



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

INTERIM MANAGEMENT REPORT

Department of Public Works and Infrastructure

Year end: 31 March 2020

Communicated to management on: 10 July 2020

INTERIM MANAGEMENT REPORT DEPARTMENT OF PUBLIC WORKS 31 MARCH 2019

CONTENT

	Page no
INTRODUCTION	3
SECTION 1: OVERALL MESSAGE	4
SECTION 3: STATUS OF PERFORMANCE INFORMATION	6
SECTION 4: STATUS OF COMPLIANCE WITH LEGISLATION	7
SECTION 5: STATUS OF KEY FOCUS AREAS	8
SECTION 6: STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS	10
CONCLUSION	12
SUMMARY OF DETAILED AUDIT FINDINGS	13
DETAILED AUDIT FINDINGS	15

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

INTRODUCTION

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

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

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

Reporting on predetermined objectives

- Programme 3: Expanded public works programme interim site visits

Compliance with legislation

- Supply chain management
- Expenditure management
- Human Resource Management

Other matters

- Review of the general information systems controls

3. This management report consists of the overall message arising from the interim audit, summary of key findings and observations, and an annexure containing the detailed audit findings.
4. The auditor's report is finalised only after the final management report has been communicated. All matters included in this report that relate to the auditor's report remains in draft form until the final auditor's report is signed. In adherence to section 50 of the PAA, we do not disclose any information obtained during the audit and contained in this management report.

SECTION 1: OVERALL MESSAGE

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

SECTION 3: STATUS OF PERFORMANCE INFORMATION

3. The audit included an assessment of the quarterly reporting submitted for audit (Quarter three). The results of these tests are shown in the table below and are communicated to management to assist in the finalisation of the annual performance report to be submitted at year-end.
4. Following the considerations for the reduced scope, the audit of the programmes listed below were discontinued.

Programme 4 - Property and Construction Industry Policy and Research
Programme 5 - Prestige Policy

5. The remaining programme was assessed as follows:

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

Programmes	Prior period opinion	Status	Key findings
Programme 3: Expanded Public Works Programme	Qualified		We identified key findings similar to the prior year, where reported achievements were not adequately supported by valid and complete source information..

6. We audited 97 projects (47 of which were implemented by DPWI) during our site visits at 28 public bodies (nine of which were implemented by DPWI) around the country as part of our interim audit, to determine whether the action plans put in place were effectively implemented.
7. A summary of the findings from the audit of Programme 3: Expanded Public Works Programme are as follows:

Findings	DPWI implemented projects	Other Public Bodies implemented projects	Total
EPWP participants were not reported on the Q3 EPWP reporting data	274	240	514
EPWP projects and participants not reported on the EPWP-RS	0	16	16
Beneficiaries listed on beneficiary list not employed on the project	4	20	24
Attendance registers were not provided	33	198	231
Identity documents were not provided	0	39	39
Proof of payment documents were not provided	11	113	124
Physical verification not performed while project was active	0	57	57
Proof of change in banking details documents were not provided	0	4	4
Proof of disability documents were not provided	0	3	3
Total	322	690	1012

8. The majority of negative findings were identified at the public bodies responsible for implementation, who are currently not required to report on achievements relating to EPWP, and thus do not allocate sufficient resources to ensure complete and valid reporting. The department must engage National Treasury to enhance the conditions of EPWP DoRA grants, and also engage the Department of Performance Monitoring and Evaluation in order to make the “number of work opportunities created” indicator customised for all public bodies. This will enhance accountability at public bodies with respect to managing the programme, which in turn may assist the department in ensuring that work opportunities reported is adequately reported, and supported by reliable audit evidence.
9. It is however concerning that a large number of findings were also identified at projects which the department was responsible for implementing themselves. This indicates that effort is still required internally to ensure that all valid work opportunities are reported, and that adequate supporting documentation is maintained. This will ensure that once the issue of consistency within the sector is resolved, the material misstatements on the programme do not recur at national level.

SECTION 4: STATUS OF COMPLIANCE WITH LEGISLATION

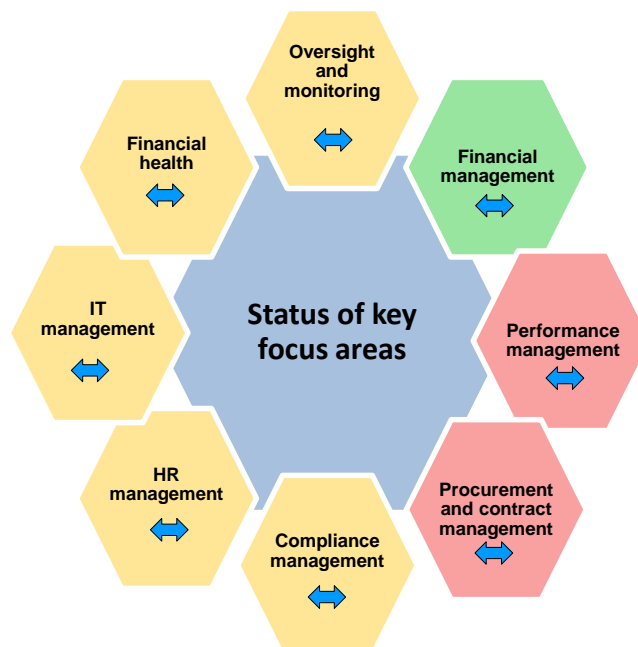
10. The audit included an assessment of compliance with legislation, procurement processes, contract management and the related controls in place. These processes and controls must comply with legislation to ensure a fair, equitable, transparent, competitive and cost-effective supply chain management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

	The basics are in place as no concerns were identified.
	Non-compliance identified
	Non-compliance identified which resulted in irregular expenditure being incurred

Compliance area	Status	No. of issues identified	Key findings
Procurement and contract management		2	Non-compliance PPPFA in that an instance was identified where tenders were not adequately advertised. In another instance we noted the winning bidder did not meet the pre-qualifying criteria, but was not disqualified.
Expenditure management		1 (recurring issue)	Payments were made on contract without proper monitoring which resulted in items being paid for which were not part of the original contract, and other instances where prices charged and paid were in excess of the quoted price

