annexure to internal control deficiencies reported.
5. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report is signed. In adherence to section 50 of the PAA, we do not disclose any information obtained during the audit and contained in this management report.
6. The **figure** that follows provides a pictorial summary of the audit results and our key messages on how to improve the audit outcomes with the focus on the following:
 - Status of the audit outcomes



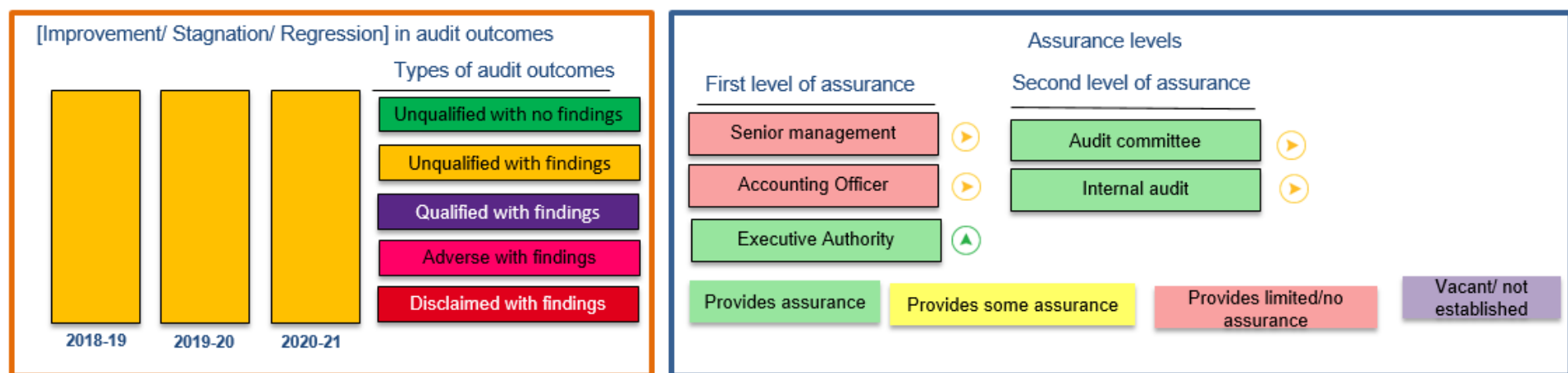
- Status of the level of assurance provided by key role players
- Status of the drivers of internal controls
- Status of risk areas

7. Root causes to be addressed Movement from the previous year is depicted as follows:

Improved

Unchanged / slight improvement / slight regression

Regressed



1

To improve/maintain the **audit outcomes** ...

2

... the key role players need to **assure** that ...

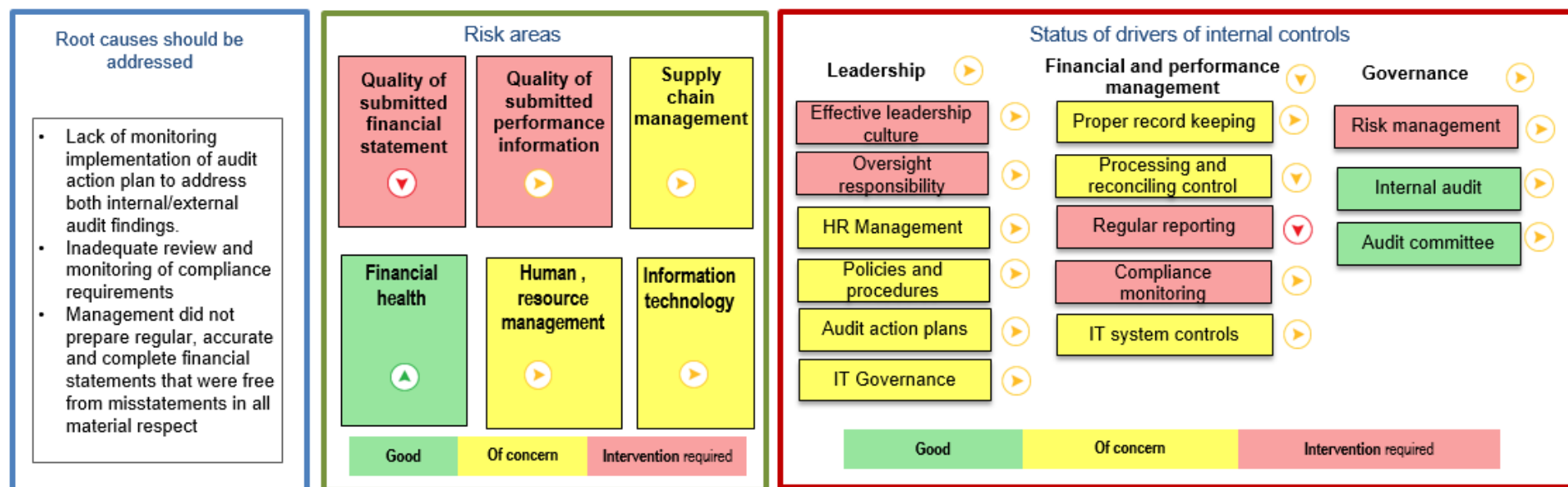
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... the **root causes** are addressed ...

4

... the **risk areas** and ...

3

... attention is given to the **key controls** and the **best practices** are maintained.

OVERALL MESSAGE

8. While the department's audit outcomes remain stagnant as an unqualified audit opinion with findings, it is regrettable that the quality and credibility of the annual financial statements submitted for audit regressed which resulted in material misstatements identified by auditors, which were subsequently corrected by management. Although the department developed plans to address prior year internal and external audit findings, the above-cited regression on the quality of the annual financial statements is an indication that the appropriate level of management did not timely monitor implementation and adherence to the action plan to maintain the quality of the annual financial statements.
9. Management should closely monitor the communications from the National Treasury to identify matters that have an impact on the financial statements and conduct regular refresher training on Modified Cash Standard's chapters thus ensuring correct interpretation and implementation thereof. The department should strive to prepare complete and accurate transactions of all activities in the department in line with the requirements of Modified Cash Standards as failure to do so may result in material non-compliance with PFMA.
10. The effort and initiatives directed toward improving internal controls within the predetermined objectives reporting processes and procedures are commendable. However, these current internal control processes were not sufficient in detecting and preventing material misstatements from recurring. Consequently, the outcomes in the audit of predetermined objectives remained unchanged as a qualified audit opinion. The main contributing factor remains the under reported number of work opportunities while on the other hand the number of work opportunities created and reported could not be substantiated by sufficient supporting documents to confirm the credibility of the achievements. While some of these findings mainly emanate from the fact that the keeping of records for all work opportunities created or the lack thereof currently does not negatively impact the other public bodies performance reporting, as they are not required to report on this indicator in their own reports or due to the fact that these indicators are not material in the annual performance reports of those public bodies, it remains the department's responsibility to ensure that reported achievements in the department's annual performance report are verified, reviewed and traced to supporting documents.
11. Notwithstanding the challenges posed by the other public bodies, it is concerning that in the current year, some of the findings emanate from the projects implemented by the department and it is implementing agent, Independent Development Trust. This is an indication that preventative controls within the department ought to be enhanced by strengthening the verification, review, and monitoring processes such that all work opportunities created from projects implemented under the control of the department are recorded in a manner that enables credibility of reported performance information. Failure to address and prevent poor record keeping of the number of work opportunities created from projects implemented by the department and its implementing agent may continue to be a hindrance to the department in achieving the desired audit outcomes.
12. We have noted that management have taken a decision to report the trading entity's (Property management trading entity) annual performance information in the Department of Public Works and Infrastructure (DPWI). We have scoped in Programme 08: Construction project



