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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	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	EPWP – Summary of issues identified										
	Predetermined objectives: EPWP Participants and projects were not reported on the EPWP Q4 data		Yes				Yes			3	In progress
	Predetermined objectives: Attendance registers were not provided		Yes				Yes			3	In progress
	Predetermined objectives: Proof of payment documents were not provided		Yes				Yes			3	In progress
	Predetermined objectives: Identity documents were not provided		Yes				Yes			3	In progress
	Predetermined objectives: Proof of training was not provided		Yes				Yes			1	In progress
	Predetermined objectives: Invalid payments noted for participants		Yes				Yes			0	In progress
	Predetermined objectives: Payment inconsistencies identified		Yes				Yes			0	In progress
	Predetermined objectives: Attendance register and proof of payment provided not reliable		Yes				Yes			1	In progress
	Predetermined objectives: Banking details and change were not submitted		Yes				Yes			2	In progress
	Predetermined objectives: Over reporting of participants		Yes				Yes			3	In progress
	Predetermined objectives: Over reporting of persons with disability		Yes				Yes			1	In progress
	Predetermined objectives: Proof of disability was not provided		Yes				Yes			1	In progress

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	Predetermined objectives: Certificate of death not provided		Yes				Yes			0	In progress
	Predetermined objectives: Under reporting of persons with disability		Yes				Yes			3	In progress
	Predetermined objectives: Design solutions completed - Reported information is not valid		Yes				Yes			0	In progress
	Predetermined objectives: Projects completed within the agreed construction period		Yes				Yes			0	In progress
	Predetermined objectives: Number of infrastructure sites handed over for construction not complete		Yes				Yes			0	In progress
	Predetermined objectives: Number of infrastructure projects completed may not be complete		Yes				Yes			0	In progress
	<b>AUDIT OF COMPLIANCE WITH LESGILATION</b>										
	Consequence Management			Yes			Yes			3	In progress
	Local content procurement not in accordance with the National Treasury			Yes				Yes		3	In progress
	Cape Town DPWI Procurement Management			Yes				Yes		3	In progress



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INFORMATION TECHNOLOGY GOVERNANCE											
1.1	Vacant positions within information and communication (ICT) division				Yes			Yes		4	In progress
1.2	Project overruns and unachieved project timeliness				Yes			Yes		3	In progress
1.3	Information Communication Technology projects for 2020/21 were not achieved				Yes			Yes		2	In progress
USER ACCESS MANAGEMENT											
2.1	Active directory (AD) administrator activities not monitored				Yes			Yes		3	In progress
2.2	Inadequately implementation of user access management controls around EPWP				Yes			Yes		2	In progress
2.3	Inadequately implementation of user access management controls around Reapatala				Yes			Yes		2	In progress
2.4	Inadequately implementation of user access management controls around PERSAL				Yes			Yes		2	In progress

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2.5	Inadequate implementation of user access controls on GIS				Yes			Yes		4	In progress
2.6	Inadequate implementation of user access management controls around SAGE X3 system				Yes			Yes		5	In progress
2.7	Inadequate implementation of user access management controls on PMIS				Yes			Yes		2	In progress
2.8	Inadequate implementation of user access management controls on Archibus				Yes			Yes		2	In progress
SECURITY MANAGEMENT											
3.1	Inadequate Security Management controls				Yes			Yes		4	In progress
CHANGE MANAGEMENT											
4.1	Inadequate implementation of change controls				Yes				Yes	5	In progress
4.2	Inadequate implementation of change controls around Reapatala and EPWP				Yes				Yes	5	In progress

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INFORMATION TECHNOLOGY SERVICE CONTINUITY											
5.1	Inadequate IT service continuity controls				Yes				Yes	5	In progress

## DETAILED AUDIT FINDINGS: ANNEXURES A TO C

### ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT

#### AUDIT OF FINANCIAL STATEMENTS

##### 1. Receivables – Impairment provision of DBE

###### Requirements

The Public Finance Management Act (PFMA) section 40(1) (b) states *“The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”*

The Chapter 9: General Departmental Assets and Liabilities of the Modified Cash Standards (MCS) par 6.4 states the following: -

**“6.4 Impairment- Impairment** is a loss in the future economic benefits or service potential of an asset.

- a) At the end of **each** reporting period, a department should assess whether there is any objective evidence that a financial asset recognised or recorded, in the primary or secondary financial information respectively, is impaired.
- b) If there is **objective evidence that impairment** on a financial asset has occurred, the loss must be recorded in the notes to the financial statements.
- c) Objective evidence that a financial asset is impaired can be as a result of the occurrence of one or more of the following events:
  - Significant financial difficulty experienced by the borrower / debtor;
  - **Delays in payments** (including interest payments) or failure to pay / defaults; or
  - It is probable that the borrower / debtor will enter sequestration (bankruptcy) or other financial reorganisation.
- d) The amount for impairment should be included in the secondary financial information to show the estimated reduction in the recognised or recorded carrying value, to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset.
- e) Impairment estimates could be determined by estimating the present value of the expected future inflow of cash that is expected in settlement of the recorded financial asset. The present value is determined by using an appropriate interest rate to discount the future expected cash flow. For practical purposes, departments are encouraged to consider the prevailing prime rate of interest. Further adjustments to the rate that may better reflect the credit risk associated with the instrument may be made.
- f) A department should apply an appropriate impairment method for each class of financial assets. It is advised that the appropriate methodology be included in the department's policy that addresses impairment considerations and calculations. “



**Nature**

During the audit we noted that the balance of R54 541 470,66 due to DPWI from the Department of Basic Education (DBE) has been outstanding since the 2016/17 financial year and to date no payments were received by DPWI.

In a letter dated 07 January 2021, the DPWI requested DBE to confirm the receivable due to DPWI from DBE and in response the CFO of DBE indicated that DBE does not owe DPWI any monies and attempts made to bring the matter to finality did not yield positive results because DPWI staff were always not available. Funds for the particular project in question were surrendered to the National Treasury and as such, even if DBE wanted to pay DPWI, DBE doesn't have the funds.

The auditors also requested a debtor's confirmation through the auditors of DBE and established that DBE did not recognise DPWI as a liability.

**Impact of the finding**

This results in understatement of Impairment of receivables.

**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.

**This is due to:**

Management did not make an impairment assessment of all receivables balances at year-end to determine whether the balances recognised are still recoverable.

**Recommendation**

- Management should assess whether there is any objective evidence that receivable balances recognised is impaired.
- Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

**Management response**

I am not in agreement with the finding for the following reasons:

The impairment assessment was performed of the DBE receivable at the end of the financial year in line with the Departmental Impairment assessment procedures and it was found that it does not qualify for impairment since it did not meet all the requirements for impairment as listed in the attached annexure B DBE. Attached find the impairment procedures circular.

As per response received from the Minister of DBE dated 28 February 2020, the outstanding amount was not disputed. It was indicated that DBE does not have the funding to honour the request from DPWI. However, a commitment was made to further engage with the Department on the matter. The meeting took place between the Department and DBE, and it

was agreed during the meeting that the officials who were directly responsible in the project (i.e. DPWI and DBE) will meet to resolve the outstanding issues regarding the project. It was further proposed during the same meeting that once outstanding issues are resolved, and DBE has no funding to honour the request from DPWI, both Departments will approach National Treasury for funding.

At the end of March 2021, the Department was working on the condonement submission to DBE for approval of the issues not complied with as per the MOA, as the first submission was never formally responded to by DBE hence the matter was escalated to the DBE Minister.

Name: A Negota

Position: Director: Financial Accounting

Date: 15 July 2021

### **Auditor's response**

Management responses noted. Inspected management assessment for the recoverability of the debt and noted the following provision for doubtful debts assessment criteria:

- The debtor has been informed about the outstanding debt
- Regular follow ups of the debtor has been made
- The case has been referred to legal services
- The case is recommended for write off

If all of the above statements are "yes", the debt amount must be included in the provision for doubtful debts "provision".

The above assessment criteria are not in line with the requirements of MCS, which requires that if *one or more of the following events are present then a provision must be raised:*

- *Significant financial difficulty experienced by the borrower / debtor;*
- **Delays in payments** (including interest payments) or failure to pay / defaults; or
- *It is probable that the borrower / debtor will enter sequestration (bankruptcy) or other financial reorganisation.*

Furthermore, an internal policy does not override the requirements of MCS and cannot be used as basis for departure.

The letter from the Minister of DBE neither confirms nor deny the existence of the debtor however, the letter confirms that the recoverability of the debtor is uncertain as there are no funds to honor the debt and the said project was terminated without completion.

Therefore, in conclusion, the provision for impairment should be recognised in the financial statements and the department should apply for the write-off of the debt from National Treasury because the recoverability of the debt is no longer probable.

### **Management response 2**

The Auditor-General's conclusion is noted, and the provision for impairment will be recognised in the financial statements. The transaction was not impaired as the Department received communications from the Department of Basic Education (DBE) in 2018 and 2019 committing to reimburse the Department (DPWI) the outstanding amount using the saving from allocation relating to those financial years and therefore the Department expected the same commitment in the future where DBE is projecting the saving.

The Department will continue to engage DBE and National Treasury to ensure the funding is provided to clear the receivable, and failure to secure funding, the Department will approach National Treasury for the write off in case the no saving is available from the Department.

The emails received from DBE officials indicating willingness to pay the Department using savings/underspending will be submitted as part of the revised response to demonstrate that DBE continued to acknowledge the debt from the Department even though no payments were made to the Department as per received communications from DBE officials.

Name: Aaron Mazibuko

Position: Chief Director: Financial Management

Date: 25 July 2021

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

Inspected the final AFS submitted after the audit and confirmed that the provision for impairment was updated. This is one of the issues which resulted in a paragraph being included in the audit report relating to correction of material misstatements.

## 2. Receivables – Impairment provision - Presidency

### Requirements

The Public Finance Management Act (PFMA) section 40(1) (b) states *“The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”*

The Chapter 9: General Departmental Assets and Liabilities of the Modified Cash Standards (MCS) par 6.4 states the following: -

**“6.4 Impairment- Impairment** is a loss in the future economic benefits or service potential of an asset.

- g) At the end of **each** reporting period, a department should assess whether there is any objective evidence that a financial asset recognised or recorded, in the primary or secondary financial information respectively, is impaired.
- h) If there is **objective evidence that impairment** on a financial asset has occurred, the loss must be recorded in the notes to the financial statements.
- i) Objective evidence that a financial asset is impaired can be as a result of the occurrence of one or more of the following events:
  - Significant financial difficulty experienced by the borrower / debtor;
  - **Delays in payments** (including interest payments) or failure to pay / defaults; or
  - It is probable that the borrower / debtor will enter sequestration (bankruptcy) or other financial reorganization.
- j) The amount for impairment should be included in the secondary financial information to show the estimated reduction in the recognised or recorded carrying value, to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset.
- k) Impairment estimates could be determined by estimating the present value of the expected future inflow of cash that is expected in settlement of the recorded financial asset. The present value is determined by using an appropriate interest rate to discount the future expected cash flow. For practical purposes, departments are encouraged to consider the prevailing prime rate of interest. Further adjustments to the rate that may better reflect the credit risk associated with the instrument may be made.
- l) A department should apply an appropriate impairment method for each class of financial assets. It is advised that the appropriate methodology be included in the department's policy that addresses impairment considerations and calculations. “

### Nature

During the audit of Claims recoverable, we noted the following relating to the balance of R698 889, 50 due from The Presidency from 18 September 2019:

- In a letter dated 02 January 2021, the DPWI requested The Presidency to confirm the receivable due to DPWI from The Presidency.
- In response, The Presidency indicated that they do not agree with the balance owing as the National Treasury rejected the DPWI's request for approval of deviation, which rendered the expenditure paid on behalf of The Presidency irregular.
- Furthermore, we issued a request to The Presidency directly to confirm whether they agree with the balance owing as at 31 March 2021 and in response The Presidency stated that they do not agree with the balance because DPWI did not follow due SCM Processes with regard to the appointment of NVT Communications for the variation.
- Therefore, the delays in payment/failure to pay by The Presidency is an objective evidence that impairment provision should be recorded as required by MCS Chapter 9 paragraph 6.4.

### **Impact of the finding**

This results in understatement of Impairment of receivables by R698 889, 50.

### **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.

#### **This is due to:**

Management did not make an impairment assessment of all receivables balances at year-end to determine whether the balances recognised are still recoverable.

### **Recommendation**

- Management should assess whether there is any objective evidence that receivable balances recognised is impaired.
- Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

### **Management response**

This finding is similar to the one above and management has agreed with the finding and committed to make the necessary adjustments.

Name:

Position:

Date:

### **Auditor's response**

Inspected the final AFS submitted after the audit and confirmed that the provision for impairment was updated. This is one of the issues which resulted in a paragraph being included in the audit report relating to correction of material misstatements.

### 3. Irregular expenditure disclosure note

#### Requirements

The Public Finance Management Act (PFMA) section 40(1) (b) states *“The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”*

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

*The Public Finance Management Act (PFMA) section 38(1) (h)(iii) states that “must take effective and appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who makes or permits an unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure”.*

Treasury regulations paragraph 8.1.1 states “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, appropriate, paid promptly and is adequately recorded and reported.”

Disclosure note 31.9 of the AFS specimen issued in February 2021 requires departments to disclose “Details of the non-compliance where an institution is involved in an inter-institutional arrangement”.

#### Nature

##### **Issue 1: Non-compliance where the institution is involved in an inter-institutional arrangement**

During the audit of irregular expenditure, we noted that the irregular expenditure register included an amount of R698 889, 50 relating to Non-compliance where the institution is involved in an inter-institutional arrangement (Presidential Inauguration 2019); however, this was not disclosed in the financial statements as required by Disclosure note 31.9 of the AFS specimen.

##### **Issue 2: NO Mamabolo Attorneys - Irregular expenditure due to services performed beyond contract period**

During the audit, we noted the following:

- An internal memo was written by Director: Labour Relations Management on 13 October 2020 to request for approval of payment for outstanding invoices due to NO Mamabolo Incorporated for services performed after contract expiry in September 2017 while the arbitration cases were still ongoing and the Labour Relations Management unit could not keep track of the expiry of the contract since the management of the cases were re-assigned to legal services. The director also requested Chief Directorate Compliance to

assess the invoices and to make appropriate recommendations on how best the department should regularise the payment of the invoices.

- Director wrote an internal memo in response to the above: Internal control on 26 October 2020 to advise on the request for payment approval of outstanding invoices due to NO Mamabolo Incorporated. In the memo, the Director stated that the payment relates to work performed after contract expiry without the necessary approval and therefore this resulted in non-compliance and recommended that irregular expenditure be reported when payment is made.
- Inspected invoice number 320 dated 28 October 2020 for an amount of R493 505.57 and noted that the invoice relates to work done between 09 February 2018 and 12 June 2018, which was after the contract expired in September 2017.
- Inspected payment number 2437890 dated 10 November 2020 for an amount of R493 505, 57 approved by G Makhubela (Director) on 10 November 2020 and noted that a payment has been made and therefore irregular expenditure should have been disclosed.
- Inspected the irregular expenditure register as at 31 March 2021 and noted that the above irregular expenditure was not included in the register.