SECTION 5: STATUS OF KEY FOCUS AREAS

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



The legend applied is as follows:

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

The movement is assessed as follows:

↑	Improved
↔	Unchanged
↓	Regressed

KEY MATTERS FOR ATTENTION

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

Oversight and monitoring

3. There remains instability in the leadership of the department with the following senior management positions either being vacant or filled by acting incumbents as at the date of this report:
 - DDG: Supply Chain Management (SCM)
 - DDG: Inter-Governmental Relations (IGR)
 - DDG: Policy, Research and Regulations
 - DDG: Expanded Public Works Programme (EPWP)
4. We have noted from our review of the work of internal audit that management has, in some instances, been slow to respond to the findings of internal auditor, or not submit the information as requested by internal audit. Addressing these findings will strengthen the control environment in the department, and embed a culture of compliance within all officials.
5. A number of investigations, both internal and external, were finalised since the beginning of 2019, however we have noted that leadership has been slow to implement some of the recommendations in these reports, especially in relation to holding people accountable for causing the department to incur irregular, and fruitless and wasteful expenditure. Inadequate consequence management increases the likelihood of similar transgressions recurring, and the department not receiving value for the high costs incurred in conducting these investigations.

Performance management

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

Human resource management

7. The main concern continues to be the key positions that remain vacant, which include among others, the heads of key programmes such as DDG: Supply Chain Management (SCM), DDG: Inter-Governmental Relations (IGR), DDG: Policy, Research and Regulations and DDG: Expanded Public Works Programme (EPWP). This instability in key leadership positions may have a negative impact on the audit outcomes of the department.

Compliance management

8. Non-compliance with the requirements of the Preferential Procurement Regulations and Treasury Regulations was identified during the performance of our interim audit. In addition, instances of irregular expenditure were identified during the audit which will be required to be included in the irregular expenditure register before year end.

SECTION 6: STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS

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

No	Commitments	Made by	Auditors comments	Status
1	<u>Understatement of Accruals</u> a) Accrual schedules not accepted without valid supporting documents. b) Escalate non-submission of accruals schedule and supporting documents on time. c) Develop a checklist for the review of accruals inputs schedules. d) Accruals schedules to be accompanied by a completed and signed off checklist.	M. Sithole (Chief Financial Officer)	Interim AFS were accompanied by accruals schedule with a completed and signed off checklist. Follows ups will be made during final AFS audit	In Progress
2	<u>Incorrect classification of expenditure</u> a) Payments to be verified prior to processing to ensure full compliance; b) Monthly review of the expenditure, and processing of journals to ensure correction of all misallocations. All expenditure misallocation from April 2019 are being corrected through journals and the project is estimated to be completed the end of September 2019; c) Regular checking of the new Practise notes for implementation. Communication regarding the expenditure items changes to be sent out to all employees for compliance	M. Sithole (Chief Financial Officer)	Follows ups will be made during final AFS audit	In Progress
3	<u>Understatement of Commitments</u> a) Develop a checklist for the review of commitments inputs schedules. b) Signed off tender register will form part of Commitments schedule supporting documents. c) Commitments schedules to be accompanied by a completed and signed off checklist. d) Quarterly review of the commitments against Legal and SCM registers (awards and tender) to ensure full disclosure	M. Sithole (Chief Financial Officer)	Disclosures were not scoped in during interim. Follow ups will be made during final audit	In Progress
4	<u>The KPIs and targets were not measurable due to inadequate records management.</u> <i>Expanded Public Works Programme</i> a) To conduct Public Body Visits throughout the year in the format of mini audits. These visits focus on the public body, rather than specific projects, to ensure public bodies with recurring audit findings are assisted. b) To manage an Intervention Register of all non-compliance issues noted at these visits. In this register responsibility for and timelines for resolution are assigned to responsible parties. c) To follow up with escalation to Accounting Officers and to relevant administrative and political heads the non-resolution within the specified timelines of non-compliance issues. d) To keep a paper trail of the escalation as proof of the Department fulfilling its coordination mandate. e) To withhold payments to public bodies receiving grants for non-compliant projects.	S. Henderson (DDG- EPWP)	Similar findings were identified during interim audit	In Progress

No	Commitments	Made by	Auditors comments	Status
	<p>To continue to provide training on EPWP frameworks to public bodies.</p> <p>f) To develop and consult on the viability of implementing an EPWP Audit Practice Note aimed at providing guidance on the roles and responsibilities of all EPWP stakeholders with regard to auditing processes and records-management requirements of the EPWP.</p> <p>g) To forward a letter to the Head of Construction Project Management to instruct the branch to take responsibility for the reporting and capturing of its EPWP data.</p> <p>Prestige</p> <p>(a) Liaise with ICT for creation of the shared drive and implementation of paper trail System</p> <p>(b) Maintain manual filing system until the electronic system is functional</p>	M. Sazona (Chief Director: Prestige)		
5	<p><u>Inadequate Contract Management that resulted in Irregular Expenditure</u></p> <p>(a) Develop a checklist for requisition and verification</p> <p>(b) Segregation of duties between Events management and Finance section.</p> <p>(c) Prestige and SCM to perform reconciliation between invoice and quotation</p> <p>a) SCM will issue a Circular requiring submission of all contract related records to Legal Services for placement on the tender (Pink) file.</p> <p>b) To provide internal workshop for Project Managers throughout the Department to be aware of applicable rules within the Contract Management space.</p> <p>c) Utilisation of Paper trail for electronic storing of documents</p>	R. Naidoo (ADDG: Supply Chain Management)	Follows ups will be made during interim audit	In Progress
	<p><u>Information Technology</u></p> <p><i>Inadequate Security Management controls</i></p> <p>a) Ensure that they expedite the process of approving the Account Management policy (31 October 2019).</p> <p>b) Ensure that the ICT introduces security questions to assist in identifying users for password reset (Part of the policy – 31 November 2019).</p> <p>c) 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 (part of the policy 31 November 2019).</p> <p>d) Ensure that there is an implemented formal process to suspend/disable/terminate user access on Active Directory (part of the policy 31 November 2019).</p> <p>e) The ICT management should commit to findings resolution by implementing adequate user access controls within the AD environment (part of the policy 31 November 2019)</p>	C. Mtshisa (DDG: Corporate Services)	The IT general controls review is still in progress, due to delays caused by lockdown. Progress will be reported in the final audit.	In Progress