management for audit. Material misstatements were identified on two performance indicators where the reported information materially differed from the supporting documents. The action plans developed to address performance information was not adequately implemented in the current reporting period.

13. Another key element to attaining the desired audit outcomes is ensuring compliance with laws and regulations, such that the department is not found with material non-compliances reported in the audit and management report. While we commend the department for making payments within 30 days, which was reported in the prior years as a material non-compliance, it is however regrettable that in the current year, other instances of material non-compliance were identified. It is therefore critical that all areas that are susceptible of material non-compliances be prioritised in action plans and adequately monitored by all assurance providers and that consequence management is exercised on all identified non-compliance areas.
14. In light of consequence management, it is commendable that the department has been implementing recommendations of the investigation reports on the irregularities on state funerals expenditure and the Public Services Commission (PSC) report on the irregular appointment of officials. Although management could not complete the implementation of these recommendations due to delays such as the court interdicts lodged by the implicated officials etc., the implementation of consequence management is emphasising that non-compliance with legislation will not be tolerable. It is however concerning that some of the investigations that were completed since 2019; the recommendations of the investigation report have not been implemented. In addition, some of the investigations that were in progress of being finalised in the prior year have been closed without a clear indication of what transpired to the outcomes of such investigations. Lastly, a key investigation intended to enable the accounting officer to address one of the material irregularities (MI) on state events that were identified in the prior year which should have been conducted during the 2020/21 financial year has not commenced. As such, not all steps related to addressing the identified material irregularity have commenced due to the delayed commissioning of the investigation on State Events. Consequently, the above concerns have resulted in a material non-compliance paragraph on consequence management being reported.

SECTION 1: INTERACTIONS WITH STAKEHOLDERS RESPONSIBLE FOR OVERSIGHT AND GOVERNANCE

15. During the audit cycle, we met with the following key stakeholders responsible for oversight and governance to communicate matters relating to the audit outcome and matters identified during our status of records review/s of the department

Key stakeholder	Purpose of interaction	Number of interactions
Portfolio committee on Public Works and Infrastructure	<input type="checkbox"/> Meeting to share the audit outcomes and present the BRRR <input type="checkbox"/> Presentation of the Special audit report 1 on Covid-19 expenditure <input type="checkbox"/> Letter to the chairperson of the portfolio committee on DPWI presenting a summary of the issues on Special audit reports 1 and 2 on Covid-19 expenditure	3
Minister	<input type="checkbox"/> Presentation on audit outcomes and key messages <input type="checkbox"/> A letter was sent following up on the progress made in the disciplinary of the minister's special advisor <input type="checkbox"/> Presentation of the Special audit report 1 on Covid-19 expenditure <input type="checkbox"/> Presentation of the Special audit report 2 on Covid-19 expenditure	5
Director-general	<input type="checkbox"/> Refresher Presentation on amendments to Public Audit Act <input type="checkbox"/> Detail discussion on interim management report and Status of Records review. <input type="checkbox"/> Discussion of the engagement letter and audit Strategy <input type="checkbox"/> Letters on Audit progress of the Public works portfolio <input type="checkbox"/> Discussion on progress made in addressing material irregularities communicated in the prior year <input type="checkbox"/> Meeting with DPWI, DPME & AGSA to discuss the challenges on EPWP indicator reporting <input type="checkbox"/> Meeting about the audit action plans to address both internal and external audit findings on AoPO and compliance subject matters.	7
Audit committee	<input type="checkbox"/> Discussion of the engagement letter and audit strategy <input type="checkbox"/> Communication of the interim management report and Status of Records review. <input type="checkbox"/> Approval of the Department's Annual Financial Statements <input type="checkbox"/> Management presentation on the audit action plans to address both internal and external audit findings.	4
Senior Management	<input type="checkbox"/> Weekly Audit Steering Committee meetings <input type="checkbox"/> Presentation of the engagement letter and audit strategy <input type="checkbox"/> Presentation of the interim management report <input type="checkbox"/> Several presentations by management on the audit action plans to address both internal and external audit findings on AoPO and compliance subject matters.	12

16. At these interactions, we shared the following key matters affecting audit outcomes and the auditee.



- Audit engagement letter (with specific emphasis on the roles and responsibilities of the auditor and management as well as those charged with governance).
 - Overall audit strategy including the proposed nature, timing, and extent of audit procedures to be performed.
 - Status of key controls, the weaknesses in the internal control environment identified through the Special audit reports on Covid-19 and interim management report and recommendations to address the internal control breakdowns.
 - PAA Amendments with the focus on progress made in addressing the material irregularities reported in the prior year.
17. All stakeholders made commitments to implement initiatives that can improve the audit outcome. The commitments were given and the progress of previous commitments are included in section 3.2, which deals with the assessment of assurance providers.

SECTION 2: MATTERS RELATING TO THE AUDITOR'S REPORT

AUDIT OF THE FINANCIAL STATEMENTS

18. We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the department's system of internal control. These material misstatements also constitute non-compliance with section 40(1) of the Public Finance Management Act (PFMA). We identified material misstatements in the financial statements during the audit, which were subsequently corrected.