### **Issue 3: Irregular expenditure for state funerals**

During the audit of irregular expenditure, we noted the following:

- The AFS for 2019/20 financial year stated, "Management is in the process of conducting investigations on other State Funerals and Events to make an assessment on further irregular expenditure that may have been incurred."
- The AFS for 2020/21 states that "Management is in the process of assessing all expenditure incurred relating to State Events. This was because of the material irregulars raised in the previous year by the Auditor General of South Africa. The necessary disclosures will be made once management has completed the determination procedures."
- However, more than 12 months has passed since and the investigation relating to state events were not completed. Therefore, no consequence management instituted resulting the officials responsible for the irregular expenditure not disciplined.
- The irregular expenditure relating to Side productions included in the register amounted to R808 721. However, the total payments made to Side production amounted to R20 470 931, 50. This resulted in a difference of R19 662 210, 50 for irregular expenditure not disclosed.
- The alleged irregular expenditure should not be placed under assessment because it was already being assessed during the prior period audit (2019-20). The department should disclose the irregular expenditure.
- If there are any dispute, the department should escalate the matter immediately to the relevant treasury to confirm if it is irregular expenditure and provide the auditors with proof of the escalation and any feedback.

### **Impact of the finding**

- Issue 1: This results in understatement of irregular expenditure
- Issue 2: This results in understatement of irregular expenditure



- Issue 3: This results in understatement of the opening balance by R19 662 210, 50 and Non-compliance with PFMA due to lack of consequence management within the department.

### **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.

#### *Financial and Performance Management*

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

#### *Leadership*

Executive management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

### **This is due to:**

- Lack of oversight regarding preparation and review of financial statements to ensure all the disclosures for irregular expenditure are complete.
- Allegations for misconducts and irregular expenditure were not investigated and finalised on timely manner.

### **Recommendation**

- Management should ensure that the financial statements are prepared in line with the AFS specimen issued by the National Treasury.
- Management should ensure that allegations of misconduct and irregular expenditure are investigated and finalised on a time.
- Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

### **Management response**

Management acknowledges the issues and wishes to respond as follows:

#### **Issue 1**

Management does not agree with the finding that the amount of R698 889.50 “was not disclosed in the annual financial statements as required by Disclosure note 31.9 of the AFS specimen.” The finding that management acknowledges was that there were differences between the Template and Specimen Word document AFS. This was an oversight from management when the two documents were compiled. The specimen will be updated accordingly.

#### **Issue 2**

Management acknowledges the audit finding. The irregularity was identified by management and could not be disclosed until payment was made. It was an oversight not to have included it when payment was made and was an isolated matter. The disclosure note will be amended accordingly to include the transaction.



**Issue 3**

Management does not agree with the finding. The transactions were first by the audit team and brought to the attention of management in 2018/19 as CoFF 18 of 2018/19 (See attached management report of 2018/19). What the audit team identified was payment of invoices processed were not in line with contract rates and those instances of invoices paid not in line with the contract were consequently regarded as irregular expenditure. The point was further amplified in the following year in 2019/20 financial year when the audit team made a follow up. The team raised DPWI Coff 9 of 2019/20 and the disclosure note and the register of irregular expenditure were updated with the identified amount. This amount was subsequently escalated as DPWI Material Irregularity 2 of 2019/20 by the audit team. The assertion by the audit team that the whole amount paid Side Production should have been disclosed as irregular expenditure, as the audit finding suggest, is incorrect since the process leading to the acquisition of Side Production was not found to be irregular. The only irregularity was the payments on certain line items in the invoices where they were not in line with the approved rates of the contract. No adjustments will be made in this regard.

Management had committed to revisit all transactions for state events involving other service providers to determine the extent of the problem, if any. Now there is no evidence that other transactions were impacted until management has investigated other transactions. This point amplified in our response to DPWI Material Irregularity 2 as issued by yourselves in September 2020. Management acknowledged that it delayed to conduct the investigation timeously.

Name:

Position:

Date:

**Auditor's response**

Management response noted.

**Issue 1**

We will inspect the final AFS to confirm that the necessary amendments were made to the disclosure note.

**Issue 2**

We will inspect the final AFS to confirm that the necessary amendments were made to the disclosure note.

**Issue 3**

The entire contract was irregular since the contractor was allowed to resubmit quotations after the tender closure, which was unfair. This was reported in COAF 18 of 2018/19.

Therefore the expenditure incurred on the contract should be disclosed as irregular expenditure and not limited to the overpayments between quoted prices and invoiced prices.

**Follow up**

Inspected the final AFS submitted after the audit and confirmed that the disclosure note for irregular expenditure was updated. This is one of the issues which resulted in a paragraph being included in the audit report relating to correction of material misstatements.

#### 4. Incomplete disclosures for Contingent liabilities

##### Audit Finding

##### Laws, rules and regulations

The Public Finance Management Act (PFMA) section 40(1) (b) states *“The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”*

*Paragraph 52 of Chapter 14 of the Modified Cash Standard (MCS) states that “Unless the possibility of any outflow in settlement is remote, a department shall disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable:*

- (a) An estimate of its financial effect, measured under paragraphs .25 to .41;*
- (b) An indication of the uncertainties relating to the amount or timing of any outflow; and*
- (c) The possibility of any reimbursement.*

The frequently asked questions (FAQ) on Modified Cash Standards (annual financial statements for 2020/21) as issued by the National Treasury pertaining to Chapter 14: Provisions and Contingents, stated that *‘a narrative for a contingent liability should be disclosed in the notes to the financial statements with regards to salary increases for the 2020/2021 financial year which was declared unlawful and invalid by the Labour Appeal Court (LAC).’*

##### We noted the following:

During the audit, we reviewed the disclosures for Contingent Liabilities as disclosed in Note 19 of the Financial Statements and noted the following:

1. Although the department disclosed the estimate of the financial effect of the contingent liabilities, the following was not disclosed:
  - a brief description of the nature of the contingent liability;
  - an indication of the uncertainties relating to the amount or timing of any outflow;
  - the possibility of any reimbursement
2. The frequently asked questions (FAQ) on Modified Cash Standards (annual financial statements for 2020/21) as issued by the National Treasury pertaining to Chapter 14: Provisions and Contingents, stated that a narrative for a contingent liability should be disclosed in the notes to the financial statements with regards to salary increases for the 2020/2021 financial year which was declared unlawful and invalid by the Labour Appeal Court (LAC).
  - The FAQ further stated that a department may consider using the narrative below in the notes on contingent liabilities
  - *“The Labour Appeal Court (LAC) declared the salary increases for the 2020/2021 financial year unlawful and invalid. The LAC ruling has been appealed and referred to the Constitutional Court. The ruling by the Constitutional Court will confirm if the department will be obligated to pay the salary increases in dispute.”*

- However, the department did not include any narrative on note 19: Contingent liabilities and contingent assets pertaining to salary increases.

**Cause**

Lack of review of the financial statements to ensure that all the necessary disclosures are made as required by the relevant Chapters of the MCS and any relevant guidance issued by the National Treasury.

**Impact**

This result in incomplete disclosures for Contingent liabilities and misstatements in the presentation and disclosures for Contingent liabilities.

**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**

- Management should review the financial statements to ensure that all the necessary disclosures are made as required by relevant Chapters of the MCS and any relevant guidance issued by the National Treasury.
- Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

**Management response**

I am in agreement with the finding and the narrative have been updated on the financials. See the attached annexure for the updated AFS.

Name: Azwihangwisi Negota

Position: Director

Date: 18 June 2021

**Auditors conclusion**

Inspected the final AFS submitted after the audit and confirmed that the disclosure note for contingent liabilities was updated. This is one of the issues which resulted in a paragraph being included in the audit report relating to correction of material misstatements.

## AUDIT OF COMPLIANCE

### 5. Consequence management

#### Requirements

Public Finance Management Act paragraph (PFMA) 38(1)(n) states that *“The accounting officer for a department, trading entity or constitutional institution must comply, and ensure compliance by the department, trading entity or constitutional institution, with the provisions of this Act.”* and furthermore

Public Finance Management Act paragraph (PFMA) 38(1) (h) (iii) states that *“The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who makes or permits an unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure.”*

**Treasury Regulation 9.1.4 states** that *“The accounting officer of a department and/or constitutional institution must deal with recovery of losses or damages resulting from fruitless and wasteful expenditure in accordance with **Treasury Regulations** 12 dealing with the Management of Losses. Accounting authority of a public entity will deal with recovery of losses or damages resulting from fruitless and wasteful expenditure in accordance with policies and procedures of the public entity”.*

#### Nature

#### 1. Recommendations as finalised investigation report not implemented

During the audit of investigations, we noted that an investigation report relating to the allegation of irregular payment of compensation allowance to DPWI official at Head Office was finalized and approved by the Director General on 16 October 2019 and included the following recommendations:

- Disciplinary Action to be taken against the officials listed in paragraph 6.1.1 of the investigation report for contravening paragraph 4.4.2 and 4.4.4 of the Code of Conduct for the Public Service by capturing, approving and authorizing the transaction without exercising due diligence resulting in the Department incurring unauthorised expenditure amounting to R480 148.00.
- Recovery of overpayment of R480 148.00 in line with the Historic Constitutional Court Judgement, which set a new precedent in dealing with cases of overpayment.
- The Department should refer the matter to the Office of the State Attorney for the recovery of overpayments.

However, based on enquiries and work performed throughout the audit, no evidence was obtained that the above recommendations were implemented.

**2. No evidence that cases which were active in the prior year were finalised**

During the audit of investigations, we noted that the following matters were active as at year ended 31 March 2020 however were not included in the list of cases active or finalized in the current year.

**a) JHB/FAI/07/2019-20**

The Anti-Corruption and Fraud Awareness Unit (ACU) received a request from an anonymous whistle-blower to conduct an investigation into allegations of possible corruption relating to the undue payment of a performance bonus made to an official of the Department based at the Johannesburg Regional Office.

It was alleged that Mr. M. Mudau: Deputy Director - Human Resources Management at the Regional Office, unduly received a performance bonus payment amounting to

R17, 683.84 during December 2018 while he was appointed on 03 April 2017. According to the whistle-blower, the HRD should have not included Mr. Mudau on the spreadsheet for eligible officials who were due for the 2017/18 Performance Bonus.

**b) HO/FAI/05/2019-20**

Mr. J.M. Lekala, a DPW official, is alleged to have been performing remunerative work outside of the public service (RWOPS) without approval from the Executive Authority as a sole Director of a company named 'Sageminds Omni Services' and serves as a board member of Family Friend Funeral Burial Cooperative Ltd. Mr. Lekala was being remunerated an amount of R8000 per meeting plus other benefits.

**Impact of the finding**

This results in non-compliance with the PFMA and Treasury Regulations.

This result in understatement of receivables as the amount to be recovered was not recorded as the debt was not raised.

**Internal control deficiency***Financial and Performance Management*

Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

**This is due to**

Lack of consequence management within the department resulting in recommendations of finalized investigations not implemented.

### **Recommendations:**

- Management should ensure that recommendations of finalized investigations are implemented on a timely manner.
- Management should raise a debtor for the amount to be recovered.
- Management should ensure that all matters coming from previous years are carried forward correctly and evidence is kept where there are changes.

### **Management response**

#### **1. Recommendations as finalised investigation report not implemented**

Disciplinary actions not implemented because the investigation report was retracted from the Labour Relations Unit and was returned to the Office of the DG.

Name: Mr Giyani Makhubela

Position: Director: Labour Relations Management

Date: 30 July 2021

#### **2. No evidence that cases which were active in the prior year were finalised**

JHB/FAI/07/2019-20, this investigation was completed and finalised (approved by the Director-General) on 22 December 2019, no evidence of misconduct was found on the part of the official (s) hence the Corporate Services Branch did not include the report in the list provided to AGSA (TAG A).

HO/FAI/05/2019-20, this investigation was completed and finalised (approved by the Director-General) on 11 November 2019, no evidence of misconduct was found on the part of the official (s) hence the Corporate Services Branch did not include the report in the list provided to AGSA (TAG B).

Name: Matomo

Position: D. ACU

Date: 04 August 2021

### **Auditor's conclusion**

- a) Recommendations as finalised investigation report not implemented

Management response noted. No responses provided from the Office of the DG. Therefore, the findings are considered valid. This resulted in material non-compliance which was reported in the audit report.

b) No evidence that cases which were active in the prior year were finalized

Management response noted. The finding is resolved.

## AUDIT OF PREDETERMINED OBJECTIVES

### 6. EPWP – EPWP Participants and projects were not reported on the EPWP Q4 data

#### Requirements

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

Technical indicator description – method of calculation states that: *“Aggregate work opportunities reported/ created by public bodies. 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 in EPWP projects at the various public bodies:

Projects included in the table below had signed contracts for participants who were included on the attendance registers and/ or proof of payments or was physical verified but were not reported on quarter 4 (April 2020 to 31 March 2021) data submitted for audit.