No	Commitments	Made by	Auditors comments	Status
	<p>f) Execute consequence management if evidence of poor performance is established (March 2020)</p> <p>Inadequately implementation of the user account management policy on EPWPRS</p> <p>Controls in this regard are established in Version 2 of the EPWP RS. It is expected that this version will be implemented in 2020/21.</p> <p>Inadequate IT service continuity controls</p> <p>a) Procurement of the Disaster Recovery Solution (1 November 2019)</p> <p>b) Testing Disaster Recovery Solution (1 January 2020)</p> <p>c) Updating of the current Disaster Recovery Plan and Business Continuity Plan will be completed by (1 December 2019.)</p>			

SECTION 6: Emerging risks

Accounting, performance management/reporting and compliance matters

New pronouncements

Modified cash standard

14. The following emerging risks are relevant for the 2019-20 audit cycle.

Componentisation of assets

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

New MCS chapters issued

The OAG has issued the following MCS chapters, with effective dates as indicated:

MCS chapter	Effective date
MCS 19 on <i>Transfer of functions</i>	1 Apr 2020
MCS 20 on <i>Mergers</i>	1 Apr 2020

Early application of both chapters is permitted

New legislation

Treasury Regulations

The Treasury Regulations are currently being revised, which may introduce a number of new requirements once effective.

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

15. 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

16. No material findings were identified in respect of the additional criteria.

SECTION 7: CONCLUSION

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

Yours faithfully

Tintswalo Masia
Senior Manager: National A
17 May 2019
Telephone: 012 426 8178
Fax: 012 422 9619
Email: Tintswalom2@agsa.co.za

Distribution:

Accounting officer
CFO
Audit committee
Head of internal audit

SECTION 10: Summary of detailed audit findings

Page no.	Finding	Classification					Rating			Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	Predetermined objectives										
	Predetermined objectives: EPWP beneficiaries were not reported on the EPWP third quarter data.		X				X			3	In progress
	Predetermined objectives: Non submission of attendance register		X				X			3	In progress
	Predetermined objectives: Non submission of proof of payment		X				X			3	In progress
	Predetermined objectives: Non submission of ID copies		X				X			3	In progress
	Predetermined objectives: Non submission of disability proof		X				X			1	In progress
	Predetermined objectives: Beneficiaries listed on the EPWP reporting system list not employed on the project		X				X			3	In progress
	Predetermined objectives: EPWP projects were not reported on the EPWP reporting system		X				X			3	In progress
	Predetermined objectives: No reasons were submitted as to why active project was "stopped"		X				X			0	In progress
	Predetermined objectives: EPWP – Beneficiary's proof of change in banking details were not provided		X				X			0	In progress
	Predetermined objectives: Validity of reported performance information for Programme 5 - Indicator 3 (Percentage of movable assets provided within 60 days after approval by prestige clients)		X					X		3	In progress

Page no.	Finding	Classification					Rating			Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	Governance										
	Scope limitation – Requested information not provided			X				X		0	In progress
	Goods and Services										
	Follow up of state funerals finding raised in 2018/19 audit	X		X			X			1	In progress
	Goods and Services: Contractors: Invoiced amounts exceed quoted price and Items invoiced but not included on approved quote – State Events	X						X		1	In progress
	Compensation of employees										
	2019/20 HR Plan			X					X	0	In progress

DETAILED AUDIT FINDINGS: ANNEXURES A TO C¹

ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT

Predetermined objectives

EPWP – EPWP beneficiaries were not reported on the EPWP Q3 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 Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported in the EPWP-RS by public bodies*, the following matters were identified at EPWP projects at the various public bodies:

Participants were included on the attendance registers and / or proof of payment; but were not reported on quarter 3 (April 2019 to 30 December 2019) data submitted for audit.

No	Project No	Project Name	Public Body	Sector	Under reported W/O per project
	DPWI				
1	81461-EPWP3N	Bolobedu SAPS NYS Project	Limpopo: DPWI	Infrastructure Sector	2
2	96812-EPWP3N	Bloemspruit Air Force Base	Free state: DPWI	Infrastructure Sector	1
3	87763-EPWP3N	Nelspruit RO Gardening	Mpumalanga: DPWI	Environment and Culture Sector	11
4	80999-EPWP3N	Emahlathini and Bothashoop Ports of Entry	Mpumalanga: DPWI	Infrastructure Sector	3
5	19917-EPWP3N	Parliamentary Residential Accommodation	Western Cape: DPWI	Infrastructure Sector	14
6	85725-EPWP3N	Caledon Prison	Western Cape: DPWI	Infrastructure Sector	2
7	64927-EPWP3N	NCOP Building	Western Cape: DPWI	Infrastructure Sector	6
8	65870-EPWP3N	Humewood Military Base	Eastern Cape: DPWI	Infrastructure Sector	1
9	94774-EPWP3N	Queenstown SAPS (General Labour) Maziya General	Eastern Cape: DPWI	Infrastructure Sector	189
10	72892-EPWP3N	Repairs and renovations in Gungqwana JSS	Eastern Cape: DPWI	Infrastructure Sector	1
11	85015-EPWP3N	Lusikisiki Home Affairs	Eastern Cape: DPWI	Infrastructure Sector	1