Material misstatement			Impact	Impact
Financial statement item	Finding	Occurred in the prior year	R current year	R prior year
Material misstatements corrected				
Irregular expenditure	Irregular expenditure disclosure note not complete	Yes	R1 245 820	R94 674 415
Provision for impairment	The recoverability of the debtor is uncertain, due to no payments received since the debtor was first recognised four (4) years ago and the debtor is disputing the balance.	No	R58 330 087	-
Contingent liabilities	<p>The department disclosed the estimate of the financial effect of the contingent liabilities, however, the following was not disclosed:</p> <ul style="list-style-type: none"> a brief description of the nature of the contingent liability an indication of the uncertainties relating to the amount or timing of any outflow; the possibility of any reimbursement <p>The department did not include any narrative on note 19: Contingent liabilities and contingent assets pertaining to salary increases as instructed by the National Treasury due to the ongoing labour court case appealing the decision by the government not to implement salary increases.</p>	No	Qualitative	-



Material misstatement			Impact R current year	Impact R prior year
Financial statement item	Finding	Occurred in the prior year		



MATTERS TO BE BROUGHT TO THE ATTENTION OF USERS

Emphasis of matter

19. We draw attention to the matter below. Our opinion is not modified in respect of this matter.
20. [Restatement of corresponding figures](#)
21. As disclosed in note 33 to the financial statements, the corresponding figures for the 31 March 2020 were restated as a result of an error in the financial statements of the department at, and for the year ended, 31 March 2021.

Other matter paragraphs

22. The following other matter paragraphs will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities and the auditor's report:

Unaudited supplementary schedules

23. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. We have not audited these schedule(s) and, accordingly, I do not express an opinion on them.

AUDIT OF THE ANNUAL PERFORMANCE REPORT

24. In terms of the general notice issued in terms of the PAA, the opinion on the audit of reported performance information will be included in the management report. The report is included below to enable management and those charged with governance to see what the report will look like once it is published in the auditor's report. We will report all the audit findings included under the basis for opinion and the other matter sections of this report in the auditor's report.

Introduction and scope

25. We have undertaken a reasonable assurance engagement on the reported performance information for the following selected programmes presented in the department's annual performance report for the year ended 31 March 2021.

[Programmes/ objectives]	Pages in annual performance report	Opinion	Movement.
Programme 3 – Expanded Public Works Programme	x – x	Qualified	▶
Programme 8 – Construction Project Management	x – x	Qualified	▶

26. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements, ISAE 3000(R): *Assurance engagements other than audits or reviews of historical financial information*.
27. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Programme 3 – Expanded Public Works Programme

Qualified opinion

28. In our opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the reported performance information for Expanded Public Works Programme is useful and reliable, in accordance with the applicable criteria as developed from the performance management and reporting framework as set out in annexure XX to this report.

Basis for Qualified opinion

Various indicators

29. The achievements below were reported in the annual performance report for the listed indicators. However, some supporting evidence provided materially differed from the reported achievements, while in other instances we were unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. We were unable to confirm the reported achievements by alternative means. Consequently, we were unable to determine whether any further adjustments were required to these reported achievements.

Indicator description	Reported achievement
Number of work opportunities reported in the EPWP- RS by the Public Bodies	938 688 work opportunities reported in the EPWP-RS by public bodies (cumulative)
Percentage EPWP participation among designated groups (women, youth and people with disabilities) reported on the EPWP-RS by public bodies	69% Women 42% Youth 0,98% People with disabilities

Programme 8 – Construction Project Management

Qualified opinion

30. In our opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the reported performance information for Construction Project Management is useful and reliable, in accordance with the applicable criteria as developed from the performance management and reporting framework as set out in annexure XX to this report.

Basis for Qualified opinion

Number of infrastructure projects completed

31. The achievement of 103 infrastructure projects completed were reported against planned target of 84 infrastructure projects completed in the annual performance report. However, the supporting evidence materially differed from the reported achievement.

Indicator description	Reported achievement
Number of infrastructure projects completed	103 Number of infrastructure projects completed



Other matter

32. We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Achievement of planned targets

33. Refer to the annual performance report on page(s) x to x for information on the achievement of planned targets for the year and management explanations provided for the under/over achievement of targets. This information should be considered in the context of the qualified opinions expressed on the reliability of the reported performance information in paragraph(s) x; x; x of this report.

Adjustment of material misstatements

34. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 8-Construction Project management. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for qualified opinion paragraphs.

Responsibilities of the party Accounting officer for the reported performance information

35. The accounting officer is responsible for the preparation of the annual performance report in accordance with the prescribed performance management and reporting framework, as set out in annexure D to this report, and for such internal control as the accounting officer-determines is necessary to enable the preparation of performance information that is free from material misstatement in terms of its usefulness and reliability.

Auditor-general's responsibilities for the reasonable assurance engagement on the reported performance information

36. Our objectives are to obtain reasonable assurance about whether the reported performance information for the selected programmes presented in the annual performance report is free from material misstatement and to issue a management report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that the assurance engagement conducted in accordance with the relevant assurance standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if they could reasonably be expected to influence the relevant decisions of users taken based on the reported performance information.

37. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the department. We have not evaluated the appropriateness of the performance indicators established and included in the planning documents. Our procedures do not examine whether the actions taken by the department enabled service delivery. Our procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our opinion does not extend to these matters.

38. A further description of our responsibilities for the reasonable assurance engagement on reported performance information is included in annexure E to this report.

AUDIT OF COMPLIANCE WITH LEGISLATION

39. Included below are material findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Expenditure Management

40. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R 5 253 000.00, as disclosed in note 25 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. Salaries paid to the officials that were appointed irregularly per the public services commission investigation report caused the majority of the irregular expenditure.
41. Effective internal controls were not in place for approval and processing of payments, as required by treasury regulation 8.1.1.

Annual financial Statement and Annual Report

42. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1) (a) of the PFMA. Material misstatements of provisions for impairment, irregular expenditure and contingent liabilities identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified opinion.

Consequence Management

43. Disciplinary steps were not taken against the officials who had incurred and permitted fruitless and wasteful expenditure, as required by section 38(1) (h) (iii) of the PFMA.
44. The losses resulting from fruitless and wasteful expenditure were not recovered from the liable persons, as required by treasury regulation 9.1.4.

OTHER INFORMATION

45. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
46. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
47. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained during the audit or otherwise appears to be materially misstated.
48. The following paragraphs will be included in the auditor's report to highlight to the users whether any inconsistencies in the other information exist:

49. We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, We are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, We may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROLS

50. The significant deficiencies in internal control which led to our overall assessment of the status of the drivers of key controls, as included in the figure in paragraph x, are described below. The detailed assessment of the implementation of the drivers of internal control in the areas of financial statements, performance reporting and compliance with legislation is included in annexure XX.