No	Project No	Project Name	Public Body Sector	Under reported W/O per project
<b>DPWI – Own projects</b>				
1	101021-EPWP3N	CTRO NYS Ysterplaat Airforce Base	Infrastructure Sector	1
2	89472-EPWP3M	Hornes	Infrastructure Sector	6
3	108856-EPWP3M	Saldanha Military Base	Infrastructure Sector	1
4	105006-EPWP3N	Tsolo SAPS Condition Based Maintenance	Infrastructure Sector	1
5	106221-EPWP3N	Ntabankulu SAPS:Repairs and Renovations including	Infrastructure Sector	5
6	105882-EPWP3N	Elliotdale SAPS:Repairs and maintenance of Station and Official Quarters	Infrastructure Sector	6
<b>DPWI - Non-profit organisations</b>				
1	7170-EPWPRS	Thought Organisation NPO	Non-State Sector Non Profit Organisations	2
2	105599-EPWP3N	Bolokanang Churches	Non-State Sector Non Profit Organisations	2
3	7014-EPWPRS	Far North Development Initiative	Non-State Sector Non Profit Organisations	10
4	104225-EPWP3N	Obakeng Disability Centre	Non-State Sector Non Profit Organisations	6



No	Project No	Project Name	Public Body Sector	Under reported W/O per project
<b>Other Public Bodies</b>				
1	94317-EPWP3M	Mangaung Cleaning	Environment and Culture Sector	4
2	104406-EPWP3M	Environment and Beautification Project	Environment and Culture Sector	4
3	103064-EPWP3M	Memel Construction of Water Supplyline and Pump Station	Infrastructure Sector	2
4	104215-EPWP3M	Jeffreysbay - Envirommental 2020	Environment and Culture Sector	23
5	107892-EPWP3M	Kouga LM:Disaster Management: COVID-19	Social Sector	12
6	40718 - EPWP3M	EPWP Community Water Agents	Infrastructure Sector	2
7	110347-EPWP3M	ATTP Plumbers	Infrastructure Sector	3
8	112531	Delft Housing Project	Infrastructure Sector	1
9	6761-EPWPRS	Demolishing team	Infrastructure Sector	4
10	102958-EPWP3M	Modimolle-mookgopong Security	Social Sector	12
11	92544-EPWP3M	IG Molemole cleaning	Environment and Culture Sector	5
12	110523-EPWP3M	Redirela Sechaba Project	Environment and Culture Sector	80
13	103126-EPWP3M	IG/Cleaning and Maintenance of RtbBus	Environment and Culture Sector	17
14	106591-EPWP3M	Construction of Lethabong Sewer Reticulation	Infrastructure Sector	6
15	107983-EPWP3M-	Construction of flood line canal	Infrastructure Sector	5
16	98560-EPWP3M	CONSTRUCTION OF BTR STATION 8.12,16	Infrastructure Sector	15
17	104054-EPWP3M	HIV and AIDS	Social Sector	8
18	104271-EPWP3M	Administrative Support	Environment and Culture Sector	1
19	Unknown	Waron leaks	Infrastructure Sector	39
20	Unknown	Indigent projects	Social Sector	23
21	103702-EPWP3M	BOJ SOCIAL DVELOPMENT PROJECTS	Social Sector	10
22	98023-EPWP3M	Mjojeli to Jabavu access road	Infrastructure Sector	13
23	105435-EPWP3M	Mbenengeni to Nqutyana access road	Infrastructure Sector	3
24	105434-EPWP3M	Ziphonzana to Njela access road	Infrastructure Sector	3
25	109630-EPWP3M	Xhaka access road	Infrastructure Sector	8
26	104939-EPWP3M	Stormwater drainage	Infrastructure Sector	2
27	107327-EPWP3M	Construction of Kwankqayi - Skolweni	Infrastructure Sector	1
28	108026-EPWP3M	Sonke Solid Waste COOP	Environment and Culture Sector	14
29	104944-EPWP3M	Parks and Gardens	Environment and Culture Sector	19
30	107331-EPWP3M	Mnquma Electrification at Qolora	Infrastructure Sector	5

Furthermore; the following projects were also not reported on the EPWP reporting system for quarter 4.

No	Project No	Project Name	Public Body Sector
<b>Other Public Bodies</b>			
1	N/A	Waron leaks	Infrastructure Sector

2	N/A	Indigent projects	Social Sector
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### 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

#### **Western Cape – DPWI Own Projects**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

#### **Eastern Cape (UMT) – Own Projects**

**I am in partial agreement** with the finding for the following:

With reference to the participant list for Quarter 4 of 2020/21 the following may be verified:

The following participants were reported for 106223-EPWP3N (Ntabankulu SAPS: Repairs) and not for 106221-EPWP3N (Ntabankulu SAPS: Repairs and Renovations including)

Thembelani Msuthu (9405225939083)  
Thandokazi Fumba (9308090936087)  
Yandisa Nongovane (9305065941084)  
Wandile Mana (9404135602089)  
Siphosenkosi Ndzimomvu (9705105333087)  
Sinothando Gxokolwana (9908095798083)

Bulelani Ziqwayi (8012126649083) was reported for 105882-EPWP3N. It is not clear why the participant is listed in the above table.

The following participants were reported for 105883-EPWP3N (Elloitdale SAPS: Repairs and Maintenance of Station) and not for 105882-EPWP3N (Elliotdale SAPS: Repairs and maintenance of Station and Official Quarters)

Phindiwe Memani (8809190980082)  
 Ncebakazi Moyiswa (8605080886086)  
 Phuthuma Toni (0011295807082)  
 Siyabonga Mkote (9505205568081)  
 Lihle Mshwnxiswa (9803166092088)  
 Mandisile Dalingozi (9112195826080)  
 Sabela Dyubele (9710136024085)  
 Zimasa Dyonase (9606220742089)  
 Nomandla Sobhuza (8901020755089)  
 Zukiswa Bungeni (8702201000083)

Further note that the correct ID number for Siyambonga Buti is 7906206175086, not 7906208176088.

Name: Ms. Carmen-Joy Abrahams  
 Position: Acting Deputy Director-General: Expanded Public Works Programme  
 Date: 27 July 2021

#### **Freestate – DPWI NPO**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
 Position: Acting Deputy Director-General: Expanded Public Works Programme  
 Date: 19 May 2021

#### **KwaZulu/ Natal – DPWI NPO**

The EPWP Branch is **in partial agreement** with the finding for the following reasons: One of the three listed participants listed in the COFF for non-compliance was reported, as can be verified with reference to the published EPWP RS participant list. The participant details are: Sinenhlanhla Shoji Thabethe (ID: 9802180814089). It should be noted that the participant surname is Thabethe. POE from the Department of Home Affairs is attached.

Name: Ms. Carmen-Joy Abrahams  
 Position: Acting Deputy Director-General: Expanded Public Works Programme  
 Date: 19 May 2021

#### **Limpopo – DPWI NPO**

I am **in partial agreement** with the finding for the following reasons: One of the participants listed for non-compliance in this COFF, Merlene Mulalo Sevule did not participate in the project. Attached is a declaration to that effect by the NPO.

Name: Ms. Carmen-Joy Abrahams  
 Position: Acting Deputy Director-General: Expanded Public Works Programme  
 Date: 19 May 2021

#### **North West – DPWI NPO**

I **am in agreement** with the finding for the following reasons - The non-compliance in reporting was verified with reference to the participant list for Quarter 4 of 2020/21.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 27 July 2021

#### **Freestate – Other public bodies**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

#### **Eastern Cape PE – Other public bodies**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

#### **KwaZulu/ Natal – Other public bodies**

EPWP is **in partial agreement** with the finding for the following reasons:

Two of the four participants listed in the COFF for non-compliance were reported, as can be verified with reference to the published EPWP RS participant list.

The participant details are:

Krishnee Chetty (ID: 8302150116087). It should be noted that the participant surname is Chetty. A marriage certificate is attached.

Phakamile Shude (ID: 8601161226086). It should be noted that the participant surname is Shude. POE from the Department of Home Affairs is attached.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

#### **Eastern Cape PE – Other public bodies**

EPWP is **in partial agreement** with the finding for the following reasons:

Three of the four listed participants listed in the COFF for non-compliance did not work in the project before 1 January 2021. The nature of the project is rotational. Ndzengu, Ngcebetsha and Xandekana only started working in January 2021. POE which show the starting dates for these participants are attached.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

#### **Western Cape – Other public bodies**

EPWP is **in partial agreement** with the finding for the following reasons:

One of the twenty three participants listed in the COFF for non-compliance did not work, as can be verified with reference to the attached unsigned timesheets.

The participant details are: Andile Ndingaye (ID: 7405155698081).

Name: Ms. Carmen-Joy Abrahams  
 Position: Acting Deputy Director-General: Expanded Public Works Programme  
 Date: 19 May 2021

### Western Cape – Other public bodies

**EPWP is in partial agreement** with the finding for the following reasons:

Ten of the twenty two participants listed in the COFF for non-compliance were reported for the project **Emergency Controllers, Peace Officers and Removal of Illegal Structures** (Project ID: 3275-EPWPRS), as can be verified with reference to the published EPWP RS participant list.

Name: Ms. Carmen-Joy Abrahams  
 Position: Acting Deputy Director-General: Expanded Public Works Programme  
 Date: 19 May 2021

### Limpopo – Other public bodies

DPWI (EPWP Branch) is **in partial agreement** with the finding for seven (7) of the participants listed for non-compliance in this COFF was reported, as can be verified with reference to the published EPWP RS participant list.

The following participants were reported, as can be verified with reference to the published EPWP RS participant list:

Refiloe Naas Malete	8708205592082
Nditsheni Agnes Shirinda (married surname Mufamadi)	7803281193086
Ramadimetsa Veronica Nkoana	8109101012087
Phuti Salmina Meso	8408180904085
Alipfali Ramarada	7902090829086
Jan Rammutla	9212205331087
Sadi Emily Nkanyane	8711060354085

Proof of the change of surname for Nditsheni Agnes Shirinda is attached.

### Limpopo – Other public bodies

DPWI (EPWP Branch) is **in partial agreement** with the finding for one (1) of the participants listed for non-compliance in this COFF was reported, as can be verified with reference to the published EPWP RS participant list. Mapula Perfedia Monyepao was reported, as can be verified with reference to the published EPWP RS participant list. Her correct ID number is 8211010797087.

Name: Ms. Carmen-Joy Abrahams  
 Position: Acting Deputy Director-General: Expanded Public Works Programme  
 Date: 19 May 2021

### Gauteng – Other public bodies

**I am in agreement** with the finding for the following reasons - The non-compliance in reporting was verified with reference to the participant list for Quarter 4 of 2020/21.

Name: Ms. Carmen-Joy Abrahams  
 Position: Acting Deputy Director-General: Expanded Public Works Programme  
 Date: 27 July 2021

### North West – Other public bodies

**I am in agreement** with the finding for the following reasons - The non-compliance in reporting was verified with reference to the participant list for Quarter 4 of 2020/21.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 27 July 2021

**Eastern Cape (UMT) – Other public bodies**

I **am in agreement** with the finding for the following reasons - The non-compliance in reporting was verified with reference to the participant list for Quarter 4 of 2020/21.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 27 July 2021

**Auditor's conclusion**

Management comments noted. The explanations and supporting documentation provided were followed up and accepted; however not all participants were reported for the Q4 period on the EPWP reporting system. The unreported participants will be reported on the final management report.

## 7. EPWP - Attendance registers were not provided

### Requirements

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

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

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

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

Technical indicator description – method of calculation states that: *“Aggregate work opportunities reported/ created by public bodies. 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 in EPWP projects at the various public bodies:

Participant’s attendance registers for the following projects were not provided for audit purposes.

No	Project No	Project Name	Public Body Sector	Number of participants where attendance
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				were not submitted
<b>Other Public Bodies</b>				
1	94302-EPWP3M	Thabo Mofutsanyana DM Cleaning of Facilities	Environment and Culture Sector	1
2	94317-EPWP3M	Mangaung Cleaning	Environment and Culture Sector	6
3	104406-EPWP3M	Environment and Beautification Project	Environment and Culture Sector	1
4	110523-EPWP3M	Redirela Sechaba Project	Environment and Culture Sector	17
5	106591-EPWP3M	Construction of Lethabong Sewer Reticulation	Infrastructure Sector	17
6	103704-EP	BOJ GENERAL CONSTRUCTION	Infrastructure Sector	4
7	104054-EPWP3M	IG/HIV and AIDS WP3M	Social Sector	1
8	100003-EPWP3M	Provision of Security Services to RWCLM	Social Sector	156
9	103126-EPWP3M	IG/Cleaning and Maintenance of RtbBus	Environment and Culture Sector	5
10	108026-EPWP3M	Sonke Solid Waste COOP	Environment and Culture Sector	11
<b>DPWI - Own projects</b>				
1	108647-EPWP3N	Vereening Police Station	Infrastructure Sector	1
2	108899-EPWP3N	Taung Home Affairs	Infrastructure Sector	16

## 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**

#### **Gauteng – DPWI Own Projects**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 28 July 2021

#### **North West – DPWI Own Projects**

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

The documents should be available, as per existing EPWP prescripts

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 28 July 2021

#### **Freestate – Other public bodies**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

#### **Freestate – Other public bodies**

EPWP is **in partial agreement** with the finding for the following reasons:

Attendance registers of sixteen of the seventeen participants listed in the COFF for non-compliance are attached.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

#### **Gauteng – Other public bodies**

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

Attendance registers are attached for the following participants:

Mandla Solomon Aphanze (8001305763088)  
Thembinkosi Wonderboy Bamali (7704075514083)  
Collins Chikambure (8211276032088)  
Bernard Richard Direko (7507195452088)  
Elias Eugene Fisher (8711295305084)

Tshepiso Gaserotse (9501066417088)  
 Aldrieck Edward Jnr Green (9410075174088)  
 Pheelo Paulosi Lemena (8303146300082)  
 Jabulani Lofafa (8502245857088)  
 Seiso Patrick Malakia (8803185981080)  
 Esteva Consalves Manjate (7402286387189)  
 Nkhetheni Hector Manuga (7211056004084)  
 Cedrick Maremane (8506125843084)  
 Mokete Samuel Matube (7508055986082)  
 John Sibusiso Mayisela (7304046164082)  
 Kudzai Mazodze (8204246343180)  
 Abraham Makoseng More (7406195575081)  
 Joseph Themba Mosenjane (8204046112082)  
 Lesego Blessing Motlhankana (9108120520087)  
 Thabo Mtileni (9004095647080)  
 Duwayne Algereue Petersen (9302095101086)  
 Tebogo Sekatane (8103036002081)  
 Njabulo Nsizwa Sibisi (9003275559081)  
 Mvuyo Sithole (7612235875080)  
 George Sonkwalla (9009045433085)  
 Linda Sosibo (9703225177088)  
 Galaletsang Precious Taite (8209030984081)  
 Andrias Tshepiso Tsoeli (8204246048086)

Name: Ms. Carmen-Joy Abrahams  
 Position: Acting Deputy Director-General: Expanded Public Works Programme  
 Date: 28 July 2021

#### **Gauteng – Other public bodies**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
 Position: Acting Deputy Director-General: Expanded Public Works Programme  
 Date: 3 August 2021

#### **North West – Other public bodies**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
 Position: Acting Deputy Director-General: Expanded Public Works Programme  
 Date: 28 July 2021

#### **Eastern Cape UMT – Other public bodies**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
 Position: Acting Deputy Director-General: Expanded Public Works Programme  
 Date: 28 July 2021

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

Management comments noted. The explanations and supporting documentation provided were followed up and accepted; however not all the attendance registers were submitted for all the participants. This finding remains in the final management report

## 8. EPWP – Proof of payments were not provided/ submitted

### Requirements

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

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

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

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

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

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

### Nature

During the audit of 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 in EPWP projects at the various public bodies:

Participant’s proof of payments for the following projects were not provided for audit purposes.