No	Project No	Project Name	Public Body	Sector	Under reported W/O per project
12	4010-EPWPRS	Manguzi SAPS	KwaZulu Natal: DPWI	Infrastructure Sector	6
13	2736-EPWPRS	NPA Pietermaritzburg Workshop	KwaZulu Natal: DPWI	Infrastructure Sector	9
14	90516-EPWP3N	Plooyburg Police Complex Repair of police station, Married Quarters and bach	Northern Cape: DPWI	Infrastructure Sector	7
15	90517-EPWP3N	Grobleshoop Magistrate's Construction of additional Accommodation	Northern Cape: DPWI	Infrastructure Sector	2
16	95315-EPWP3N	Cleaning and Gardening	Northern Cape: DPWI	Environment and Culture Sector	1
17	93306-EPWP3N	Repair and Renovation Magistrate Court in Victoria West	Northern Cape: DPWI	Infrastructure Sector	18
					274
Other Public bodies					
18	99318-EPWP3M	Moletjie East RWS Phase 13 (SETATI)	Limpopo: Polokwane	Infrastructure Sector	9
19	96456-EPWP3M	IG control of Alien Plants along Sand River	Limpopo: Polokwane	Environment and Culture Sector	5
20	96911-EPWP3M	Construction of Ga Molapo Community Hall	Limpopo: Lepelle-Nkumpi	Infrastructure Sector	8
21	76809-EPWP3M	New indoor sports and recreation	Free state: Matjhabeng	Infrastructure Sector	4
22	95696-EPWP3M	Nala Refuse Removal	Free state: Bothaville/Nala	Environment and Culture Sector	1
23	95782-EPWP3M	Nala Routine Maintenance	Free state: Bothaville/Nala	Infrastructure Sector	3
24	96124-EPWP3M	Nala Admin	Free state: Bothaville/Nala	Social Sector	1
25	63821-EPWP3M	Routine Horticultural and Gardening Maintenance	Mpumalanga: Nkangala	Environment and Culture Sector	1
26	93336-EPWP3M	ELM Transversal Admin Support Unit	Mpumalanga: Emalahleni (MP)	Social Sector	2
27	78292-EPWP3M	Emalahleni Waste Management Programme	Mpumalanga: Emalahleni (MP)	Environment and Culture Sector	1
28	96701-EPWP3M	Road Construction and pavements	Western Cape: Bergrivier	Infrastructure Sector	3
29	75348-EPWP3M	Safer Community Project	Western Cape: Overberg	Social Sector	6
30	76837-EPWP3M	Beaches Maintenance	Eastern Cape: Nelson Mandela Bay Metro	Social Sector	4
31	95470-EPWP3M	Tourism Ambassadors and Research	Eastern Cape: Nelson Mandela Bay Metro	Environment and Culture Sector	1
32	88269-EPWP3M	Drilling of Boreholes, Churchill Phase 1	Eastern Cape: Nelson Mandela Bay Metro	Infrastructure Sector	4
33	88284-EPWP3M	South End Museum Trust	Eastern Cape: Nelson Mandela Bay Metro	Environment and Culture Sector	1
34	94216-EPWP3M	Bathurst: Freestone Road	Eastern Cape: Ndlambe	Infrastructure Sector	19
35	83184-EPWP3M	Retained Fire Fighters	Eastern Cape: Ndlambe	Environment and Culture Sector	1
36	97647-EPWP3M	2019/20 Inhouse Project	Gauteng: City of Johannesburg Metro	Social Sector	3
37	77106-EPWP3M	Water Stewards - Ekurhuleni Water Depot	Gauteng: Ekurhuleni Metro	Infrastructure Sector	5
38	91949-EPWP3M	Maintenance of Roads and Storm water	Gauteng: Lesedi/Heidelberg	Infrastructure Sector	1

No	Project No	Project Name	Public Body	Sector	Under reported W/O per project
39	91955-EPWP3M	Public Service	Gauteng: Lesedi/ Heidelberg	Environment and Culture Sector	1
40	77918-EPWP3M	Mbhashe Street Cleaning	Eastern Cape: Mbhashe	Environment and Culture Sector	11
41	97974-EPWP3M	Mbhashe Traffic Trainees	Eastern Cape: Mbhashe	Social Sector	1
42	27905-EPWP3M	EThekweni Community Social Support Programme	KwaZulu Natal: eThekweni Metro	Social Sector	2
43	70071-EPWP3M	Upgrading of the Manyavu Community Water Supply	KwaZulu Natal: Umgungundlovu	Infrastructure Sector	2
44	77069-EPWP3M	Non Revenue Water Management	KwaZulu Natal: Umgungundlovu	Infrastructure Sector	8
45	93031-EPWP3M	Operation and Maintenance in Dikgatlong	Northern Cape: Dikgatlong	Infrastructure Sector	8
46	89500-EPWP3M	Cleaning of Stormwater Intakes	Northern Cape: Sol Plaatjie	Infrastructure Sector	37
47	91185-EPWP3M	Refurbishment of Galeshewe Main Outfall Sewer	Northern Cape: Sol Plaatjie	Infrastructure Sector	4
48	57711-EPWP3M	Special Cleaning Team	Northern Cape: Sol Plaatjie	Environment and Culture Sector	62
49	89595-EPWP3M	The construction of the bulk link water infrastruc	Northern Cape: Sol Plaatjie	Infrastructure Sector	21
					240

Impact of the finding

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

Understatement of reported performance for Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported in the EPWP-RS by public bodies*.

Internal control deficiency

Financial and Performance Management

The department did not implement effective controls to reconcile the participants on the attendance registers to the participants 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's response

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

The participants were not reported by the end of Quarter 3 of 2019/20.

Name: Mr. Devan Pillay
Position: Acting DDG: EPWP
Date: 13/05/2020

Auditor's conclusion

Management comment noted. AGSA noted the submitted amended "Participant Details per Projects" for various projects, however the matter will be reported in the interim management report. This matter will also be followed up during the final audit confirming that all the participants are reported and validated for Q4.

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....”*

1.

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 Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups*, the following matter was identified at EPWP projects at the various public bodies:

The following participant’s attendance registers were not provided for audit purposes.