Leadership

Effective leadership culture

51. Management established a formal code of conduct that addressed appropriate ethical and moral behaviour; however, the Director-General is currently on suspension and undergoing disciplinary processes. Instances of non-compliance that resulted in material irregularities are being investigated, as indicated under the *other reports* section of this report.
52. In light of consequence management, it is commendable that the department has been implementing recommendations of the investigation reports on the irregularities on state funerals expenditure and the Public Services Commission (PSC) report on the irregular appointment of officials. Although management could not complete the implementation of these recommendations due to delays such as the court interdicts lodged by the implicated officials etc., the implementation of consequence management is emphasising that non-compliance with legislation will not be tolerable.
53. It is however concerning that some of the investigations that were completed since 2019; the recommendations of the investigation report have not been implemented. Lastly, a key investigation intended to address one of the material irregularities (MI) on state events, which was identified in the prior year where the accounting officer committed to conducting the investigation during the 2020/21 financial year has not commenced. As such all steps related to addressing the identified material irregularity have not commenced due to the delayed commissioning of the investigation on State Events.

Oversight responsibility

54. The department did not have sufficient monitoring controls to ensure the proper implementation of the overall process of reporting based on the lack of improvement on the outcomes of the audit of predetermined objectives.
55. The department developed a plan to address internal and external EPWP audit findings, however, some of the findings identified emanate from the projects implemented by the department and its implementing agency Independent Development Trust, the appropriate level of management did not monitor adherence to the plan in a timely manner to address the issues reported in the prior year audit. The review processes to ensure the credibility of the reported achievements in the annual performance report did not identify issues of material misstatement.



56. The suspension of the Director-General left an instability in the leadership of the department with the following senior management positions either being vacant or filled by acting incumbents as at 31 March 2021:-
- DDG: Inter-Governmental Relations (IGR)
 - DDG: Policy, Research, and Regulations
 - DDG: Expanded Public Works Programme (EPWP)
 - DG position
 - DDG: Governance Risk and Compliance Services (GRC)
 - Head of Performance monitoring, evaluation and reporting (PM&E)

Human resource management

57. The overall vacancy rate at year-end increased from 10.6% in the previous year to 15.6% in the current year.
58. The senior management vacancy rate at year-end increased from 24.3% in the previous year to 31.9% in the current year.
59. Positions in senior management were vacant for more than 12 months.
60. The 12 positions had been vacant for more than 12 months (include specific posts that are critical for financial and performance reporting and monitoring compliance with legislation, i.e. key officials as defined in the HR working papers).
- Deputy Director : Fosad & Cluster Co-Ordination
 - Director General: Deputy
 - Chief Director: Monitoring & Evaluation Epwp
 - Director:Epwp Data Management
 - Deputy Director: Technical Support & Management (Epwp)
 - Director: Social Development Specialist
 - Director: Environment & Culture Sector (Epwp)
 - Deputy Director: Training Coordinator (Epwp)
 - Deputy Director:Compliance:Dpw
 - Chief Director: Construction Sector Regulation
 - Director: Property Policy & Legislative Analysis
 - Director: Projects And Programme Management
61. Vacant positions in senior management were not advertised within six months.

Action plans to address internal control deficiencies

62. The department developed a plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner. Findings reported on the audit of predetermined objectives are recurring and there is an increase in the issues reported as non-compliance as well as a regression on the material misstatement identified in the audit of financial statements.
63. The implementation of recommendations of the state funerals investigation as well as the public service commission reports could not be fully implemented due to numerous reasons i.e. court interdicts by implicated officials of the department as well as challenges with securing the investigating bodies as witnesses for disciplinary hearings.

64. The investigation into the matters of DPWI material irregularity 02 was not investigated as previously committed in the response to the notification.

Information technology governance framework

1. Information technology governance was found to be inadequately designed and implemented with the following internal control deficiencies to be considered by management:
2. The ICT structure was approved on 30 September 2016; the Minister requested a re-configuration of the ICT structure to be aligned to the new mandate of DPWI. Following the re-evaluation of the organisational structure, ICT has started advertising the key positions. Two (2) key ICT vacancies were still not filled at the end of March 2021. If the ICT function is not fully capacitated, some ICT resources may be overloaded with more responsibilities. This may result in a lack of ability by other ICT resources to perform critical ICT activities leading to an increase in the number and impact of incidents caused by the unavailability of essential skills.
3. Management failed to meet key performance indicators (KPIs) as per the Annual Performance Plan (APP) due to inadequate planning and deficient internal processes.

Financial and performance management

Proper record keeping

65. The department did not have a proper records management system to maintain information that supported the reported performance in the annual performance report. This includes information related to the collection, collation, verification, storage, and reporting of actual performance information.
66. The department did not have a proper records management system to maintain information that supported the classes of transactions, balances and disclosures in the annual financial statements. Consequently, material misstatements were identified in several account balances, transactions and disclosures which were subsequently corrected by management.

Daily and monthly processing and reconciling of transactions

67. The department did not adequately monitor updates concerning the requirement of Modified Cash Standards and reconcile all activities of the department to ensure that transactions, account balances and disclosures are processed in line with the requirements of the accounting framework prescribed for the department.
68. Management implemented the contract, tender and quotation registers, however, the registers were not complete at all times and sometimes were inaccurate i.e. quotations for the department were recorded as if they were procured by the trading entity and vice versa thus resulting in audit inefficiencies.

Regular, accurate and complete financial and performance reports

69. As indicated in section XX, the financial statements contained numerous material misstatements, which were subsequently corrected. While the requisite and compulsory in-year financial reports were prepared, these were not accurate and complete. This was mainly due to an incorrect understanding and interpretation of the financial reporting framework. The quality of the annual financial statements submitted for auditing regressed in the current compared to 2019-20, whereby there were no material financial audit adjustments

70. As indicated in section XX, the annual performance report contained numerous material uncorrected misstatements. While the requisite and compulsory in-year performance reports were prepared, these were not valid, accurate and complete. This was mainly due to the extent of reliance placed on the public bodies to ensure valid, accurate and complete performance information was reported. There is no improvement in the quality of the annual performance report submitted for auditing.

Compliance monitoring

71. We commend the department for the improvement noted on the non – compliance issue of payments not made within 30 days that was reported in the prior year. Furthermore, it is praiseworthy to note that there were limited to no Supply Chain Management non-compliances identified in the current year.
72. However, recurring issues of other non-compliances with legislation were not identified and prevented by the department's internal control processes i.e. lack of effective internal controls for approval and processing of payments as well as the occurrence of irregular expenditure.
73. There is a new non-compliance paragraph due to the material audit issue on the financial statements as well as lack of consequence management on completed investigations where recommendations of the completed investigations have not been implemented. These non-compliances with legislation could have been prevented had the action plan for compliance subject matters was timely designed, properly reviewed and consistently monitored for implementation.