No	Project No	Project Name	Public Body Sector	Number of work opportunities where proof of payments not provided
<b>DPWI - Own projects</b>				
1	101293-EPWP3N	49 FENNEL STREET"	Infrastructure Sector	7
2	106622-EPWP3N	RANDFONTEIN MILITARY BASE	Infrastructure Sector	3
3	108899-EPWP3N	Taung Home Affairs	Infrastructure Sector	16
<b>DPWI - Non-profit organisation</b>				
1	105599-EPWP3N	Bolokanang Churches	Non-State Sector Non Profit Organisations	1
<b>Other Public Bodies</b>				
1	94317-EPWP3M	Mangaung Cleaning	Environment and Culture Sector	1
2	104406-EPWP3M	Environment and Beautification Project	Environment and Culture Sector	2
3	110523-EPWP3M	Redirela Sechaba Project	Environment and Culture Sector	27
4	103126-EPWP3M	IG/Cleaning and Maintenance of RtbBus	Environment and Culture Sector	2
5	106591-EPWP3M	Construction of Lethabong Sewer Reticulation	Infrastructure Sector	1
6	103704-EPWP3M	BOJ GENERAL CONSTRUCTION	Infrastructure Sector	3
7	104054-EPWP3M	IG/HIV and AIDS	Social Sector	2
8	104271-EPWP3M	Administrative Support	Environment and Culture Sector	4
9	100003-EPWP3M	Provision of Security Services to RWCLM	Social Sector	3
10	108026-EPWP3M	Sonke Solid Waste COOP	Environment and Culture Sector	6
11	104939-EPWP3M	Stormwater drainage	Infrastructure Sector	1

## 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 bodsies* 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**

#### **Gauteng – DPWI Own Projects**

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

Proofs of payment are attached for the following participants:

Thembinkosi Wonderboy Bamali (7704075514083)

Collins Chikambure (8211276032088)

Bernard Richard Direko (7507195452088)

Tshepiso Gaserotse (9501066417088)

Nkosinathi Khumalo (9701235220088)

Jabulani Lofafa (8502245857088)

Tshepiso Elias Mahlalela (9312285686085)

Mateu Maluleke (9004146192086)

Mokete Samuel Matube (7508055986082)

Mangena Phillip Mothoalo (8409026352083)

Thulani Msebe (9302236069085)

Thabo Mtileni (9004095647080)

Frans Bongo Ngomezulu (8005135357086)

Obopeng William Rammusi (7209165864083)

Tebogo Sekatane (8103036002081)

Emily Mookgo Seng (8510170624084)

Matsobane Peter Setiba (7003055423088)

Name: Ms. Carmen-Joy Abrahams

Position: Acting Deputy Director-General: Expanded Public Works Programme

Date: 28 July 2021

#### **North West – DPWI Own Projects**

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

The documents should be available, as per existing EPWP prescripts

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 28 July 2021

#### **Freestate – DPWI NPO**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

#### **Freestate – Other public bodies**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

#### **Gauteng – Other public bodies**

**I am in partial agreement** with the finding for the following:

Proofs of payments for the following participants are attached:

Tsholofelo Yvonne Ramantsi (8510120977087)  
Nikiwe Patience Thobi (9611090196085)  
Laura Keorapetse Bolofo (9107150657082)  
Nonhlanhla Nkutha (9005210471082)  
Keamogetse Puleng Florence Mokhemisa (9709240250081)  
Kelaegile Mokwa (9801281220089)  
Masego Mpheng (9509190595083)  
Khotso Fillimone Matlou (9612165096085)  
Mpho Solomon Mohloboli (8403305628081)

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 28 July 2021

#### **Gauteng – Other public bodies**

**I am in partial agreement** with the finding for the following:

Proofs of payments for the participants are attached except for 3 participants:

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 3 August 2021

#### **North West – Other public bodies**

**I am in partial agreement** with the finding for the following:

Proofs of payments for the participants are attached.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 28 July 2021

**Eastern Cape UMT – Other public bodies**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams

Position: Acting Deputy Director-General: Expanded Public Works Programme

Date: 28 July 2021

**Auditor's conclusion**

Management comments noted. The submitted proof of payments was evaluated and accepted however not all proof of payments for all participants were submitted, therefore this finding remains in the final management report.



## 9. 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....”*

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: *“Aggregate work opportunities reported/ created by public bodies. 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 in EPWP projects at the various public bodies:

Participant's ID copy for the following projects were not provided for audit purposes.

No	Project No	Project Name	Public Body Sector	Number of IDs not provided
DPWI - Non-profit organization				

No	Project No	Project Name	Public Body Sector	Number of IDs not provided
1	105599-EPWP3N	Bolokanang Churches	Non-State Sector Non Profit Organisations	12
<b>Other Public Bodies</b>				
1	94317-EPWP3M	Mangaung Cleaning	Environment and Culture Sector	49
3	108026-EPWP3M	Sonke Solid Waste COOP	Environment and Culture Sector	1
4	107331-EPWP3M	Mnquma Electrification at Qolora	Infrastructure Sector	1
5	103704-EPWP3M	BOJ GENERAL CONSTRUCTION	Infrastructure Sector	1

## 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

### Freestate – DPWI NPO

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

### Freestate – Other public bodies

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

### North West – Other public bodies

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 28 July 2021

### Eastern Cape UMT – Other public bodies

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

Copies of the ID documents of the following participants are attached:

Ntomboxolo Mena (8701240900089)  
Amahle Pretty Sangcozi (9601051573083)  
Zimasa Bekameva (8611290917083)  
Bongani Govana (9705265870084)  
Nomzamo Ntobongwana (9406171191083)  
Ntombizodwa Mateza (8003020759086)  
Zukiswa Jamani (8806151569086)  
Lulama Madikazi (7507060931083)  
Bonelwa Pinky Nqumba (8705181058088)  
Sinoxolo Innocent Matshingana (9108255981088)  
Sabelo Mdingane (7701145815086)  
Olwethu Njobe (0010045429080)  
Unathi Jafali Makalima (8411231086084)  
Sikelela Teyise (0108275725084)  
Ncumisa April (9205141239083)

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 28 July 2021

## Auditor's conclusion

Management comments noted. The outstanding identity documents were not submitted, therefore this finding remains in the final management report.

## 10. EPWP – Proof of training was not submitted

### Requirements

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

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

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

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

Technical indicator description – method of calculation states that: *“Aggregate work opportunities reported/ created by public bodies. 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 in various EPWP project at various public bodies:

Participant’s proof of training for the following project was not submitted.

No	Project No	Project Name	Public Body Sector	Number of participants affected
<b>Other Public Bodies</b>				
1	94317-EPWP3M	Mangaung Cleaning	Environment and Culture Sector	4

No	Project No	Project Name	Public Body Sector	Number of participants affected
<b>DPWI - Non-profit organization</b>				
1	104225-EPWP3N	Obakeng Disability Centre	Non-State Sector Non Profit Organisations	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

#### **Freestate – Other public bodies**

EPWP Branch is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

### **North West – NPO**

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

Proofs of training attendance are attached for the following participants:

Marcia Mmathapelo Teledimo (8901220795083)  
Thandiwe Prudence Keohitlhetse (8803221169088)  
Goodness Lerato Matlhola (9509150071083)  
Khazamola Josaia Mathonzi (9201125634084)  
Alphas Olotse Moloko (0105195531089)  
Kgalalelo Gloria Tlhomelang (0003110404088)  
Kweepile Phillip Sebekedi (0006175818084)  
Botsang Rabia Rasesane (8512100418082)  
Refilwe Komane (9804040718088)  
Felicia Mosetsanagape Jason (9602290238082)

Attached is a letter from the NPO which indicates the reason why the following participants were not trained:

Ofentse Sekgwama (9806285321080)  
Pelonomi Merendah Goitsione (9907120780082)  
Boitshepo Marvelous Moitse (0012190440086)  
Omphemetse Boipelo Manyape (9609050520088)  
Goitsemodimo Moashetsi (0109015469082)

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 28 July 2021

### **Auditor's conclusion**

Management comments noted. The outstanding identity documents were not submitted; therefore, this finding remains in the final management report.

## 11. EPWP - Proof of disability were not submitted

### Requirements

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

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

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

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

Technical indicator description – method of calculation states that: *“Aggregate work opportunities reported/ created by public bodies. 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 in various 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 participants affected
Other Public Bodies				



No	Project No	Project Name	Public Body Sector	Number of participants affected
1	107831-EPWP3M	Construction of roads and stormwater at Ext 7 P2	Infrastructure Sector	1
2	107327-EPWP3M	Construction of Kwankqayi - Skolweni	Infrastructure Sector	1
3	108026-EPWP3M	Sonke Solid Waste COOP	Environment and Culture Sector	2
4	104271-EPWP3M	Administrative Support	Environment and Culture Sector	3
5	100003-EPWP3M	Provision of Security Services to RWCLM	Social Sector	1

### Impact of the finding

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

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*.

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

### Internal control deficiency

#### *Financial and Performance Management*

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

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

### Recommendation

It is recommended that:

The department should 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

#### **North West – Other public bodies**

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



A record which show the disability status of a person with disability must serve as a basis for capturing that person's disability status on the EPWP Reporting System.

Name: Ms. Carmen-Joy Abrahams

Position: Acting Deputy Director-General: Expanded Public Works Programme

Date: 27 July 2021

**Eastern Cape UMT – Other public bodies**

EPWP branch agree with the finding

Name: Ms. Carmen-Joy Abrahams

Position: Acting Deputy Director-General: Expanded Public Works Programme

Date: 28 July 2021

**Gauteng – Other public bodies**

EPWP branch agree with the finding

Name: Ms. Carmen-Joy Abrahams

Position: Acting Deputy Director-General: Expanded Public Works Programme

Date: 28 July 2021 and 3 August 2021

**Auditor's conclusion**

Management is in agreement with the finding therefore the matter will be reported on the Final Management Report.

## 12. EPWP - Proof of banking details were not submitted

### Requirements

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

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

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

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

Technical indicator description – method of calculation states that: *“Aggregate work opportunities reported/ created by public bodies. 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 in various EPWP projects at the various public bodies:

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

No	Project No	Project Name	Public Body Sector	Number of participants affected
<b>Other Public Bodies</b>				
1	110523-EPWP3M	Redirela Sechaba Project	Environment and Culture Sector	2

No	Project No	Project Name	Public Body Sector	Number of participants affected
2	100003-EPWP3M	Provision of Security Services to RWCLM	Social Sector	157
<b>DPWI – Own projects</b>				
1	108899-EPWP3N	Taung Home Affairs	Infrastructure Sector	16
2	109112-EPWP3N	Mmabatho Regional Court	Environment and Culture Sector	6
<b>DPWI – NPO</b>				
1	104225-EPWP3N	Obakeng Disability Centre	Non-State Sector Non Profit Organisations	4

### Impact of the finding

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

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*.

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

### Internal control deficiency

#### *Financial and Performance Management*

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

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

### Recommendation

It is recommended that:

The department should 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

#### **North West – Other public bodies**

I am in **partial agreement** with the finding for the following reasons  
Proof of banking details are attached for the following participants:

Mogomotsi John Moepeng (8807115541088)  
Betty Virginia Thobye (6608220607083)

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 28 July 2021

#### **Gauteng – Other public bodies**

EPWP branch agree with the finding

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 3 August 2021

#### **North West – DPWI Own Projects**

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

The documents should be available, as per existing EPWP prescripts

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 28 July 2021

#### **North West – NPO**

**I am in partial agreement** with the finding for the following:

Proofs of banking details is attached for the following participant:

Tshepang Phutieagae (9509290897082)

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 28 July 2021

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

Management is in agreement with the finding therefore the matter will be reported on the Final Management Report.

### 13. EPWP - Copy of death certificate were not submitted

#### Requirements

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

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

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

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

Technical indicator description – method of calculation states that: *“Aggregate work opportunities reported/ created by public bodies. 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 in various EPWP projects at the various public bodies:

The following participant’s copy of death certificate were not provided for audit purposes.

No	Project No	Project Name	Public Body Sector	Number of participants affected
<b>Other Public Bodies</b>				
1	104944-EPWP3M	Parks and Gardens	Environment and Culture Sector	1

No	Project No	Project Name	Public Body Sector	Number of participants affected
2s	108026-EPWP3M	Sonke Solid Waste COOP	Environment and Culture Sector	1

### Impact of the finding

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

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*.

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

### Internal control deficiency

#### *Financial and Performance Management*

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

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

### Recommendation

It is recommended that:

The department should 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

#### **Eastern Cape UMT – Other public bodies**

EPWP branch agree with the finding

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 28 July 2021

### Auditor's conclusion

Management is in agreement with the finding therefore the matter will be reported on the Final Management Report

## 14. EPWP – Invalid payments noted for some participants.

### Requirements

Public Finance Management Act (PFMA) section 38(1)(d) states that: “*The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution*”;

Technical indicator description – method of calculation states that: “*Aggregate work opportunities reported/ created by public bodies. 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 matter was identified at the EPWP project:

The September wage payment made to participants for days worked does not correspond with the actual days worked during September 2020 as per the attendance register.

No	Project No	Project Name	Public Body Sector	Number of participants affected
<b>Other Public Bodies</b>				
1	107892-EPWP3M	Kouga LM:Disaster Management: COVID-19	Social Sector	2

### Impact of the finding

Non-compliance with PFMA section 38(1)(d)

### Internal control deficiency

#### *Financial and Performance Management*

Management did not implement controls over daily and monthly processing and reconciling of transactions.

Management did not implement controls over the payment of beneficiaries to ensure that they are only paid for days worked.

### Recommendation

It is recommended that:

Management should investigate the project and communicate the results of the investigation to AGSA.

Management should ensure that wage payments are made in accordance with the attendance registers to avoid an overpayment of participants for days not worked.

## Management response

**EPWP is not in agreement** with the finding for the following reasons:

The municipality asserts that the finding for the two participants is based on the payment register for August 2020, and is therefore not a valid finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

## Auditor's conclusion

Management comment noted; however AGSA does not agree with the management response provided as the response does not address the issue raised of participants receiving wages in September 2020 and no days worked were reported on the September 2020 attendance register. No sufficient supporting documentation was submitted to address the issue raised; therefore, this finding is not resolved. Therefore this will remain in the final management report



## 15. EPWP- Payment inconsistencies identified

### Requirements

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

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

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

Treasury Regulation 17.1.1 - Use of clearing and suspense accounts [Section 40(1)(a) of the PFMA]

states that: *“All the transactions of an institution must be supported by authentic and verifiable source documents, clearly indicating the approved accounting allocation.”*

Technical indicator description – method of calculation states that: *“Aggregate work opportunities reported/ created by public bodies. 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 various EPWP project bank statements were inspected and the following inconsistencies were noted.

The number of participants paid via the NPO’s bank statement does not correspond with the number of participants signed on the attendance register and receipt of payment.

No	Project No	Project Name	Public Body Sector	Number of inconsistencies Identified
Non- profit organization				

No	Project No	Project Name	Public Body Sector	Number of inconsistencies Identified
1	105603-EPWPRS	Itekeng Green and Clean	Non-State Sector Non Profit Organisations	15

Furthermore; the auditors were not able to determine which participant was paid as per bank statement as the bank statement reference for all paid participants stated "COVID 19 IDT" with no specific reference to the persons names or similar reference numbers.

### Impact of the finding

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

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

Non-compliance with Treasury Regulation 17.1

The reported annual report submitted for audit purposes might be overstated.

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

### Internal control deficiency

#### *Financial and Performance Management*

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

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

Management should ensure that adequate review and reconciliations procedures are formulated to ensure that signed attendance registers and signed salary receipt registers are consistent with actual payments made to participants

### Recommendation

It is recommended that:

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

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

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

## Management response

EPWP is **in agreement** with the finding.