No	Project No	Project Name	Public Body	Sector	Number of beneficiaries where attendance were not submitted
	DPWI				

No	Project No	Project Name	Public Body	Sector	Number of beneficiaries where attendance were not submitted
1	98107-EPWP3N	Sibasa Embassy Home Affairs Project	Limpopo: DPWI	Infrastructure Sector	19
2	64927-EPWP3N	NCOP Building	Western Cape: DPWI	Infrastructure Sector	9
3	79047-EPWP3N	Parow Forensic Science Laboratory	Western Cape: DPWI	Infrastructure Sector	2
4	81866-EPWP3N	Momentum Building Health Care Cleaning	Gauteng: DPWI	Environment and Culture Sector	3
					33
Other Public bodies					
5	76809-EPWP3M	New indoor sports and recreation	Free state: Matjhabeng	Infrastructure Sector	6
6	63821-EPWP3M	Routine Horticulture and Gardening Maintenance	Mpumalanga: Nkangala	Environment and Culture Sector	1
7	76837-EPWP3M	Beaches Maintenance	Eastern Cape: Nelson Mandela Bay Metro	Social Sector	6
8	95470-EPWP3M	Tourism Ambassadors and Research	Eastern Cape: Nelson Mandela Bay Metro	Environment and Culture Sector	5
9	88269-EPWP3M	Drilling of Boreholes, Churchill Phase 1	Eastern Cape: Nelson Mandela Bay Metro	Infrastructure Sector	3
10	94216-EPWP3M	Bathurst: Freestone Road	Eastern Cape: Ndlambe	Infrastructure Sector	6
11	77918-EPWP3M	Mbhashe Street Cleaning	Eastern Cape: Mbhashe	Environment and Culture Sector	42
12	70071-EPWP3M	Upgrading of the Manyavu Community Water Supply	KwaZulu Natal: Umgungundlovu	Infrastructure Sector	16
13	77069-EPWP3M	Non Revenue Water Management	KwaZulu Natal: Umgungundlovu	Infrastructure Sector	80
14	93031-EPWP3M	Operation and Maintenance in Dikgatlong	Northern Cape: Dikgatlong	Infrastructure Sector	2
15	98027-EPWP3M	Bufferzone Bulk Water Supply	Northern Cape: Dikgatlong	Infrastructure Sector	14
16	89500-EPWP3M	Cleaning of Stormwater Intakes	Northern Cape: Sol Plaatje	Infrastructure Sector	13
17	57711-EPWP3M	Special Cleaning Team	Northern Cape: Sol Plaatje	Environment and Culture Sector	4
					198

Impact of the finding

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

The quarter 3 data reported performance for Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported on the EPWP-RS by public bodies* 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 Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported in the EPWP-RS by public bodies*

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]:

The listed names were participants and the requested documents should be available.

Name: Mr. Devan Pillay
Position: Acting DDG: EPWP
Date: 13/05/2020

Auditor's conclusion

Management comment noted. The matters raised will be reported in the interim management report as no supporting documentation were submitted for audit purposes.

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....”*

2.

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 Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups*, the following matter was identified at EPWP projects at the various public bodies:

The following participant’s proof of payments were not provided for audit purposes.

No	Project No	Project Name	Public Body	Sector	Number of work opportunities where proof of payments not provided
	DPWI				
1	81866-EPWP3N	Momentum Building Health Care Cleaning	Gauteng: DPWI	Environment and Culture Sector	3
2	88869-EPWP3N	Kimberley SANDF: Repair and Renovations to MP Offices	Northern Cape: DPWI	Infrastructure Sector	8
					11
	Other Public bodies				
3	76809-EPWP3M	New indoor sports and recreation	Free state: Matjhabeng	Infrastructure Sector	11
4	63821-EPWP3M	Routine Horticulture and Gardening Maintenance	Mpumalanga: Nkangala	Environment and Culture Sector	1
5	88269-EPWP3M	Drilling of Boreholes, Churchill Phase 1	Eastern Cape: Nelson Mandela Bay Metro	Infrastructure Sector	3
6	88284-EPWP3M	South End Museum Trust	Eastern Cape: Nelson Mandela Bay Metro	Environment and Culture Sector	5
7	97647-EPWP3M	2019/20 Inhouse Project	Gauteng: City of Johannesburg Metro	Social Sector	1
8	77918-EPWP3M	Mbhashe Street Cleaning	Eastern Cape: Mbhashe	Environment and Culture Sector	26
9	27905-EPWP3M	EThekweni Community Social Support Programme	KwaZulu Natal: eThekweni Metro	Social Sector	1
10	70071-EPWP3M	Upgrading of the Manyavu Community Water Supply	KwaZulu Natal: Umgungundlovu	Infrastructure Sector	3
11	77069-EPWP3M	Non Revenue Water Management	KwaZulu Natal: Umgungundlovu	Infrastructure Sector	26
12	98027-EPWP3M	Bufferzone Bulk Water Supply	Northern Cape: Dikgatlong	Infrastructure Sector	14
13	89500-EPWP3M	Cleaning of Stormwater Intakes	Northern Cape: Sol Plaatjie	Infrastructure Sector	4
14	57711-EPWP3M	Special Cleaning Team	Northern Cape: Sol Plaatjie	Environment and Culture Sector	6
15	89595-EPWP3M	The construction of the bulk link water infrastruc	Northern Cape: Sol Plaatjie	Infrastructure Sector	12
					113

Impact of the finding

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

The quarter 3 data reported performance for Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported on the EPWP-RS by public bodies* 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 Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported in the EPWP-RS by public bodies*

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]:

The listed names were participants and the requested documents should be available.

Name: Mr. Devan Pillay
Position: Acting DDG: EPWP
Date: 13/05/2020

Auditor's conclusion

Management comment noted. The matters raised will be reported in the interim management report as no supporting documentation were submitted for audit purposes.

EPWP – ID copies 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....”*

3.

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 Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups*, the following matter was identified at EPWP projects at the various public bodies:

The following participant’s Identity documents were not provided for audit purposes.

No	Project No	Project Name	Public Body	Sector	Number of ids not provided
	Other Public bodies				

No	Project No	Project Name	Public Body	Sector	Number of ids not provided
1	76809-EPWP3M	New indoor sports and recreation	Free state: Matjhabeng	Infrastructure Sector	3
2	95470-EPWP3M	Tourism Ambassadors and Research	Eastern Cape: Nelson Mandela Bay Metro	Environment and Culture Sector	1
3	88269-EPWP3M	Drilling of Boreholes, Churchill Phase 1	Eastern Cape: Nelson Mandela Bay Metro	Infrastructure Sector	4
4	77918-EPWP3M	Mbhashe Street Cleaning	Eastern Cape: Mbhashe	Environment and Culture Sector	7
5	77069-EPWP3M	Non Revenue Water Management	KwaZulu Natal: Umgungundlovu	Infrastructure Sector	3
6	89500-EPWP3M	Cleaning of Stormwater Intakes	Northern Cape: Sol Plaatjie	Infrastructure Sector	8
7	57711-EPWP3M	Special Cleaning Team	Northern Cape: Sol Plaatjie	Environment and Culture Sector	6
8	89595-EPWP3M	The construction of the bulk link water infrastruc	Northern Cape: Sol Plaatjie	Infrastructure Sector	7
					39

Impact of the finding

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

The quarter 3 data reported performance for Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported on the EPWP-RS by public bodies* 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 Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported in the EPWP-RS by public bodies*

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]:

The listed names were participants and the requested documents should be available.