Information technology systems

74. IT controls pertaining to Service Continuity; Security Management, User Access Management and Change control management were not effectively designed and implemented due to the following key internal control deficiencies.
- There was a lack of consequence management for not resolving prior audit findings on IT Service Continuity, as there were no controls around backup management due to the department running out of space on the drive for backups due to the expired backup tool. The department has now finalised and signed off a DRP plan and is in the process of implementing it.
 - The review of administrator activities on AD was not performed due to resource constraints within the ICT function.
 - Management did not in all instances implement proper record keeping of reviews of user access rights and system administrator's activities on Reapatala and EPWP systems in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support Information Systems Audit reporting.
 - Non-compliance to the approved procedures as the of user access management controls around PERSAL were inadequately implemented.
 - Failure by IT management in ensuring that application systems in use can log and track changes that have been implemented and lack of consequence management to ensure recommendations made by the AG were implemented.

- Lack of capacity from a skills and technology perspective within the department to ensure that adequate security control measures are implemented and consistently performed

Governance

Risk management activities and risk strategy

75. The department conducted a risk assessment, as required by the PFMA. However, some of the investigations that were in progress of being finalised in the prior year have been closed without a clear indication of what transpired to the outcomes of such investigations.
76. In addition, a key investigation intended to enable the accounting officer to address one of the material irregularities (MI) on state events that were identified in the prior year which should have been conducted during the 2020/21 financial year has not commenced. As such all steps related to addressing the identified material irregularity have not commenced due to the delayed commissioning of the investigation on State Events. Consequently, the above concerns have resulted in a material non-compliance paragraph on consequence management being reported.

Internal audit

77. The internal audit performed several audits throughout the financial period (relating to, inter alia, quarterly performance information and contract management controls) and thus effectively discharged its duties, while senior management has a responsibility to design and implement preventative controls, internal audit function can also play a fundamental role in identifying areas of vulnerability where there are no preventative controls i.e. the regression in the financial audit opinion to enable oversight responsibility by other role players such as the audit committee and the accounting officer.

Audit committee

78. The audit committee was in place, fully functional for the financial period, and complied with relevant legislation.
79. Audit committee vigorously interrogated the audit action plans that were designed to address audit findings from both internal and external auditors and consistently monitored the implementation thereof. The audit committee members are highly skilled and experienced which enables robustness in the environment and the committee holds the executive as well as the accounting officer accountable for their actions that may hinder the department from obtaining the desired audit outcome

Summary

80. The matters above, as they relate to the basis for the unqualified opinion with findings on the annual performance report and findings on compliance with legislation, will be summarised in the auditor's report as follows:
81. Management established a formal code of conduct that addressed appropriate ethical and moral behaviour; however, the Director-General is currently on suspension and undergoing disciplinary processes. Instances of non-compliance that resulted in material irregularities are being investigated, as indicated under the *other reports* section of this report.

82. The accounting officer did not implement all the appropriate actions (investigate, identify responsible officials and implement disciplinary processes against the officials as well recover the financial loss) committed in response to the material irregularity notification on state events expenditure that exceeded the contract amount.
83. The department developed a plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner. Consequently, material adjustments on the annual financial statements were made while material findings on performance information as well as compliance with laws and regulations were identified and reported.
84. Consequence management in line with the recommendations of completed investigation reports was not implemented in certain instances. In addition, other investigations that were reported to be in progress in the prior year have been closed without a clear indication of the outcomes and recommendations to enable consequence management where necessary.

MATERIAL IRREGULARITIES

85. In accordance with the PAA and the material irregularity regulations, we have a responsibility to report on material irregularities identified during an audit and on the status of material irregularities reported in the previous year.
86. We have notified the accounting office of material irregularities and suspected material irregularities identified during the audit and the actions the AGSA will take with regard to these material irregularities. We also assessed the progress made in resolving the material irregularities reported in the previous year.
87. The auditor's report will include the following summarised information:

Expenditure on state events exceeded contract amount

88. The prices that were charged on the invoices for three state events that occurred from 6 July 2018 to 7 November 2018 were different from the prices that were quoted on the pricing schedule that was submitted by the supplier during the tender process and the non-compliance resulted into material financial loss of R825 832. The non-compliance was identified with TR 8.1.1 as the internal procedures and internal control measures did not identify or prevent the irregular payments mentioned above.
89. The Accounting Officer was notified of the MI on 03 September 2020 and the appropriate actions committed in response to the notification (Investigate the expenditure into state events, quantify the full quantum of the likely financial loss, identify responsible officials and initiate the process to recover the financial loss) have not been implemented within reasonable time based on the evidence of progress made per the communication received from the accounting officer dated 07 May 2021.
90. We recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 3 February 2022:
 - The irregular expenditure should be investigated and the financial loss incurred quantified in accordance with the applicable instruction note(s) issued by the National Treasury dealing with irregular expenditure.

- Appropriate action should be taken to recover the financial loss suffered by the department from the supplier.
- Effective and appropriate disciplinary steps should commence against any official that the investigation found to be responsible, as required by section 38(1)(h) of the PFMA and in accordance with treasury regulation 9.1.3.

91. We will follow up on the implementation of the recommendations after the due date.

Price and quantity variances pertaining to the funeral related expenditure

92. The prices that were charged on invoices for some state funerals that occurred between May 2018 and December 2018 were different from the prices that were quoted on the pricing schedule that was submitted by the supplier during the tender process. In other instances the, the invoice that was submitted by the supplier for payment purposes, included items that were not initially quoted on as the pricing schedule, which was submitted by the supplier during the tender process. In addition, the quantities on the invoices in some instances differed from the quantities agreed to on the quotation, with no evidence of the additional items being requested by the department. This resulted in a financial loss of R9 121 374. The non-compliance was identified with TR 8.1.1, as the internal procedures and internal control measures did not identify or prevent the irregular payments mentioned above.
93. The Accounting Officer was notified of the MI on 02 September 2020 and the appropriate actions committed in response to the notification are being implemented based on the evidence of progress made per the communication received from the accounting officer dated 7 May 2021.
94. When the department received the audit finding at the end of 2017/18 audit cycle, it immediately commissioned an investigation into the matter. The investigation was finalised and a report was submitted to the Department on 29 March 2019.
95. The executive authority of DPWI, acting accounting officer and the executive authority in the office of The Presidency are taking disciplinary actions against the officials found responsible. However, the disciplinary processes are taking longer due to court cases levelled by the implicated officials against the departments. The accounting officer opened a criminal case with the South African Police Service (SAPS) on CAS 792/3/2020 against the service provider and notified the supplier of the intention to prohibit the supplier from doing business with the state. A request was subsequently received from the service provider wherein they requested a three-month extension to submit their representations. This request is now being addressed by the Restriction Committee, who will advise the Accounting Officer accordingly.
96. An investigation by the Special Investigating Unit (SIU) on the matter commenced in 2021, with the plan to institute civil claim against the supplier based on the outcome of the investigation and the contract with the supplier was terminated in the prior year. We will follow up on the investigation and the implementation of the planned actions during my next audit.