With regard to the discrepancy noted for July 2020:

Two participants did not sign the payment sheet, but did sign the attendance register. An affidavit in this regard is attached which confirms the payment of the stipends. The details of the participants are: Lebohang Mofokeng (ID: 9410095250082) and Malefetsane Joseph Selai (ID: 9110255406082).

With regard to the discrepancy noted for August 2020:

The NPO indicated that for payments that relate to the discrepancy were processed against closed/dormant bank accounts of Participants. As a result no payments were eventually transferred to these accounts.

Name: Ms. Carmen-Joy Abrahams

Position: Acting Deputy Director-General: Expanded Public Works Programme

Date: 19 May 2021

## Auditor's conclusion

Management agrees with the finding; therefore this issue will remain the final management report.

## 16. EPWP – Attendance register and proof of payment provided not reliable.

### Requirements

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

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

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

Treasury Regulation 17.1.1 - Use of clearing and suspense accounts [Section 40(1)(a) of the PFMA]

states that: *“All the transactions of an institution must be supported by authentic and verifiable source documents, clearly indicating the approved accounting allocation.”*

Technical indicator description – method of calculation states that: *“Aggregate work opportunities reported/ created by public bodies. 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

- a) During the audit of project number 104577-EPWP3N (Sneeuwitjie Early Childhood Development COVID-19) the attendance registers were inspected for days worked by participants from June to July 2020. The number of days worked were compared to the number of days paid as wages to participants and inconsistencies were noted.

For some participants, the number of days worked did not match the number of days paid for during the project.

Based on the above inconsistencies between the June 2020 and July 2020 attendance registers and pay registers, the work opportunities reported relating to this project is not valid for the following participants.

No	Project No	Project Name	Public Body Sector	Number of inconsistencies identified
<b>DPWI - Non- profit organisation</b>				
1	104577-EPWP3N	Sneeuwitjie Early Childhood Development COVID-19	Non-State Sector Non Profit Organisations	15

- b) During the audit of project number 104572-EPWP3N (Siphumelele Youth Organisation COVID-19 - Port Alfred) for attendance registers were inspected for days worked by participants from July 2020 to November 2020 and inconsistencies were noted in the signatures of participants.

The signatures were further compare to the signatures on the pay registers and contracts of participants and they were still found to be inconsistent.

Based on the above inconsistencies between the July 2020 and November 2020 signatures on attendance register and proof of payment, the work opportunities reported relating to this project is not valid for the following participants.

No	Project No	Project Name	Public Body Sector	Number of inconsistencies identified
<b>DPWI - Non- profit organisation</b>				
1	104572-EPWP3N	Siphumelele Youth Organisation COVID-19	Non-State Sector Non Profit Organisations	81

- c) During the audit of project number 108026-EPWP3M (Sonke Solid Waste COOP) for attendance registers were inspected for days worked by a deceased participant from 23 August 2020 to September 2020 and inconsistencies were noted in the signatures of the participant.

The signatures were further compare to the signatures on the pay registers and contracts of participants and they were still found to be inconsistent.

Based on the above inconsistencies between 23 August 2020 to September 2020 signatures on attendance register and proof of payment, the work opportunities reported relating to this project is not valid for the following participant.

Project Id	Project Name	Sector Name	First Name	Surname	ID Number	Deceased date as per EPWP reporting system	Attendance register month
108026-EPWP3M	Sonke Solid Waste COOP	Environment and Culture Sector	Sabelo	Mdingane	7701145815086	23-Aug-20	Sep-20

It should also be noted that the same participant also worked on project 107327-EPWP3M (Construction of Kwankqayi – Skolweni).

### Impact of the finding

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

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

## Non-compliance with Treasury Regulation 17.1

The reported annual report submitted for audit purposes might be overstated.

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

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 proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

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

## Recommendation

It is recommended that:

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

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

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

## Management response

### **Eastern Cape PE – Other public bodies (Sneeuwitjie Early Childhood Development COVID-19)**

EPWP is **in agreement** with the finding.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 5 May 2021

### **Eastern Cape PE – Other public bodies (Siphumelele Youth Organisation COVID-19)**

EPWP is **in agreement** with the finding.

Inconsistency in the signatures of participants has been observed in the past.

Reasons that contribute to this challenge include: -

- Lack of understanding of the importance of consistency in signatures.
- Lack of understanding the implications and impact of inconsistency in signatures.
- Lack of experience in signing official documents, as the EPWP targets the unemployed.

Past interventions included the introduction of specimen signatures, but this may lead to an administrative burden for implementing public bodies.

Name: Ms. Carmen-Joy Abrahams  
Position: Acting Deputy Director-General: Expanded Public Works Programme  
Date: 19 May 2021

**Eastern Cape UMT – Other public bodies (Sonke Solid Waste COOP project)**

I **am in agreement** with the finding for the following reasons: It is clear from the finding that the municipality did not adhere to EPWP record keeping Prescripts

Name: MS. Carmen-Joy Abrahams  
Position: Acting Deputy Director General Expanded Public Works Programme  
Date: 27 July 2021

**Auditor's conclusion**

Management agrees with the finding; therefore this issue will remain the final management report.

## 17. 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: *“Aggregate work opportunities reported/ created by public bodies. 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 various public bodies, the participant listed below were reported as participant 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	Number of participants affected
<b>Other Public Bodies</b>				
1	104939-EPWP3M	Storm water drainage	Infrastructure Sector	1
2	108026-EPWP3M	Sonke Solid Waste COOP	Environment and Culture Sector	1
<b>DPWI - Non- profit organisation</b>				
1	7014-EPWPRS	Far North Development Initiative	Non-State Sector Non Profit Organisations	1

### Impact of the finding

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

Overstatement 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 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**

#### **Eastern Cape (UMT) – other public bodies**

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

Name: Ms. Carmen-Joy Abrahams

Position: Acting Deputy Director-General: Expanded Public Works Programme

Date: 27 July 2021

#### **Limpopo – NPO**

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

The incorrect reporting of a person who did not participate in the project was verified with reference to the participant list for Quarter 4 of 2020/21.

Name: Ms. Carmen-Joy Abrahams

Position: Acting Deputy Director-General: Expanded Public Works Programme

Date: 27 July 2021

### **Auditor's conclusion**

Management comments noted and finding remains

The reported participants were verified against Q4 data and the below participants were reported on while they didn't work on the project and therefore will be included in the Final Management Report.

## 18. EPWP - EPWP participant with disability were not reported on the EPWP Q4 data as a person with disability

### 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: *“Aggregate work opportunities reported/ created by public bodies. 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,:

Participant included in the table below had submitted a declaration of disability, were included on the attendance registers and/ or proof of payments; but were not reported on quarter 4 (April 2020 to 31 March 2021) data submitted for audit as person with disability.

No	Project No	Project Name	Public Body Sector	Number of participants affected
<b>Other Public Bodies</b>				
1	82523-EPWP3M	Upgrading of Marine Drive	Infrastructure Sector	1
<b>DPWI - Non- profit organisation</b>				
1	104231-EPWP3N	Itireleng Project COVID19	Non-State Sector Non Profit Organisations	7

### Impact of the finding

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

Understatement of reported performance for 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 response**

### **Eastern Cape UMT – Other public bodies**

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

The correct reporting of disability status of participants is an EPWP prescript

Name: Ms. Carmen-Joy Abrahams

Position Acting Deputy Director-General: Expanded Public Works Programme

Date: 27 July 2021

### **North West – NPO**

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

The correct reporting of disability status of participants is an EPWP prescript.

Name: Ms. Carmen-Joy Abrahams

Position Acting Deputy Director-General: Expanded Public Works Programme

Date: 27 July 2021

## **Auditor's conclusion**

Management comments noted.

The unreported participant with disability was verified against Q4 data and the below participants were not reported on and therefore will be included in the Final Management Report.

## 19. EPWP – Participants listed/ reported on project list for persons with disability are not disabled and were incorrectly reported 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: *“Aggregate work opportunities reported/ created by public bodies. 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 person with disability on the EPWP reporting system for the project. However, during the audit of the project it was noted that the participants are not disabled and were incorrectly reported on the project.

No	Project No	Project Name	Public Body Sector	Number of participants affected
<b>Other Public Bodies</b>				
1	98023-EPWP3M	Mjojeli to Jabavu access road	Infrastructure Sector	3
<b>DPWI - Non- profit organisation</b>				
1	104231-EPWP3N	Itireleng Project COVID19	Non-State Sector Non Profit Organisations	1

### Impact of the finding

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

Overstatement 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 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**

#### **Eastern Cape UMT – Other public bodies**

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

The correct reporting of disability status of participants is an EPWP prescript

Name: Ms. Carmen-Joy Abrahams

Position Acting Deputy Director-General: Expanded Public Works Programme

Date: 27 July 2021

#### **North West - NPO**

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

Attached is a letter from the NPO which indicates that Mmapaseka Annah Makgale (8604200185081) is not a person with disability.

It is noted that the above implies that the disability status of Mmapaseka Annah Makgale (8604200185081) was incorrectly captured on the EPWP Reporting System.

Name: Ms. Carmen-Joy Abrahams

Position Acting Deputy Director-General: Expanded Public Works Programme

Date: 28 July 2021

### **Auditor's conclusion**

Management comments noted and finding remains

The overstatement of participants without disability reported as people with disability were verified against Q4 data and the below participants were reported on incorrectly and therefore will be included in the Final Management Report.

## 20. Programme 08 – Performance Indicator 8.1: Reported achievement not valid

### Requirements

Section 40(3) (a) of the Public Finance Management Act (PFMA) states that: *“The annual report and audited financial statements referred to 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.”*

Paragraph 5.2 of the Framework for Managing Programme Performance Information requires: *“auditee to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets...”*

Section 25(1)(e) of the Public Service Regulation states the following: *An executive authority shall prepare a strategic plan for his or her department that enable the executive authority to monitor the progress made towards achieving those targets and core objectives...*

### Nature

During the audit of Programme 08 – **Performance Indicator 8.1: Number of design solution completed for identified user department**, We noted that management reported one project (The designs for boilers at Westville Prison in Kwazulu Natal) indicating that the design solutions of such project where completed in the 2020/2021 reporting period.

However based on the audit conducted we identified that the sketch plan of the project was approved in the 2017/2018 reporting period. The reported project is therefore not valid and accurate hence the reported information is not reliable.

### Impact

The above may result in the following:

- Non-compliance with the PFMA and Framework for Managing Programme Performance Information requirements.
- The reported information is not valid and accurate affecting the reliability of the reported information.

### Internal control deficiency

#### Leadership

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

### *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 strong review processes are implemented on the Annual Performance Report and supporting schedule to ensure that what is reported in the performance report is accurate and valid.

### **Management response:**

Management agrees with the finding by AGSA

### **Auditors Conclusion**

Management response is noted. The finding remains and will be reported in the management report.

### **WCS 055529**

Management have subsequently submitted project (WCS 055529) in response to the validity issue raised. Through inspection of the submitted project we have noted that this is correct project whose design was completed and which was supposed to have been reported for 2020/21 FY. Details of the project:

- Project description is "PROJECT: Department of Defense: Garona Village No: 4, 5, 6 AND 7 Refurbishment"
- WCS Number: 055529

This is part of the material adjustment made by the entity to clear the validation & accuracy issue raised hence it will be reported as such.

## 21. Programme 08: Performance Indicator 8.2: Reported information is not valid and accurate

### Requirements

Section 40(3) (a) of the Public Finance Management Act (PFMA) states that: *“The annual report and audited financial statements referred to 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.”*

Paragraph 5.2 of the Framework for Managing Programme Performance Information requires *“auditee to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets...”*

Section 25(1)(e) of the Public Service Regulation states the following *“An executive authority shall prepare a strategic plan for his or her department that enable the executive authority to monitor the progress made towards achieving those targets and core objectives”*

Technical Indicator Description – Indicator 8.2 Number of projects completed within agreed construction period defines the indicator *“The indicator is measuring the number of infrastructure projects that are completed (Status 6A) within contractual timeframe (including any extension of time that has been approved).”*

Technical Indicator Description – Indicator 8.2 Number of projects completed within agreed construction period defines the means of verification *“Schedule of infrastructure projects indicating the planned completion date and the actual completion date (supported by Practical Completion Certificates).”*

### Nature

During the audit of Programme 8 – **Performance Indicator 8.2: Number of projects completed within agreed construction period**, we noted that the following projects were not completed within the agreed construction period. Refer to the table below:

No	WCS No	Project description	Planned completion date	Extension of time	Date of practical completion
1.	054914	Replacement Of Boundary Wall On Eight Houses: Dagamaskop: Mossel Bay: 13 Hougaardt Street	2020/05/26	2020/07/30	2020/11/19
2.	053132	Leslie Police Station Installation Of Facilities For People With Disabilities At Leslie Police Station (23 Norda Street): Saps	2020/06/19	N/A	2020/09/30



**Impact**

The above may result in the following:

- Non-compliance with the PFMA and Framework for Managing Programme Performance Information requirements.
- The reported information is not valid and has been overstated.

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

Management did not exercise oversight responsibility regarding financial, performance reporting, compliance, and related internal controls

***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 strong review processes are implemented on the Annual Performance Report and supporting schedule to ensure that what is reported in the performance report is accurate and valid.

**Management response:**

Management agree to the finding only in respect of WCS 054914 but does not agree with regards to WCS 053132. The latter project planned completion date was 2020/06/19 and was extended to 2020/10/07. The completion date as per the practical (first delivery) completion certificate is 30/09/2020 making the project to be completed within the agreed time. See attached extension of time.

**Auditors Conclusion**

Management response is noted. The finding relating to WCS 053132 is cleared but the finding for WCS 054914 remains and will be reported in the management report.

## Programme 08 – Performance indicator 8.4 – Number of infrastructure sites handed over for construction not complete

### Requirements

Section 40(3) (a) of the Public Finance Management Act (PFMA) states that: *“The annual report and audited financial statements referred to 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.”*

Paragraph 5.2 of the Framework for Managing Programme Performance Information requires: *“auditee to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets...”*

Section 25(1)(e) of the Public Service Regulation states the following: *An executive authority shall prepare a strategic plan for his or her department that enable the executive authority to monitor the progress made towards achieving those targets and core objectives...”*

### Nature of the finding

During the audit of Programme 08 – **Performance Indicator 8.1: Number of infrastructure sites handed over for construction**, we noted that the below listed infrastructure project was not included in the reported number of infrastructure sites handed over for construction for the current financial year.

No	WCS	Region	Project description	Date of site hand over as per the Site handover certificate
1	048610	POLOKWANE	THOHOYANDOU MAGISTRATE'S OFFICE REPAIR AND RENOVATIONS	06-Jul-20

### Impact of the finding

The above may result in the following:

- Non-compliance with the PFMA and Framework for Managing Programme Performance Information requirements.
- The reported information for number of infrastructure sites handed over for construction may not complete

### Internal control deficiency

#### Leadership

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

*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 strong review processes are implemented on the Annual Performance Report and supporting schedule to ensure that what is reported in the performance report is complete

**Management response:**

Management agrees with the finding

**Auditors Conclusion:**

Management comment noted. The finding will remain and reported on the management report.