Name: Mr. Devan Pillay
Position: Acting DDG: EPWP
Date: 13/05/2020

Auditor's conclusion

Management comment noted. The matters raised will be reported in the interim management report as no supporting documentation were submitted for audit purposes.

EPWP – Reported persons with disability evidence or supporting documentation 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....”*

4.

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 Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups*, the following matter was identified at EPWP projects at the various public bodies:

The following participant’s proof of disability documents were not provided for audit purposes

No	Project No	Project Name	Public Body	Sector	Number of proof of disability not provided
Other Public bodies					
1	77918-EPWP3M	Mbhashe Street Cleaning	Eastern Cape: Mbhashe	Environment and Culture Sector	1
2	91185-EPWP3M	Refurbishment of Galeshewe Main Outfall Sewer	Northern Cape: Sol Plaatjie	Infrastructure Sector	2
					3

Impact of the finding

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

The quarter 3 data reported performance for Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported on the EPWP-RS by public bodies* 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 Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported in the EPWP-RS by public bodies*

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]:

The listed names were participants and the requested documents should be available.

Name: Mr. Devan Pillay
Position: Acting DDG: EPWP
Date: 13/05/2020

Auditor's conclusion

Management comment noted. The matters raised will be reported in the interim management report as no supporting documentation were submitted for audit purposes.

EPWP – Participants listed/ reported on project list were 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 Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups* at the various public bodies, the participants listed below were reported as participants on the EPWP reporting system for the project; including with number of days worked. However, during the audit of the project it was noted that the participants did not work on the project as attendance register and proof of payment could not be obtained.

No	Project No	Project Name	Public Body	Sector	Participants did not worked on project
DPWI					
1	87763-EPWP3N	Nelspruit RO Gardening	Mpumalanga: DPWI	Environment and Culture Sector	1
2	2736-EPWPRS	NPA Pietermaritzburg Workshop	KwaZulu Natal: DPWI	Infrastructure Sector	1
3	90517-EPWP3N	Grobleshoop Magistrate's Construction of additional Accommodation	Northern Cape: DPWI	Infrastructure Sector	2
					4
Other Public bodies					
4	77106-EPWP3M	Water Stewards - Ekurhuleni Water Depot	Gauteng: Ekurhuleni Metro	Infrastructure Sector	5
5	70071-EPWP3M	Upgrading of the Manyavu Community Water Supply	KwaZulu Natal: Umgungundlovu	Infrastructure Sector	15
					20

Impact of the finding

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

The quarter 3 data reported performance for Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported on the EPWP-RS by public bodies* submitted for audit might 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 participants 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]:

No proof has been submitted that the participants were employed on the project.

Name: Mr. Devan Pillay
Position: Acting DDG: EPWP
Date: 13/05/2020

Auditor's conclusion

Management comment noted.

The matter will be reported in the interim management report as no supporting documentation were submitted for audit purposes. This matter will also be followed up during the final audit confirming that the participants are removed from Q4.

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

During the audit of EPWP projects at the Lepelle-Nkumpi Local Municipality, the under-mentioned project was not reported on the quarter 3 EPWP reporting system as at 31 December 2019.

No	Project No	Project Name	Public Body	Sector	Beneficiaries not reported for project
	Other Public bodies				
1	100645-EPWP3M	Taring of internal streets zone S to Q access road	Limpopo: Lepelle-Nkumpi	Infrastructure Sector	16

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]:

No acceptable reason for the underreporting was provided by the municipality.

The municipality uses the data capturing services of the Limpopo Department of Public Works, Roads and Infrastructure. The department did not capture the project in time for the Quarter 3 report as the project documents were submitted late and had errors.

It remains the responsibility of the municipality to ensure that the data is captured timely and that proper documentation is submitted for the purposes of capturing

Name: Mr. Devan Pillay
Position: DDG: EPWP
Date: 23/03/2020

Auditor's conclusion

Management comment noted. The matter will be reported in the interim management report. This matter will also be followed up during the final audit confirming that this project is reported for Q4.

No reasons were submitted as to why active project was “stopped”

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....”*

5.

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

No documentation or reasons was submitted to explain as to why the project 70071-EPWP3M (Upgrading of the Manyavu Community Water Supply Sc) was temporary “stopped” by the municipality, therefore no physical verification of participants were performed.

Impact of the finding

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

The quarter 3 data reported performance for Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported on the EPWP-RS by public bodies* 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 Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported in the EPWP-RS by public bodies*

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]:

Documentation or reasons as to why the project 70071-EPWP3M was temporary stopped by the municipality should be available.

Name: Mr. Devan Pillay
Position: Acting DDG: EPWP
Date: 13/05/2020

Auditor's conclusion

Management comment noted. The matters raised will be reported in the interim management report as no supporting documentation were submitted for audit purposes.

EPWP – Beneficiary’s proof of change in banking details 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....”*

6.

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 EPWP project at the Mafikeng Local Municipality, the following beneficiary’s proof of change in banking details were not provided for audit purposes.

No	Project No	Project Name	Public Body	Sector	Banking details not submitted
Other Public bodies					
1	75688-EPWP3M	Meter Reading within Mahikeng and Mmabatho	North West: Mahikeng	Social Sector	4

Impact of the finding

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

The quarter 3 data reported performance for Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported on the EPWP-RS by public bodies* 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 Indicator 3.1 *Number of work opportunities reported in the EPWP-RS by public bodies* and Indicator 3.2 *Percentage EPWP participation among designated groups reported in the EPWP-RS by public bodies*

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]:

The listed names were participants and the requested documents should be available.