OTHER REPORTS

97. We draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the department's financial statements, reported performance information and compliance with applicable legislation and other related matters. The reports noted do not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation. The summarised other reports will be included in the auditor's report as follows:
98. An investigation into supply chain management irregularities within inter alia the Prestige branch at the department, which covered the period 2003-04 to 2010-11. The report was finalised in 2018-19. The investigation was then extended to cover the period 2010-11 to 2015-16, and further extended to cover the period 2015-16 to 2019-20 investigations were still in progress at the date of this auditor's report.
99. Fieldwork into the allegation of irregular payments for the period 2020/21 made to a service provider rendering transport services at Parliamentary village. This investigation was in progress at the date of this auditor's report.

SECTION 3: ASSURANCE PROVIDERS AND STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS

ASSESSMENT OF ASSURANCE PROVIDERS

100. The annual report is used to report on the financial position of auditees, their performance against predetermined objectives and overall governance. One of the important oversight functions of Parliament is to consider auditees' annual reports. To perform this oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report includes our auditor's report, which provides assurance on the credibility of the financial statements and the annual performance report, as well as on the auditee's compliance with legislation.
101. Our reporting and the oversight processes reflect on past events, as it takes place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.
102. We assess the level of assurance provided by these assurance providers based on the status of internal controls (as reported in section XX) and the impact of the different role players on these controls. We provide our assessment for this audit cycle below.

Senior management: provides limited assurance

103. The implementation of action plans by senior management were in certain instances not effective as it resulted in the quality of submitted annual financial statements being subject to material misstatements. There is a slight increase in the number of non-compliance paragraphs. These actions plans were not adequate and were not implemented timeously to improve the outcome of the audit of the predetermined objectives that remain a qualification.



Accounting officer: provides limited assurance

104. The accounting officer has put initiatives in place to provide assurance. The focus should be placed on ensuring that these initiatives are monitored regularly and management is held accountable where weaknesses are identified. Some of the interventions did not take place timeously, which contributed to the recurrence of the negative audit outcomes on performance information.
105. The accounting officer did not implement all the appropriate actions he committed in response to the material irregularity notification on state events expenditure exceeding the contract amount.

Executive authority provides assurance

106. The executive authority has been receptive to recommendations from the auditors, and the Minister should continue to engage with the different assurance providers of the department for continuous monitoring of commitments made toward improving audit outcomes of the department. The minister was receptive to the issues communicated on special audit reports 1 and 2, took a compliance approach to speedily resolve audit issues and hold responsible officials accountable. She also initiated compulsory training on the PAA amendments for all the executives to enforce the culture of performance with the understanding of the repercussions of non-compliance.

Internal audit: provides assurance

107. Legislation in South Africa requires the establishment, roles and responsibilities of internal audit units. Internal audit units form part of the internal control and governance structures of the department and play an important role in its monitoring activities. Internal audit provides an independent assessment of the department's governance, risk management and internal control processes.
108. The internal audit unit of the department must prepare a risk-based audit plan and internal audit programme for each financial year. It must advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to an internal audit, internal controls, accounting procedures and practices, risk and risk management, performance management, loss control and compliance with the PFMA. The internal audit unit must also perform such other duties as may be assigned by the accounting officer.
109. The internal audit unit effectively discharges its duties and responsibilities, however, the full extent or benefit will be realised once management effectively and timeously implements the recommendations from the outcomes of these audits.

Audit Committee: provides assurance

110. The audit committee is an independent advisory body to the accounting officer and the management and staff of the department on matters relating to internal financial control and internal audits; risk management; accounting policies; adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; the PFMA, Treasury Regulations and any other applicable legislation; performance evaluation and any other issues.

111. The audit committee is also expected to review the annual financial statements to provide an authoritative and credible view of the department, its efficiency and effectiveness and its overall level of compliance with the applicable legislation.
112. The audit committee met regularly throughout the year. The committee reviewed and approved the annual financial statements and annual reports before submission. The audit committee also follows up with management on the implementation of internal and external audit recommendations.

STATUS OF IMPLEMENTING COMMITMENTS AND RECOMMENDATIONS

113. Below is our assessment of the progress in implementing the commitments made by the department to address the prior and current year's audit findings.

No.	Commitment	Made by	Auditors comments	Status
	<p>1. Monthly reports on valid EPWP participants forwarded to reporting public bodies by Programme Managers and Sector Managers</p> <p>2. Engage DPME and the Accountant General to develop customised indicators for participating EPWP public bodies.</p> <p>3. Inclusion in the Integrated Grant Frameworks as well as the Provincial Social Sector Grant Framework the provision that non-compliance in terms EPWP guidelines for any reported projects may lead to withholding or stopping of the allocation, or the finds being re-allocated.</p> <p>1.a) A monthly sample of project documentation (Copies of IDs, Attendance Registers, Payment Registers, Contracts, Proof of Disability Status) checked for EPWP projects implemented by DPWI.</p> <p>1. b) For each project the documents of a minimum of 15 randomly chosen participants will be checked.</p> <p>1. c) Check for under-reporting with reference to the total register for a particular month.</p> <p>2. Detailed monthly reports on non-compliance noted for sampled EPWP projects implemented by DPWI forwarded to DPWI Managers responsible for</p>	CJ A Abrahams (EPWP)	Identified similar findings during Special Report (1& 2), interim and final audit.	In progress

	<p>Project Construction and Facilities Management.</p> <p>Other Public Bodies:</p> <p>3. Completion of 100 public body visits directed specifically at verification of projects at public bodies that receive significant grant allocations, with strict adherence to the signed SOP relating to these visits.</p> <p>Note:</p> <p>The above controls for all record keeping, including record keeping on disability status.</p> <p>Monthly confirmation by Chief Directors of compliance with the payment of valid invoices within 30 days of presentation by creditors.</p>			
	<p>Recommendations:-</p> <p>Management must develop or enhance compliance procedures to ensure compliance with all prescribed laws and regulations. In addition, such procedures include enhancement of compliance checklists already developed.</p> <p>The accounting officer should investigate the reasons for the irregular expenditure and confirm if it was deliberate. The expenditure should be included in the irregular expenditure register.</p> <p>Planned Actions:-</p> <p>Provider Workshop on SCM Processes</p> <p>Report non-compliant transactions for Irregular Expenditure Investigation</p>	R. Naidoo (ADDG: Supply Chain Management)	Instances of non-compliance with legislation were identified and the irregular expenditure reported was not complete.	In progress
	<ul style="list-style-type: none"> ○ Review ICT Policy to include all processes related to user access management ○ Review and monitor Audit trails for privileged users ○ Draft and enforce a process for password resets 	ICT Management	<p>The following commitments were completed and no audit issues were noted:-</p> <ul style="list-style-type: none"> • Draft and enforce a process for password resets 	In progress