## Programme 08 – Performance indicator 8.5 - Number of infrastructure projects completed may not be complete

### Requirements

Section 40(3) (a) of the Public Finance Management Act (PFMA) states that: *“The annual report and audited financial statements referred to 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.”*

Paragraph 5.2 of the Framework for Managing Programme Performance Information requires: *“auditee to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets...”*

Section 25(1)(e) of the Public Service Regulation states the following: *An executive authority shall prepare a strategic plan for his or her department that enable the executive authority to monitor the progress made towards achieving those targets and core objectives...”*

### Nature of the finding

During the audit of Programme 08 – **Performance Indicator 8.5: Number of infrastructure projects completed**, we noted that management did not report two projects as completed in the Annual Performance Report. Refer to the below details of the projects below

No	WCS	Regions	Project description	Achieved Status 6A in 2020/21	Date of practical completion
1	54987	Johannesburg	NDPW:DOJ:Various magistrates courts:Vanderbijlpark,Sebokeng and Vereeniging,supply,delivery and installation of outdoor emergency generator set including electrical installation for 6 months	Yes	03-Mar-21
2	055140	Pretoria	Pretoria: Department of Defence (DOD):Thaba Tshwane 1 Military Hospital :waterproofing and sealing of roof	Yes	12-Mar-21

### Impact of the finding

The above may result in the following:

- Non-compliance with the PFMA and Framework for Managing Programme Performance Information requirements.
- The reported information is not complete

**Internal control deficiency***Leadership*

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

*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 strong review processes are implemented on the Annual Performance Report and supporting schedule to ensure that what is reported in the performance report is complete

**Management response:****WCS 054987**

Management agrees with the findings.

The Practical Completion for this service was achieved in March 2021. The omission of this completion on the APP is mainly attributed to the fact that the Project Manager responsible for the project resigned in March 2021 and left the Department before a proper handover process could be concluded.

**WCS 055140**

Management agrees with the findings.

The first Practical Completion meeting took place on the 26 March 2021 while the contractor was ready for the hand-over to take place on the 12 March 2021. The delays were due to rain and also the unavailability of the client, see attached letter from the contractor requesting that the PC be signed off for the date of the 12 March 2021. Further to this, DPW was not in total agreement of the Practical Completion on the 26 March 2021 as they wanted to first verify certainty contractual issues before signing of the PC. This led to an in-house meeting held on the 13 April 2021 (see attached meeting schedule) followed by a meeting on site where-by DPW communicated to the contractor that they will grant the PC for the date of 12 March 2021 but the contractor was also issued with the works completion list.

In summary, the PC was achieved on the 12 March 2021 but the formal signing off was in April 2021 for the date of the 12 March 2021 therefore we could not have reported this project in the annual report as one of the completed projects before the end of March 2021.

## **Auditors Conclusion**

### **WCS 054987**

Management comment noted. The finding will remain and reported on the management report

### **WCS 055140**

Management comment is noted. The finding still remains and will be reported in the management report, the Annual Performance Report was submitted to the Auditor General end of May 2021 and there was enough time to make correction to the initial reported targets.

Management needs to revisit the whole population identify any other completed projects which have not been included on the APR. The revised population will then be subject to accept-reject testing.

## ANNEXURE B: OTHER IMPORTANT MATTERS

### AUDIT OF FINANCIAL STATEMENTS

#### 22. Principle-agent arrangements - Incomplete disclosures for Principal-agent arrangements

##### Audit Finding

##### Laws, rules and regulations

The Public Finance Management Act (PFMA) section 40(1) (b) states *“The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”*

Paragraph 63 of Chapter 16 of the Modified Cash Standard (MCS) states that *“A department that is a party to a principal-agent arrangement shall disclose:*

- (d) An explanation of the purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship.”*

Paragraph 64 of Chapter 16 of the Modified Cash Standard (MCS) states that *“A department that is the agent in a principal-agent arrangement shall disclose the following in the notes to the financial statements:*

- (a) A description of any resources (including the carrying value and description of any assets recognised/recorded) that are held on behalf of a principal, but recognised/recorded in the agent’s own financial statements.*
- (b) The aggregate amount of revenue that the department recognises as compensation for the transactions carried out on behalf of the principal;”*

Paragraph 68(c) of Chapter 16 of the Modified Cash Standard (MCS) states that *“A department that is the principal in a principal-agent arrangement shall disclose the following:*

- (c) A discussion of the resource or cost implications for the principal if the principal-agent arrangement is terminated.*

Disclosure note 42.2.1 of the AFS specimen issued in February 2021 requires departments to disclose, *“Revenue received for agency activities”*.

##### We noted the following:

During the audit, we reviewed the disclosures for Principal-Agent arrangement as disclosed in Note 32 of the Financial Statements and noted that the department did not disclose the following as required by Chapter 16 of the MCS and AFS Specimen issued by the National Treasury:

1. For the arrangements with Independent Labour Organisation and Independent Development Trust where the department is acting as a Principal, the department did not disclose the following:
  - A discussion of the resource or cost implications for the principal if the principal-agent arrangement is terminated.

2. For the arrangements with National Skills Fund (NSF) and KZN Department of Transport where the department is acting as an Agent, the department did not disclose the following:
- an explanation of the purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship
  - A description of any resources (including the carrying value and description of any assets recognised/recorded) that are held on behalf of a principal, but recognised/recorded in the agent's own financial statements.
- Although amounts for receivables and payables were disclosed in note 32.2, no narrative description and explanation of assets held or liabilities incurred on behalf of the principal and shown in the department's own financial statements was disclosed.
- the aggregate amount of revenue that the department recognises as compensation for the transactions carried out on behalf of the principal;
  - In terms of the MOA between DPWI and National Skills Fund, the DPWI is entitled to management fees of 7.5% of the project expenditure; however, the management fees were not disclosed.
- The principle-agent disclosure note number 32 does not include a sub note for "Revenue received for agency activities" as per note 42.2.1 of the AFS specimen issued in February 2021.

### **Cause**

Lack of review of the financial statements to ensure that all the necessary disclosures are made as required by the relevant Chapters of the MCS and AFS Specimen issued by the National Treasury.

### **Impact**

This result in incomplete disclosures for principal-agent arrangement and misstatements in the presentation and disclosures for principal-agent arrangement.

### **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**

- Management should review the financial statements to ensure that all the necessary disclosures are made as required by relevant Chapters of the MCS and the AFS Specimen issued by the National Treasury.
- Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

### **Management response**





I am in agreement with some of the findings, the financial statements have been updated, and explanation on the management fees is provided below. Supporting documents are attached; please refer to the annexure A and B.

1. For the arrangements with Independent Labour Organisation and Independent Development Trust where the department is acting as a Principal, the department did not disclose the following:
  - A discussion of the resource or cost implications for the principal if the principal-agent arrangement is terminated. [Agree with the finding a discussion on the resources or cost implications will be included in the AFS. See attached Annexure A.](#)
2. For the arrangements with National Skills Fund (NSF) and KZN Department of Transport where the department is acting as an Agent, the department did not disclose the following:
  - An explanation of the purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship. [Agree with the finding and narrative on the purpose of the principal-agent relationship and any significant risks and benefits will be included in the AFS. See attached Annexure A.](#)
  - A description of any resources (including the carrying value and description of any assets recognised/recorded) that are held on behalf of a principal, but recognised/recorded in the agent's own financial statements. [Agree with the finding and a note on resources will be included in the AFS. See attached Annexure A.](#)
  - Although amounts for receivables and payables were disclosed in note 32.2, no narrative description and explanation of assets held or liabilities incurred on behalf of the principal and shown in the department's own financial statements was disclosed. [Agree with the finding and narrative description and explanation will be included in the AFS. See attached Annexure A.](#)
  - the aggregate amount of revenue that the department recognises as compensation for the transactions carried out on behalf of the principal;
    - In terms of the MOA between DPWI and National Skills Fund, the DPWI is entitled to management fees of 7.5% of the project expenditure; however the management fees were not disclosed. [Not in agreement with the finding. The 7.5% percent management fee referred to is allocated as part of the NSF allocation to the institutions \(accredited private/public providers\) that will be contracted to implement trainings for the Department. The management fee is disclosed as part of the expenditure incurred in respect of the arrangement, and as income by the implementing institutions and therefore cannot be disclosed or recognized as part of the revenue. The Department mainly support and coordinate the provision of accredited training programmes to EPWP participants. Sectoral Education and Training Authorities and accredited private/public providers are contracted to implement these trainings, hence the management fee is paid to these implementing partners. See attached Annexure B \(a copy of the contract between the Department and one of the implementing partners\)](#)
    - The principle-agent disclosure note number 32 does not include a sub note for "Revenue received for agency activities" as per note 42.2.1 of the AFS specimen issued in February 2021. [Not in agreement with the finding. The 7.5% percent](#)

management fee referred to is allocated as part of the NSF allocation to the institutions (accredited private/public providers) that will be contracted to implement trainings for the Department. The management fee is disclosed as part of the expenditure incurred in respect of the arrangement, and as income by the implementing institutions and therefore cannot be disclosed or recognized as part of the revenue. The Department mainly support and coordinate the provision of accredited training programmes to EPWP participants. Sectoral Education and Training Authorities and accredited private/public providers are contracted to implement these trainings, hence the management fee is paid to these implementing partners. See attached Annexure B (a copy of the contract between the Department and one of the implementing partners)

Name: A Negota

Position: Director

Date: 22 June 2021

### **Auditors conclusion**

Management responses noted.

With regards to the findings that management is in agreement;

We will inspect the final AFS to confirm that the necessary adjustments have been made.

With regards to the finding that management is not in agreement;

The Modified Cash Standard Chapter 7 paragraph 4 defines Departmental revenue *“as the inflow of cash arising in the course of the ordinary activities of the department, normally from the sale of goods and/or assets, the rendering of services, and the earning of interest, taxes and dividends. It includes transactions in financial assets and liabilities and also transfers received. Departmental revenue is collected by national/provincial departments, and is subsequently paid over to the National/Provincial Revenue Fund. However, departmental revenue excludes appropriated funds.”*

The MOA between DPWI and NSF states the following:

- 7.32 The DPW shall be entitled to a project management fee amounting to R 15 964 988 subject to clause 8.14 below, which becomes due to the DPW in equal quarterly tranches over the duration of the Project and is subject to the deliverables of the Project being met as per the Project Implementation Plan (Annexure A).

The table below contains the details of the approval:

PW (EPWP)	Participants	Cost per Unit	Total
PART QUALIFICATIONS/SKILLS PROGRAMMES	7150	R 17 310	R 123 766 500
LEARNERSHIP PROGRAMMES			
NQF Level 2	150	R 40 000	R 6 000 000
NQF Level 3	150	R 45 000	R 6 750 000
NQF Level 4	150	50 000	R 7 500 000
APPRENTICESHIPS	450	R 150 000	R 67 500 000
TRAINING PROVIDERS CAPACITY BUILDING	450	R 3 000	R 1 350 000
<b>SUB-TOTAL</b>			<b>R 212 866 500</b>
PROJECT MANAGEMENT	7.5%		R 15 964 988
<b>Grand total</b>	<b>8 500</b>		<b>R 228 831 488</b>

Based on the above, the DPWI is entitled to the project management fees for the implementation of the project on behalf of the NSF.

Therefore, the finding will have an impact on the following line items:

- Understatement of accrued departmental revenue
- Understatement of expenditure and liabilities for principle and agents

## Management response 2

The management is not in agreement with the finding, and below are the reasons:

Clause 7.32 of the agreement (MOA) between the Department of Public Works and Infrastructure (DPWI) and National Skills Fund (NSF) meant that the 7.5% project management fee will be utilised for the implementing agents partnering with the DPWI for the offering of the training programmes. Where the AgriSETA is appointed to provide training, the project management fee of 7.5% will be paid to AgriSETA at the end of the training programme. All costs directly relating to the training programme will be paid and reported separately from the programme management fee. The training costs will amongst others include the following:

- Tuition fee
- Venue
- Training material and
- Incidental costs

As per contract terms (clause 7.13 of the MOA between NSF and DPWI), the Department is required to submit the quarterly reports to the NSF, and the report will include:

- Financial performance against the approved project budget and cash flow forecast, and the report includes the project management fee paid to the implementing agents (i.e. AgriSETA)

- Learner/beneficiary information and performance against targeted learner/beneficiary information, inclusive of explanatory notes on variances.
- Performance against the approved Project Implementation Plan
- Compliance information

Clause 7.5 of the MOA makes provision for DPWI to partner with delivery agents, who will in turn receive the 7.5% management fee after the delivery of the projects. In terms of the same clause, the DPWI shall ensure that all accreditation requirements of the DPWI and its service delivery agents and consultants appointed for the delivery of the project are obtained and maintained for the duration of the project.

To implement the training projects, DPWI will enter into an agreement with the accredited service delivery agents to offer training projects, as the Department (DPWI) is not accredited to provide the training and the similar conditions as entered between DPWI and NSF will be applicable between DPWI and the accredited service delivery agent (i.e. AgriSETA). Attached with this response is the MOA between DPWI and AgriSETA, and reference must be made to clause 7.37 outlining the conditions under which the AgriSETA will be able to receive the project management fee.

In terms of the MOA between DPWI and AgriSETA, clause 7.18 outlines the quarterly reports the AgriSETA must comply with, and the conditions are similar to the ones DPWI is required to comply with as per the MOA between DPWI and NSF (clause 7.13 in the MOA between DPWI and NSF). Clause 8.16 of the MOA between DPWI and AgriSETA provide the same condition as in the MOA between DPWI and NSF regarding the retention of the 10% of the project management fee, which shall be paid to AgriSETA upon approval of the close out report by the AgriSETA at the end of the project. MOAs (i.e. NFS/DPWI and DPWI/AgriSETA), quarterly and implementation reports are attached, in support of the above.

### **Updated Auditors conclusion**

Management response noted. The matter has been referred for technical consultation. However, for the purposes of closing the current year audit, the finding is considered resolved. Follow up will be made in the next financial year.

The memorandum of agreements on principal- agent relations should be written, read and signed with understanding of the impact on the financial statements to close loops that maybe left to interpretation. The department should consider drafting an addendum to the NSF memorandum to address the management fee clause.