Name: Mr. Devan Pillay
Position: Acting DDG: EPWP
Date: 06/04/2020

Auditor's conclusion

Management comment noted. The matters raised will be reported in the interim management report as no supporting documentation were submitted for audit purposes.

ANNEXURE B: OTHER IMPORTANT MATTERS

Predetermined objectives

Predetermined objectives: Validity of reported performance information for Programme 5 - Indicator 3 (Percentage of movable assets provided within 60 days after approval by prestige clients)

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 walkthrough of Programme 5: Indicator 3 (Percentage of movable assets requests provided within 60 days after approval by prestige client), the undermentioned request was incorrectly included in the Q1 supporting schedules as “provided within 60 days”.

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	Union Buildings Cabinet room : 2 high back chairs	28-Sep-18	17-May-19	230

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 for the following reasons. This is incorrectly included in the Performance indicator

Before inputs submitted to M& E will be checked and verified the validity

Chief Director will be responsible for ensuring the correctness

The action will be completed before year end the 31/03/2020

The Root causes of the audit finding was due to the mistakenly stated on the schedule due to the delivery date.

Name: M Sazona

Position: Chief Director: Prestige

Date: 24/02/2020

Auditor's conclusion

Management comment noted. The matter will be reported in the interim management report. This matter will also be followed up during the final audit confirming the annual performance report information.

Governance

Requested information not provided

Requirements

Section 41 of the PFMA requires that *'An accounting officer for a department, trading entity or constitutional institution 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.'*

Nature

During the planning for the 2019/20 for the Department of Public Works and Infrastructure audit, the following requested information was not submitted to the auditors within the required timeframe and is to date still outstanding.

No	RFI no.	Information outstanding	RFI request date
1	6.1	A list of all committee's (new and existing committees) the auditee has from 1 April 2019 to date.	05-Dec-19
2	14.1	The DPW approved memorandum and calculation for the payment of SMS members (level 13 to 16) for the 2018/19 performance cycle in soft copy.	06-Dec-19
3	14.4	2018/19 year-end DPSA submission for SMS poor performers in soft copy	06-Dec-19

Impact of the finding

A limitation of scope on the planned audit procedures should the information not be received within the next five days

Furthermore, inefficiencies are noted in the audit due to the fact that additional time has to be spent following up on outstanding information that is overdue, thus impacting on the budget of the audit.

The above is due to:

A lack of appropriate internal controls regarding proper filing and record keeping to ensure that documentation is easily and readily available for audit purposes;

Not all officials understanding the audit process and the importance of submitting the requested documentation within the required timeframe.

Internal control deficiency

Financial and performance management

Management 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.

Recommendation

Management should ensure that:

Appropriate internal controls regarding proper filling and record keeping are in place to ensure that documentation is easily and readily available;

Officials within the department are made aware of the audit process and importance of submitting accurate and complete information to the auditors within the required timeframe;

Procedures are put in place to enforce compliance with internal controls regarding submission of information as requested by the AGSA within the agreed upon timeframe as per the engagement letter;

Priority is given to the outstanding information as indicated above and that such information is submitted without further delay.

Management response

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

Auditor's conclusion

No management response received as yet

Goods and Services

Follow up of state funerals finding raised in 2018/19 audit

Laws, rules and Regulations:

Public Finance Management Act paragraph 38(1)(a)(i) states that *“The accounting officer for a department must ensure that the department has and maintains*

- (i) Effective, efficient and transparent systems of financial and risk management and internal control”*

Section 38(1)(b)(i) of the Public Finance Management Act states that *“The accounting officer for a department is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution...”*

Public Finance Management Act paragraph 38(1)(c)(ii) states that *“The accounting officer for a department must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct”*

Treasury Regulation (TR) 8.1.1 states that *“The accounting officer of an institution must ensure that internal procedures and internal control measures are in place for payment approval and processing. These internal controls should provide reasonable assurance that all expenditure is necessary...”*

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 2018/19 financial period, findings were raised with respect to state funerals (COFF 7 of 2018/19), wherein we noted weaknesses in the contract management processes. These weaknesses resulted in payments made on those contracts being in excess of the amounts required as per the pricing schedule that was submitted by the supplier during the tender process. In other instances, the invoice that was submitted by the supplier for payment purposes included items that were not initially quoted as per pricing schedule which was submitted by the supplier during the tender process.

Management agreed with the findings, and committed to conducting a forensic investigation into the funerals to determine the cause, extent and responsibility for the irregularity.

During the follow up conducted during interim audit in the current year, we noted that the investigation was conducted, and confirmed the matters initially identified by the auditors. The audit work we performed confirmed 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 prices that were charged on the invoice were different from the prices that were quoted by the supplier prior to the event.

•

3. Quantities on the invoice differed from the quantities agreed to on the quotation, with no evidence of additional items being requested by the department.

•

Invoiced amounts exceed pricing schedule price

When comparing the invoice 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	2 115 055,74	317 258,36	2 432 314,10
State Funeral for Zola Skweyiya	Crocia Events	4 713 764,76	1 905 576,00	2 808 188,76
State Funeral for Billy Modise	Crocia Events	79 100,00	11 865,00	90 965,00
TOTAL				5 331 467,86

Invoiced amounts exceed quoted price

Furthermore, it was noted that there were 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. These items were included in the quotation provided by the supplier prior to the event, however the prices quoted in the quotation differed from the prices charged per the invoice. Of specific concern was the fact that the initial quotation included Management Fees as an item in the funerals for Mandela and Skweyiya, which was not included on as a separate item on the final invoice. However, the quotation total and the invoice total was identical, even though management fees were removed from the invoice. The differences identified in the pricing between the items on the invoice and the quotation are indicated in the table below.

Event	Supplier	Difference identified (Rand)	VAT (Rand)	TOTAL (Rand)
State Funeral for Mama Winnie Madikizela Mandela	Crocia Events	1 768 441,14	265 266,17	2 033 707,31
State Funeral for Zola Skweyiya	Crocia Events	420 223,04	63 033,46	483 256,50
TOTAL				2 516 963,81

Invoiced quantities exceed quoted quantities

Event	Supplier	Difference identified (Rand)	VAT (Rand)	TOTAL (Rand)
State Funeral for Mama Winnie Madikizela Mandela	Crocia Events	309 750,00	46 462,50	356 212,50

Refer to the annexures for detailed calculations.