	<ul style="list-style-type: none"> ○ Review and link of user-ids to AD user accounts ○ Follow up on the approval of the ICT Security Policy ○ Enable and regularly review Security logs- ○ Enable password settings on all systems according to Policy and best practise ○ Follow up on the approval of the ICT Security Policy ○ Ensure that system changes follow a change management process ○ Procurement of the software licenses- ○ Develop Standard Operating Procedures for backup and recovery ○ Testing Disaster Recovery ○ Document and approve the Backup policy 		<ul style="list-style-type: none"> • Review ICT Policy to include all processes related to user access management • Review and linking of user-ids to AD user accounts • Follow up on the approval of the ICT Security Policy • Follow up on the approval of the ICT Security Policy <p>However, we communicated recurring audit issues pertaining to the remainder of other ICT functions and therefore the overall assessment is In progress.</p>	
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SECTION 4: SPECIFIC FOCUS AREAS

FINANCIAL VIABILITY

114. Our audit included a high-level overview of the department's financial viability as at year-end. The financial viability assessment provides useful information for accountability and decision-making purposes and complements the financial statements by providing insights and perspectives thereon. The financial viability assessment is expected to enhance timely remedial decision-making and policy reforms where financial viability may be at risk. It will also highlight to management those issues that may require corrective action and the urgency and magnitude of the reforms and decisions necessary to maintain operations. The information should be used to complement, rather than substitute, management's own financial assessment.

FINANCIAL VIABILITY ASSESSMENT			
		AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
EXPENDITURE MANAGEMENT			
1.1	Creditor payment period	25.1 Days	17.8 Days
1.2	30+ day accruals as a percentage of total accruals	2.5%	0%
	<ul style="list-style-type: none"> • Amount of 30+ day accruals 	R399 000 R16 091 000	R0 R23 506 000



FINANCIAL VIABILITY ASSESSMENT			
		AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
	• Amount of total accruals		
REVENUE MANAGEMENT			
2.1	Debtor-collection period (after impairment)	69.1 Days	35 Days
2.2	Debtors' impairment provision as a percentage of accrued departmental revenue	0%	0%
	• Amount of debtors' impairment provision	R0	R0
	• Amount of accrued departmental revenue	R1 416 000	R1 416 00
ASSET AND LIABILITY MANAGEMENT			
3.1	An accrual-adjusted deficit for the year was realised (total expenditure exceeded total revenue)	No	No
	• Amount of accrual-adjusted surplus/(deficit) for the year	R58 101 000	R116 698 000
3.2	An accrual-adjusted net current liability position was realised (total current liabilities exceeded total current assets)	Yes	Yes
	• Amount of accrual-adjusted net current assets/(liability) position	(R475 398 000)	(R420 891 000)
3.3	An accrual-adjusted net liability position was realised (total liabilities exceeded total assets)	No	No
	• Amount of accrual-adjusted net asset/(liability) position	R87 766 000	R265 637 000
CASH MANAGEMENT			
4.1	The year-end bank balance was in overdraft	Yes	Yes
	• Amount of year-end bank balance (cash and cash equivalents)/(bank overdraft)	(R83 112 000)	(R153 176 000)
4.2	Cash shortfall as a percentage of next year's appropriation (budget), excluding "compensation of employees" and "transfers and subsidies" **	37.5%	62.2%
	• Amount of the cash surplus/(shortfall)	(R189 116 000)	(R298 438 000)
	• Amount of next year's appropriation (budget), excluding "compensation of employees" and "transfers and subsidies"	R504 904 000	R480 005 000
4.3	Amounts payable in future periods as a percentage of the budget for the next three years, excluding "compensation of employees" and "transfers and subsidies"	6.4%	7.8%
	• Amounts payable in future periods • Amount of the next three years' appropriation (budget), excluding "compensation of employees" and "transfers and subsidies"	R98 876 000 R1 545 904 000	R124 765 000 R1 589 800 000

FINANCIAL VIABILITY ASSESSMENT			
		AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
4.4	Guarantees issued by the department as a percentage of next year's budget, excluding "compensation of employees" and "transfers and subsidies"	0,01%	No guarantees issued
	<ul style="list-style-type: none"> Amount of guarantees issued Amount of next year's appropriation (budget), excluding "compensation of employees" and "transfers and subsidies" 	R53 000 R504 904 000	R0 R480 005 000
4.5	Claims against the department as a percentage of next year's budget, excluding "compensation of employees" and "transfers and subsidies"	2%	No claims against the department
	<ul style="list-style-type: none"> Amount of claims against the department Amount of next year's appropriation (budget), excluding "compensation of employees" and "transfers and subsidies" 	R10 000 000 R504 904 000	R0 R480 005 000
OVERALL ASSESSMENT			
Overall the financial viability is assessed as:		Green (Good)	Green (Good)
* This indicator assumes that the unauthorised expenditure of R261 169 000, per note 9 will not be Approved with funding.			

High-level comments

115. The department's financial position improved as indicated by the significant decline in the bank overdraft balance. This is however due to low spending in the current year because of COVID-19 that affected operations and activities nationwide. The bank overdraft will however remain until such time when the unauthorised expenditure is approved with funding.
116. There was a significant increase in the impairment of receivables due to uncertainties relating to the recoverability of certain debtors. This negatively affected the balances of the net assets and the financial position overall.
117. The creditor's payment period has regressed mostly due to employees working from home and not being able to process payments in a timely manner. However, the creditor's payment period is still within the legislated 30 days payments period.
118. The department is involved in a legal dispute where a previous contractor is claiming for damage against the department and if the claim is successful, it might present financial challenges to the department.

PROCUREMENT AND CONTRACT MANAGEMENT

119. The audit included an assessment of procurement processes, contract management and the related controls in place. These processes and controls must comply with legislation to ensure a fair, equitable, transparent, competitive and cost-effective supply chain management (SCM) system and to reduce the likelihood of fraud, corruption, favouritism, and unfair and other irregular practices. A summary of the findings from the audit are as follows:

Irregular expenditure

120. R5 253 000.00 (90, 6%) of irregular expenditure incurred in the current financial year was as a result of salaries of employees that were appointed irregularly. Further irregular expenditure incurred in previous years amounting to R19 662 211 as also identified in the current year. 100% of this irregular expenditure was identified during the audit process and not detected by the department's monitoring processes. The root cause(s) of the lack of effective prevention and detection are inadequate review and monitoring of payment processes.