## 23. Goods and services - Payments for Construction Sector Charter Council (Overpayments and incorrect classification)

### Audit Finding

#### Laws, rules and regulations

The Public Finance Management Act (PFMA) section 40(1)(b) states that *“The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”*

*Paragraph 04 of Chapter 9 of the Modified Cash Standard (MCS) states that “An advance paid comprises of funds paid in advance of goods, services or capital assets that are yet to be delivered to the department, and in the case of transfers and subsidies cash is yet to be earned by the recipient, in accordance with the agreement under which the advance is paid. An allocation to advances paid is only made when the agreement involves one or more government entities and/or when advances are paid to staff.”*

Public Finance Management Act (PFMA) section 1 states that; *“‘fruitless and wasteful expenditure’ means expenditure which was made in vain and would have been avoided had reasonable care been exercised”*

#### We noted the following:

During the audit of goods and services we noted that the following issues relating to Payments to Construction Sector Charter Council to develop an annual BBBEE scorecard report for the construction sector:

- We performed a vat vendor search on the SARS website using the VAT number (4690261930) provided in the invoice and identified that the supplier is not a registered VAT vendor, however they charged VAT amounting to R297 827, 78 on the invoice. This resulted in an overstatement of goods and services by R297 827,78
- The invoice and payment amount of R1 985 518,60 exceeded the amount of R1 850 000 as per the Agreement between DPWI and CSCC. Resulting in overpayment of R135 518,60.
- An advance payment of R1 985 518,60 was made on 23 December 2020 for CSCC to develop an annual BBBEE scorecard report for the construction sector however the payment was classified as goods and services instead of prepayments as there was no evidence that service was delivered before year- end.

#### Cause

Lack of review of the invoices and agreements with services providers to ensure that invoices comply with the VAT act and payments made are in terms of the agreement and are correctly classified.

#### Impact



This result in the following:

- Overstatement of goods and services by R1 985 518,60 and understatement of Prepayments and advances by the same amount.
- Fruitless and wasteful expenditure of R135 518.60 due to overpayment made.

### **Internal control deficiency**

#### *Financial and performance management*

Management did not implement controls over daily and monthly processing and reconciling of transactions.

### **Recommendation**

- Management should review the invoices and agreements with services providers to ensure that invoices comply with the VAT act and payments made are in terms of the agreement and are correctly classified.
- Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

### **Management response**

I am not in agreement with the finding for the registration of the CSCC as the VAT vendor for the following reasons: The Construction Sector Charter Council (CSCC) has registered as the VAT vendor, and the proof is attached for as Annexure B. The CSCC has fully complied with the South African Revenue Services (SARS) requirements for VAT in 2018, and then in 2019/20 financial year the CSCC did not receive any funding from the Department and there was nothing to comply with in terms of the SARS requirements and their status was deactivated. With the funds being paid in the 2020/21, the CSCC is in the process of engaging with the SARS to activate their status for compliance with the tax requirements. The financial management of the CSCC is outsourced, and the appointment process is underway to ensure full compliance to all financial management function which includes tax requirements.

I am in agreement with the finding of the over payment of R135 518,60, and the Department has instructed the CSCC to pay back the amount classified as over payment. The expenditure will be adjusted with R135 518,60 and the same amount will be allocated to the recoverable expenditure (receivable).

I am not in agreement with the finding for the following reasons: The amount of R1 850 000 paid to CSCC in December 2020 was for the full financial year of 2020/21 as indicated in the MOA (item 4.5.1) hence the amount was fully expensed. The process of concluding the MOA between Department and the CSCC was delayed due to investigating cost effective means to fund the CSCC before the funding could be paid in the 2020/21 financial year, as the CSCC is fully dependent on the Department for its financial needs. Whilst the CSCC, did not have funds for two years, industry stakeholder volunteers are capacitating it to ensure that technical queries from industry on the Construction Sector Code are addressed and responded to as

required by the B-BBEE Act. Lack of capacity hinders the CSCC's ability to undertake all the tasks hence an extension is required to develop the report.

Name: IRENE NEMASETONI

Position: DIRECTOR

Date: 2021/07/13

### **Auditors conclusion**

Issue 1:

Management response noted.

Section 24(5) of the VAT Act states that

*“(5) Where the Commissioner is satisfied that a vendor—*

- (a) no longer complies with the requirements for registration as contemplated in section 23 (1) and (3) ; or*
- (b) has failed to furnish the Commissioner with a return reflecting such information as may be required for the purposes of the calculation of tax in terms of section 14 or 16,*

*the Commissioner may cancel such vendor's registration with effect from the last day of the tax period during which the Commissioner is so satisfied, or from such other date as may be determined by the Commissioner: Provided that where such person lodges an objection against the Commissioner's decision under this subsection the cancellation of that person's registration shall not take effect until such time as the Commissioner's decision becomes final and conclusive.”*

Based on the evidence presented in management response, it is evident that the VAT registration of CSCC was cancelled and the CSCC was not entitled to levy output VAT when they issued the invoice as their registration status was still cancelled .

Issue 2:

Management response noted. The overpayment should be disclosed as fruitless and wasteful expenditure until it is recovered.

Issue 3:

Management response noted.

We inspected the MOA between DPWI and CSCC, we noted that 4.5 and 5 state the following:-

*“4.5 DPW shall fund the CSCC for a period of two (2) years starting from DPWI's financial year 2020/21 to 2021/22.*



4.5.1 The DPWI will fund the CSCC for an amount of R1 850 0000 (one million and eight hundred and fifty thousand Rands only for both the 2020/21 and 2021/22 financial year periods,”

5.1 The CSCC must:

5.1.1 Develop an annual B-BBEE scorecard report for the construction sector through monitoring implementation of the CSC by industry and public sector for concurrence by the Minister of Public Works and Infrastructure prior to submission to the Minister of Trade and Industry.

5.2 The CSCC shall:

5.2.1 Provide DPWI with written quarterly reports on: 5.2.1.1 Financial performance and expenditure.

5.2.1.2 Key programmes implemented by the CSCC related to implementation, promotion and monitoring of the CSC.”

#### Auditors conclusion

Based on paragraph 4.5, R925 000 relates to 2021/22 financial period and therefore should be recognised as an advance payment.

Management did not provide evidence that the deliverables as per paragraph 5 were met and therefore expenditure has not occurred.

### Revised management response to overpayment of R433 346.38

#### Issue 1

The management note the response regarding the cancellation of the VAT registration for the Construction Sector Charter Council (CSCC), and the VAT amount paid by the Department to CSCC. The VAT amount will be disclosed as receivable in the financial statements. The total amount to be classified as VAT to be refunded to the Department amount to **R258 980,69** and below is the analysis of the VAT calculations:

#### A (Revised payment after reducing over payment)

Project amount before VAT	R1 608 695,65
Vat amount	R 241 304,35
	=====
<b>Total</b>	<b>R1 850 000,00</b>

#### B (Tax calculation from the over payment)

Over payment amount before VAT	R117 842,26
Vat amount	<u>R17 767,34</u>



**Total**

=====

**R135 518,60**

The amount of R135 518,60 that has been classified as over payment is the difference between the amount in the MOA (R1 850 000) and the paid to CSCC (R1 985 518,60), and this will be updated as recoverable.

The total amount to disclosed as receivables which is inclusive of the over payment and the VAT is

R376 822,95, and the amount is made up of the following:

Total vat	R258 980,69
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Over payment excluding VAT	R117 842,26
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=====

<b>Total</b>	<b>R376 822,95</b>
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### Issue 3

The amount of R1 850 000 paid to CSCC in December 2020 was for the full financial year of 2020/21 as indicated in the MOA (item 4.5.1) and the amount was fully expensed. The statement of *“The DPWI will fund the CSCC for an amount of R1 850 000 (one million and eight hundred and fifty thousand Rands only for both the 2020/21 and 2021/22 financial year periods,”* is in reference to the same amount of R1 850 000 being allocated for each financial year and not that the amount of R1 850 000 is provided for both 2020/21 and 2021/22 financial years.

The payment of R1 850 000 was for the work the CSCC undertook to address interpretation of the Construction Sector Code (CSC). This is a key responsibility for the charter council to assist industry stakeholders understand the implementation of transformation objectives. During the period, the CSCC attended to queries which were received from various stakeholders through cataloguing, interpreting, and responding to stakeholders. The CSCC also worked on the self-funding model proposal towards submission to the Department of Trade, Industry and Competition (DTIC). The CSCC engaged with the ICT Transformation Charter to benchmark the self-funding model which was approved by the DTIC during 2020. The CSCC task team then worked on modelling the submission to DTIC based on lessons from the ICT Charter. Whereas the scorecard was not undertaken, considerable work was undertaken by CSCC. Attached with this response is the supporting documents for the programmes implemented by the CSCC using the funding of R1 850 000 paid during 2020/21 financial year.

Name: Irene Nemasetoni

Position: Director

Date: 2021/07/27

**Auditor's conclusions**

Inspected the final AFS submitted after the audit and confirmed that the misstatements were corrected.

## 24. Accruals not recognised not complete

### Requirements:

The Public Finance Management Act (PFMA) section 40(1)(b) states that *“The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”*

Modified Cash Standard Chapter 9 paragraph 04 states that *“Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid and have not been invoiced or formally agreed with the supplier or recipient, including amounts due to employees (for example, amounts relating to leave entitlements). Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.”*

Modified Cash Standard Chapter 9 paragraph 20 states “Accruals and payables not recognised are recorded when goods are received or, in the case of services, when they are delivered to the department or, in the case of transfers and subsidies, when they are due and payable. For accruals, an invoice has not been received whereas for payables not recognised, the invoice has been received.”

### Nature

During the audit of Accruals in the Cape Town regional office, we noted the transaction below was not included in the accruals not recognised schedule:

Supplier	Description	Delivery date	Invoice number	Invoice date	Invoice receipt date	Amount
NVT Communications	Supply and delivery of flowers	01-23 March 2021	INV0001616	12-Apr-21	20-Apr-21	23 402,50

### Impact of the finding

This results in understatement of Accruals not recognised by R23 402,50.

### 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.

### This is due to

This is due to lack of oversight on the part of management to ensure that all transactions are recorded in the accruals when goods and services have been received.

### Recommendation

- Management should ensure that accruals are raised for all transactions where goods and services have been received.

- Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

**Management response:**

Management is in agreement with the audit finding.

It was on oversight that this accrual was not recognized at year. More stringent review processes will be implemented to ensure accurate and complete accrual workbook.

Name: L. Rasmeni

Position: Acting DD: Prestige

Date: 28 July 2021

Signed off by:

Name: P. Penxa

Position: Regional Manager

Date: 28 July 2021

**Auditor's conclusion**

Inspected the final AFS submitted after the audit and confirmed that the misstatements were corrected.

## AUDIT OF COMPLIANCE WITH LEGISLATION

### 25. Local content procurement not in accordance with the National Treasury Designated Sector Instruction notes

#### Requirements

Public Finance Management Act (PFMA) paragraph 38(1)(n) states that *“The accounting officer for a department, trading entity or constitutional institution must comply, and ensure compliance by the department, trading entity or constitutional institution, with the provisions of this Act.”*

National Treasury Designated Sector Instruction Notes Paragraph 3.1 and 4.1 for textile, clothing, leather and footwear states the following *“The stipulated minimum threshold percentages for local content and production for the textiles, clothing, leather and footwear sector is 100%. Bids in respect of textile, clothing, leather and footwear must contain a specific bidding condition that only locally produced or locally manufactured textile, clothing, leather and footwear from local raw materials or input will be considered.”*

National Treasury Designated Sector Instruction Note 06 2016/17 Paragraph 3.2 for furniture states the following *“To ensure that local production and content is discharged on manufacturing activities, the following furniture products which have been designated must be included in bid invitation:*

1. *Side upholstered chair – sleigh base with arms – 70%*

National Treasury Designated Sector Instruction Notes paragraph 7.1 states that *“Once bids are awarded, the DTI must be notified of all the successful bidders and the value of the contracts; and provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the declaration C submitted by the winning bidder.”*

Preferential Procurement Regulation 2017 paragraph 8 (2) and 8(5) states the following *“An organ of the state must, in case of designated sector, advertise the invitation to tender in a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content will be considered. A tender that fails to meet the minimum threshold for local production and content is an unacceptable tender.”*

#### Nature

During the audit of the quotation for MXT Trading/Office outfit - Supply and Delivery of 12 Boardroom chairs for an amount of R53 423,25 we noted the following:

- The invitation to bid and the PA36- Declaration certificate for Local Production and Content stated that the minimum threshold for leather is 100% and for the sleigh base with arms is 70%.
- However, the PA36 submitted by MXT Trading /Office outfit on 10/03/2021 declared that the supply of furniture has 85% local content and did not respond to the leather and sleigh base with arms requirements.
- Therefore, the bidder should have been disqualified and not evaluated further as they did not meet the minimum threshold for local content.

**Impact**

This results in an irregular expenditure of R53 423,25 as the procurement did not comply with the requirements of the National Treasury Designated Sector Instructions.

**Internal control deficiency***Financial and Performance management*

Management did not review and monitor compliance with applicable legislation.

**This is due to:**

Lack of oversight from the evaluation committee as they did not pick up that the bidder did not meet the minimum threshold for local production and content.

**Recommendation**

Management should ensure that the procurement for local content and production complies with the National Treasury Designated Sector Instruction Notes.

Management should update the disclosure note for irregular expenditure and provide the updated financial statements and the irregular expenditure register.

**Management response**

Management is not in agreement with the audit finding.

When AGSA sent request for information, the SCM Internal Circular was furnished which stipulates that the reporting of awards for procurement of Office Furniture is done at Head Office, hence every month the reports are submitted with information of the Local Content where applicable.

It must be noted that the Instruction Note Number 6 of 2016/2017 quoted by AGSA and all pertinent information has been repealed by National Treasury, and therefore it is no longer applicable, as it articulates matters which were relevant in terms of Preferential Regulation 2011. Office furniture has its own designated Local Content which must not be confused with other designated sectors.

The last designated sector for Office furniture was 85% which accommodates all forms of office furniture. The procurement of office furniture particularly chairs is below 85%.

In terms of Instruction Note 7 of 2019/2020, approved in 20 December 2019. No stipulated minimum threshold under Office furniture under Table 1, Side upholstered-sleigh with arms is 70%. When SCM Practitioners evaluated the quotations, it was done in line with the latest approved circular for Local Content. The current circular for Office furniture did not make a mandatory procedural norm to distinguish any form of procurement except information articulated in the circular to guide for the procurement of Office Furniture.

The Local Content Circular Number 7 of 2019/2020 was utilized in conjunction with the Regulation 8(2) of the Preferential Procurement Policy Framework Act, 2000(Act No 5 of 2000).

Based on the above-mentioned information management maintains that the Department complied with description and Local Content of Office Furniture as articulated in the circular, and not in agreement with AGSA finding.

Name: D. Dlamini

Position: D: SCM

Date: 26 July 2021

Signed off by:

Name: P. Penxa

Position: Regional Manager

Date: 26 July 2021

### **Auditor's conclusion**

Management response noted. The Instruction Note 7 of 2019/2020 quoted by management relates to Office Furniture and not Textiles, Clothing, Leather and Footwear.

The response does not address the issue relating to the supplier not specifying whether the 85% relates to leather which requires 100% or the sleigh base with arms which requires 70% as per the invitation to quote issued by the department.