Impact

- Non – compliance with Treasury Regulation paragraph 8.1.1, 8.2.1 and 8.2.2 resulting in irregular expenditure.
- A financial loss of R7 848 431.67 as a result of price variances.

- A possible financial loss of R356 212.50 as a result of variance in quantity between invoice and quotation for which there was no documented evidence of services being requested or received.

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.

Internal procedures and internal control measures in place for the approval and processing of payments were not adequate, or were not implemented.

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

Recommendation

It is recommended that:

Management must determine the total financial losses which were suffered by the department as a result of the above-mentioned irregularities. The workings must be submitted to the AGSA.

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 irregular expenditure register. The workings must be submitted to the AGSA.

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.

Management response:

Contractors (State Events): Invoiced amounts exceed quoted price and Items invoiced but not included on approved quote

Requirements

Public Finance Management Act paragraph 38(1)(a)(i) states that *“The accounting officer for a department must ensure that the department has and maintains effective, efficient and transparent systems of financial and risk management and internal control...”*

Public Finance Management Act paragraph 38(1)(c)(ii) states that *“The accounting officer for a department must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct...”*

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.”*

7. 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 funerals during the year under review.

An internal memorandum was then sent to the National Adjudication Bid Committee (NABC) by the project manager on 20 March 2019 requesting to use the current funeral term contract of Crocia Events to provide infrastructure for the SADC Solidarity Conference. NABC approved the internal memo on 20 March 2019 to utilise the funeral term contract for the state event noting to the project manager that the service must also be delivered at the same rates as approved in the current funeral term contract.

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

Even though the NBAC approval stated that the service must be delivered at the same rates as approved in the current funeral term contract, when comparing the invoice with the approved pricing schedule differences were identified as indicated on the table below:

Event	Supplier	Difference identified (Rand)	VAT (Rand)	TOTAL (Rand)
SADC Solidarity Conference	Crocia Events	17 400,00	2 610,00	20 010,00
				20 010,00

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)
SADC Solidarity Conference	Crocia Events	277 377,00	41 607,00	318 984,00
				318 984,00

Please refer to Annexure A for detailed calculations.

Impact

Non – compliance with Treasury Regulation paragraph 8.2.1 and Treasury regulation 8.2.2 resulting in irregular expenditure of R338 994.

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 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.

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:

Auditor's conclusion

ANNEXURE C: ADMINISTRATIVE MATTERS

Compensation of employees

2019/20 HR Plan

Requirements

Section 7 (3)(b) of the Public Service Act (PSA) requires that *“A head of department shall be responsible for the efficient management and administration of his or her department, including the effective utilisation and training of staff, the maintenance of discipline, the promotion of sound labour relations and the proper use and care of State property, and he or she shall perform the functions that may be prescribed.”*

Section 25 (2)(d) of the Public Service Regulations, 2016 (PSR) requires that *“Based on the strategic plan of the department, an executive authority shall engage in human resource planning in accordance with regulation 26 to meet the resulting human resource needs.”*

Section 26 (1) of the PSR requires that *“An executive authority shall prepare and implement a human resource plan for his or her department.”*

Nature

The previous approved departmental Human Resource (HR) Plan was for the MTEF period 2016-2019, hence a new HR plan needed to be approved for the 2019/20 financial year.

The 2019/20 HR Plan was requested per Request for Information no. 3 dated 5 December 2019 and Communication of Finding 1 dated 7 February 2020 and could not be submitted as it was not finalised, approved and implemented for the 2019/20 financial year.

The department indicated on their response that it will only be approved by 31 March 2020 after the finalization of the development of the 5 year strategic plan of the Department, the National Macro Organization of Government as part of the sixth administration and the reorganization of the Department.

No exemption was requested or obtained from National Treasury or the Department of Public Service and Administration for not complying with the PSA and PSR.

Impact

This results in non-compliance with PSA 7(3)(b); PSR 25(2)(d) and 26(1).

Internal control deficiency

Financial and performance management:

Review and monitor compliance with applicable laws and regulations

Management did not review and monitor compliance with applicable laws and regulations, as a result the 2019/20 HR Plan is not timeously finalised, approved and implemented for the 2019/20 financial year.

Recommendation

It is recommended that:

Management must develop or enhance compliance procedures to ensure compliance with all prescribed laws and regulations. In addition, timeously requesting exemption from the relevant authority for not complying with any laws and regulations when circumstances are outside of their control.

Management response:

Management is partly not in agreement with the finding.

The Department has an approved HR plan for period 2019-2022 which was submitted to the Auditor General of South Africa (A copy of the HR plan is attached hereto). The Department notes and is in agreement that the HR Plan was only approved 03 March 2019. The coming in of the sixth administration in May 2019, after the national elections, resulted in the reconfiguration of Ministries and Departments referred to as National Macro Organization of Government. The finalization of National Macro Organization of Government was considered very critical to HR plan as it was to provide information on the newly reconfigured Department of Public Works and Infrastructure in relation to added Infrastructure function hence the delays in the finalization of related plans. The NMOG processes were scheduled for completion by 31 December 2019. The DPSA was accordingly informed of the delay and reasons thereof. However it should be mentioned that the Annual HR plan implementation report for the 2019/20 financial year is only due for submission at the DPSA on 30 June 2020. During June 2019, the department submitted the Annual HR implementation report for the 2018/19 financial year.

Name: TB Hlatshwayo
Position: CD: HRM
Date: 11/05/2020

Auditor's conclusion

Management comment noted and that the finalization of National Macro Organization of Government for the newly reconfigured Department of Public Works and Infrastructure delayed the finalisation of related plans.

However no exemption was obtained or received and the HR plan for 2019 to 2022 was only signed by the DG on the 9 March 2020 which resulted in the 2019/20 HR Plan not being timeously finalised, approved and implemented for the 2019/20 financial year therefore this matter will be reported in the interim management report as an administrative matter.