Procurement processes

121. The table below is a summary of findings identified on procurement processes:

	Total		Quotations (below R500 000)		Competitive bids (over R500 000)	
	Number	Value R	Number	Value R	Number	Value R
Awards selected for testing	61	78 672 036	47	8 621 337	14	70 050 700
Expenditure incurred on selected awards – current year		18 049 397		7 061 373		10 988 025
Limitations – awards selected but could not be tested	0	0	0	0	0	0
Awards on which non-compliance was identified	1	53 423	1	53 423	0	0
Irregular expenditure identified	1	53 423	1	53 423	0	0
Instances of irregular expenditure where goods/ services were not received	0	0	0	0	0	0

Local content and production (designated sectors)

- One (1) quotation with a total value of R53 423, 25 was awarded to a bidder that did not meet the minimum threshold for local production and content.

FRAUD AND CONSEQUENCE MANAGEMENT

122. The primary responsibility for preventing and detecting fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and to issue an auditor's report that includes our opinion. Due to the inherent limitations of an audit, there is a risk that some material misstatements, including fraud, may not be detected.
123. Below is a summary of fraud risk factors that should be addressed to ensure that sufficient measures are in place to prevent material misstatement due to fraud.
124. The PFMA and its regulations clearly stipulate that matters such as incurring unauthorised, irregular as well as fruitless and wasteful expenditure, the possible abuse of the SCM system (including fraud and improper conduct) and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of the investigations. Our audits included an assessment of the department's management of consequences. The significant findings are provided below:

Measures to manage consequences

125. The following measures were not implemented to ensure that the environment is conducive to effective consequence management:
- The department adopted systems (policies) to investigate allegations of misconduct and disciplinary procedures; however, these are not being adhered to in certain instances.
 - There was a lack of proper record keeping to ensure that complete, relevant and accurate information is accessible and available to support the processes followed for financial misconduct/ transgressions committed by officials and suppliers of the auditee i.e. two investigations that were active the prior year have been removed from the list of active investigation, however, the investigation reports could not be provided

Ongoing investigations

126. One (01) investigation was ongoing at year-end into allegations relating to financial misconduct, fraud, and/or improper conduct in SCM. The table below provides a summary of investigations that had not been completed as at year-end

Total number of ongoing investigations as at year-end	1
• Number of SCM-related investigations	0
• Number of fraud-related investigations	1

Recommendations not implemented for completed investigations

127. The PFMA treasury regulation requires that at the completion of an investigation, disciplinary proceedings are held. Two (02) investigations were completed during the current year. For one (01) completed investigation, appropriate action (sanction) was not taken as per the recommendations of the investigations.

Failure to properly deal with allegations reported in the prior year

128. The table below provides a summary of findings from the previous year that were either not investigated or proper disciplinary steps were not taken after investigation.



129. Fruitless and wasteful expenditure:-

Fruitless and wasteful expenditure	
Effective and appropriate disciplinary steps were not taken against officials who [made and/or permitted] fruitless and wasteful expenditure	1
Losses resulting from fruitless and wasteful expenditure were not recovered from the person liable	1

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) ACT AND REGULATIONS REQUIREMENTS

130. The audit included confirming whether the requirements as set out in the B-BBEE Act and Regulations were adhered to. The purpose of this value-add initiative is to highlight the requirements contained in the B-BBEE Act and Regulations. Below is the list of findings identified:

- The department did not submit the FORM B-BBEE 1, the approved audited annual financial statements and the approved annual report pertaining to the 2019-20 financial year to the B-BBEE Commission as required by regulation 12(2) of the B-BBEE Regulations.
- The annual report of the department did not include a report on compliance with broad-based black economic empowerment as required by section 13G (1) of the B-BBEE Act.

SECTION 5. USING THE WORK OF INTERNAL AUDIT

131. The auditing standards allow external auditors the optional use of the work of internal auditors for external audit purposes and for direct assistance. We have used internal audit as follows:

The following internal audit report was considered for risk identification purposes i.e.

- Follow up audits where Internal Audit assessed management's progress in addressing internal and external audit findings from prior periods, procurement and contract management as well as the audit of the quarterly performance report for the scoped-in programme and IT audit.

SECTION 6: ENTITIES CONTROLLED BY THE DEPARTMENT

132. In terms of the PFMA, the department has certain oversight responsibilities regarding the entities over which it has ownership control. The audit outcomes of these entities are summarised below.

Name of entity	Audit outcome			Significant deficiencies in internal control		
	Financial state ment opinio n	Findings on the perform ance report	Findings on compl iance	Leadershi p	Financial and perform ance man age	Governan ce

						men t			
				Assessment	Movement	Assessment	Movement	Assessment	Movement
Property Management Trading Entity	In progress	In progress	In progress						
Independent Development Trust (IDT)	Did not submit AFS	Did not submit APR and does not have approved APP	In progress						
Construction Industry Development Board(CIDB)	Unqualified	NO*	YES		▶		▶		▶
Council for the Built Environment (CBE)	Unqualified	NO	NO		▶		▶		▶
Agrément South Africa (ASA)	Unqualified*	NO*	YES		▶		▶		▶
* Material adjustments were made									

▲ Improved

▶ Unchanged

▼ Regressed

Good

Concerning

Intervention required

SECTION 7: EMERGING RISKS

Accounting, performance management/reporting and compliance matters

New pronouncements

Modified cash standard

133. The following emerging risks are relevant for the 2020-21 audit cycle.

Componentisation of assets

- Departments are encouraged to componentise assets in their asset registers, as it will become a requirement in the future. The effective date to componentise assets has not been determined yet.

Subsequent events

134. Management should consider the following sources to identify subsequent events and adequately account for them in accordance with the reporting framework

- Media reports
- Political initiatives
- Changes in oversight
- Transfer of functions

Audit findings on the annual performance report that may have an impact on the audit opinion in future

135. The planned and reported performance information of selected programmes was audited against the following additional criteria as developed from the performance management and reporting framework:

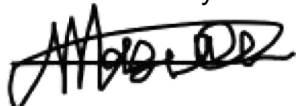
- Presentation and disclosure – overall presentation
 - Overall presentation of the performance information in the annual performance report is comparable and understandable
- Relevance – completeness of relevant indicators
 - Completeness of relevant indicators in terms of the mandate of the auditee, including:
 - relevant core functions are prioritised in the period under review
 - relevant performance indicators are included for the core functions prioritised in the period under review
 - Standardised indicators related to the core functions prioritised for the year under review are included in planning documents (provincial departments and provincial public entities only).

136. Material audit findings arising from the audit against the additional criteria do not have an impact on the audit opinion(s) of the selected programmes in this report. However, it may have an impact on the audit opinion in the future.

SECTION 8: CONCLUSION

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

Yours faithfully



Tintswalo Masia
Senior Manager: National A

2021/08/31

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Distribution:

Audit committee
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