The response relating to issue of reporting of local content to DTI is noted. A finding was issued to head office as the responsible office for reporting of local content to DTI.

Therefore the finding remain unresolved.

## 26. Cape Town DPWI Procurement Management

### 1. CPTSC05/20 - Ministerial Residences: Deep Cleaning Of Official State Residences Of The Members Of The Executive - Rassol Clean

#### Requirements:

**Section 38(1)(a)(i) and (iii) of the Public Finance Management Act states that:** *“The accounting officer for a department must ensure that the department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control; an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...”*

**Furthermore, section 38 (1)(c)(ii) of the Public Finance Management Act 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...”*

**Preferential Procurement regulation. 5(7) states:** that *“Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in regulation 11”*

**The Broad-Based Black Economic Empowerment Amendment Act: 46 1(b)** defines black people as *“a generic term which means Africans, Coloureds’ and Indians-*

*(a) Who are citizens of the Republic of South Africa by birth or descent; or*

*(b) Who became citizens of the Republic of South Africa by naturalisation-*

*(i) Before 27 April 1994; or*

*(ii) On or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date.”*

**The Broad Based Black Economic Empowerment Act:** defines “Fronting Practice” *“means a transaction, arrangement or other act or conduct that directly or indirectly undermines or frustrates the achievement of the objectives of this Act or the implementation of any of the provisions of this Act, including but not limited to practices in connection with a B-BBEE initiative”*

**The Broad Based Black Economic Empowerment Act:** section 13O (1) states that *“A person commits an offence if that person knowingly*

*(a) misrepresents or attempts to misrepresent the broad-based black economic empowerment status of an enterprise; (b)*

*(b) provides false information or misrepresents information to a B-BBEE verification professional in order to secure a particular broad-based black economic empowerment status or any benefit associated with the compliance with this Act;*

*(c) provides false information or misrepresents information relevant to assessing the broad-based black economic empowerment status of an enterprise to any organ of state or public entity; or*

*(d) Engages in a fronting practice.”*

#### Nature

During the audit of procurement and contract management for tender number CPTSC05/20 for the Ministerial Residences: *“Deep Cleaning of Official State Residences of the Members of the Executive*, following issues were identified:



**Issue 1: Inconsistent scoring for functionality and unfair disqualification of bidders.**

- The PA 04 Notice and Invitation to bid, included functionality as a prequalification criteria and the areas of functionality criteria applied for Resources & Transport was as follows:

<b>Resources:</b> The bidder must indicate or demonstrate ownership or access of cleaning resources such as: 3 x Industrial carpet cleaning machines, Industrial scrubbing machines, buckets, brooms, mops, ladders to access high rise areas, clothes, etc  4 or above Industrial carpet and scrubbing machines and others = 5 3 x Industrial carpet and scrubbing machines and others = 3 2 x Industrial carpet and scrubbing machines and others = 2 1 x Industrial carpet and scrubbing machines and others = 1	20
<b>Transportation:</b> The bidder must provide proof of ownership of transport / vehicles owned under the company name or lease agreement and or rental allowing the company to access Prestige properties without any hassles or letter of intent.  3 or more vehicles = 5 2 x vehicles = 3 1 x vehicle = 1	20

- There were inconsistencies identified in the awarding of points by the RBEC due to the following:
  - Four unsuccessful bidders (namely: Mhasehlombe & Khies Enterprise, Yonwabeni, Mzantsi, A Cadia Cleaning and Top n Nos) were not awarded points and were disqualified for submission of inadequate representation (letters from suppliers which merely confirmed access to resources without specifying how many industrial cleaning carpet machines would be provided to the bidder). However, the winning bidder (Rassol Clean) was awarded points while they submitted the same type of representation as other suppliers, which merely confirmed access to Resources without specifying how many industrial cleaning carpet machines would be provided as stated in the invitation to bid.
  - The winning bidder (Rassol Clean) was awarded full points for Transportation Criteria, however the bidder did not submit adequate documentation as stated in the invitation to bid. The winning bidder submitted a confirmation letter stating that there is lease agreement, however the lease agreement was not included in the bidding documents submitted by the winning bidder.
  - Therefore, the winning bidder (Rassol Clean) should have been disqualified and not evaluated further as they did not meet the minimum threshold of 50% for functionality criteria for resources and transportation and bidders were also required to score in all areas to be evaluated further.
  - Therefore, the tender should have been cancelled since all bidders were disqualified.

**Issue 2: Terms of Reference and Returnable documents**

- Paragraph 3.1 of the published Terms of Reference included a submission requirement that "bidders *must be registered with the National Contract Cleaners Association (NCCA)*".
- However, as per inspection of the bid documents of winning bidders (Rassol Clean), we noted that there was no evidence of proof registration with the NCCA.

**Issue 3: Possible indications of Tender Fronting/ Window Dressing:**

- During the audit of tender number CPTSC05/20 for Ministerial Residences: Deep Cleaning Of Official State Residences Of The Members Of The Executive, we noted the following indicators of fronting from the bidding documents submitted by the winning bidder (Rassol Clean):

- The winning bidder leased all its 6 six vehicles from Tawanda Mukhanhaire who is also employed by Rassol Clean as a manager. The vehicle registration documents indicated that the vehicles are registered under a passport number instead of a RSA identification number.
- Through the inspected of the CIPC records, the following was noted in terms of the directorship of Rassol Clean:
  - Tawanda Mukanhairie was added as the director of Rasson Clean on 09 June 2016. Dumisani Baloyi was also added as the director on 09 June 2016. The directorship changed multiple times between Tawanda and Dumisani until on 04 May 2018 when Thandokazi Galanda was added as the director. The directorship also changed multiple times between Tawanda and Thandokazi.
- As per CSD report submitted by bidder, Tawanda Mukanhairie was the contact person and was identified to have a foreign passport number.
- Through the inspection of PA.15: Resolution of board of directors, we noted that Thandokazi Galanda on her capacity as director of Rasson Clean, appointed Tawanda Mukhanhaire to complete and sign the bidding documents and any other documents in connection with the tender. This indicates that Thandokazi Galanda's involvement in the company is limited and that there was no change of the ownership of the company.
- Therefore, there is an indication that Thandokazi is being put forward as the director when bidding for government tenders in order to score B-BBEE points and this is an indication of fronting.

### Impact of the finding

#### The above will result in the following:

- Possible irregular expenditure to the value of R2 058 500.
- Non-compliance with section 38 (1)(a)(i) and (iii) of the PFMA
- Non-compliance with Preferential Procurement reg. 5(7)
- Non-compliance with Broad-Based Black Economic Empowerment Amendment Act 46 1(b)
- Possible fraud due to fronting

### Internal control deficiency

#### *Financial and Performance Management*

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

#### This is due to:

- Lack of appropriate internal controls regarding proper filing and record keeping to ensure that documentation is easily and readily available for audit purposes;
- Lack of adequate review of bidding documents by the bid evaluation committee members during evaluation of bids to ensure all bids are evaluated consistently following the criteria that was specified in the bidding documents.
- Lack of adequate review of evaluation reports and bidding documents by the project leader and the bid adjudication committee to ensure all bids were evaluated consistently and fairly.
- Incorrect interpretation of SCM regulations, policies and other legislation that have an impact on the procurement processes by officials involved in the procurement processes.

### Recommendation



- Training on the SCM regulations and policies is provided to all officials involved in the procurement processes.
- The bid evaluation committee members should perform adequate review of the bid documents during evaluation of bids to ensure all bids are evaluated consistently following the criteria that was specified in the bidding documents.
- The project leader and the bid adjudication committee should perform review of evaluation reports and bidding documents to ensure all bids were evaluated consistently and fairly prior to making a decision on the recommendations of the bid evaluation committee.
- Management should perform an investigation on the possible issue of circumvention of the Competition Act through fronting by the winning bidder. Management should keep the auditors updated on the progress and status of the investigation.

**Management response:****Issue Number 1**

Management agrees with the findings of the Auditor General (AG).

**Issue Number 2**

Management agrees with the findings of the Auditor General (AG).

**Issue Number 3**

Management disagrees with the findings of the Auditor General (AG). According to the evidence gathered by management:

- (a) The CIPC documents reflect Ms T Galada as the sole owner of Rassol Clean (Pty) Ltd (refer to Annexure "A");
- (b) When interrogating the bid documents submitted by Rassol Clean (Pty) Ltd, Mr Ozwell Mukanhaire appears to be authorised representative as delegated by Ms Galada, to complete the bid documents on behalf of Rassol Clean (Pty) Ltd. Nowhere in the bid documents submitted by
- (c) Rassol Clean (Pty) Ltd does the name of Tawanda Mukhanhaire reflecting, as a shareholder nor the authorised person to complete the tender document; nor the lessor of vehicles;
- (d) Mr Ozwell Mukanhaire, as the authorised representative delegated by Ms Galada, has got a company registered under his name with the registration number 2020/ 751655/ 07 with the name "GROWTH 1400 PROPERTY INVESTMENTS (refer to Annexure "B";
- (e) Mr Ozwell Mukanhaire has been granted permanent residency effective from 30 November 2020 (refer to Annexure "C";
- (f) The State Security Agency could not pick up any irregularity in terms foreign nationals who may have been, or are, the shareholders of Rassol Clean (Pty) Ltd, hence a security clearance was issued to them to be able to render a service to the department (refer to Annexure "D".

In respect of issues 1 and 2, it must further be noted that Rassol Clean (Pty) Ltd has withdrawn the award in respect of this tender (refer to Annexure "E". As of the date of withdrawal, no

purchase order was issued, services rendered and expenditure incurred. In this regard, there is no irregular expenditure.

Name: L. Rasmeni

Position: Acting DD: Prestige

Date: 25 June 2021

Signed off by:

Name: P. Penxa

Position: Regional Manager

Date:

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

Management comments noted. The finding is therefore is resolved on the basis that the service provider subsequently withdrew from the contract due to over commitment in a letter dated June 2021.

## 2. CPTSC11/20 - Parliament precinct - external high pressure cleaning and touch up painting during the 2020 Recess period - Acadia Cleaning Services

### Requirements

Section 38(1)(a)(i) of the Public Finance Management Act states that: *"The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control..."*

Section 38(1)(a)(iii) of the Public Finance Management Act states that: *"The accounting officer for a trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective..."*

Section 5(7) of the Preferential Procurement Regulation 2017 states that: *"Each tender that obtained the minimum qualifying score for functionality must be evaluated in terms of price and preference point system and any objective criteria envisaged in regulation 11..."*

Section 16A6.3(b) of the treasury regulations states that *"The accounting officer must ensure that bid documentation include evaluation and adjudication criteria, including the criteria prescribed in terms of the PPPFA, 2000 and BBEE Act, 2003..."*

### Nature

During the audit of procurement and contract management for tender number CPTSC11/20: Parliament Precinct: External High Pressure cleaning and touch-up painting during the 2020 recess period, following issues were identified:

- The PA 04 Notice and Invitation to bid, included functionality as a prequalification criteria and the areas of functionality criteria applied for Resources was as follows:

<b>Resources:</b>		
The bidder must indicate or demonstrate ownership; lease agreement or letter of intent for resources. Bidder should have a minimum of x3 High Pressure Jet Wash Machines and resources.		
4 or above High Pressure Jet machines and resources	= 5	30
3 x High Pressure Jet machines and resources	= 3	
2 x High Pressure Jet machines and resources	= 2	
1 x High Pressure Jet machine and resources	= 1	

- There were inconsistencies identified in the awarding of points by the RBEC due to the following:
  - One of the losing bidders (Royal bin) was not awarded points and was disqualified for submission of inadequate representation (letters from suppliers which merely confirmed access to resources without specifying how many high pressure jet machines would be provided to the bidder). However, through inspection of the bidding documents submitted by the bidder we noted that the bidder submitted a manufacturing certificate of production from their suppliers confirming that four (4) High Pressure Machines have been manufactured for Royal Bins.
  - Therefore, the bidder was unfairly disqualified by the RBEC. Had the bidder been awarded points, they would have been awarded the contract as they quoted an amount lower than the other competing bidders and also submitted a valid proof of B-BEE status level of contributor.
  - The table below demonstrate the calculations of preference points (Price and BEE):

Details			Auditors calculations			Client calculation			Difference
No	Bidder	Price tendered	Points for price	Points	Total	Points	Points for price	Total	
1	ROYAL BIN INSPECTORS	R 685 744,70	80,00	20	100,00	0	0,00	0,00	100,00
2	Acadia Cleaning Services	R 744 289,20	73,17	20	93,17	20	80,00	100,00	-6,83
3	Moilalehlaka Investement	R 1 147 000,00	26,19	20	46,19	20	36,71	56,71	-10,53

### Impact of the finding

#### The above will result in the following:

- Possible irregular expenditure to the value of R744 289,20 for tender CPTSC11/20
- Financial loss of R58 544,5 (R744 289,2 – R685 744,7)
- Non-compliance with section 38 (1)(a)(i) and (iii) of the PFMA
- Non-compliance with Preferential Procurement reg. 5(7)

### Internal control deficiency

#### Financial and Performance Management

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

#### This is due to:

- Lack of appropriate internal controls regarding proper filing and record keeping to ensure that documentation is easily and readily available for audit purposes;
- Lack of adequate review of bidding documents by the bid evaluation committee members during evaluation of bids to ensure all bids are evaluated consistently following the criteria that was specified in the bidding documents.
- Lack of adequate review of evaluation reports and bidding documents by the project leader and the bid adjudication committee to ensure all bids were evaluated consistently and fairly.

### Recommendation

- Training on the SCM regulations and policies is provided to all officials involved in the procurement processes.
- The bid evaluation committee members should perform adequate review of the bid documents during evaluation of bids to ensure all bids are evaluated consistently.
- The project leader and the bid adjudication committee should perform review of evaluation reports and bidding documents to ensure all bids were evaluated consistently and fairly prior to making a decision on the recommendations of the bid evaluation committee.

### Management response:



Management disagrees with the findings of the Auditor General (AG). The requirement for functionality stated the following:

<b>Resources:</b>		
The bidder must indicate or demonstrate ownership; lease agreement or letter of intent for resources. Bidder should have a minimum of x3 High Pressure Jet Wash Machines and resources.		
4 or above High Pressure Jet machines and resources	= 5	30
3 x High Pressure Jet machines and resources	= 3	
2 x High Pressure Jet machines and resources	= 2	
1 x High Pressure Jet machine and resources	= 1	

The letter supplied by the supplier of Royal Bin (attached as Annexure "F") was found by the BEC to be having numerous shortcomings, which are:

- (a) It did not specify the period wherein Ian Dickie supplied Royal Bin with the equipment;
- (b) Secondly, the letter did not respond to the requirement of "letter of intent" whether or not should the tender be awarded to Royal Bin, Ian Dickie will supply them with the equipment;

As a result, the BEC did not allocate points for functionality criteria to Royal Bin.

Name: L. Rasmeni

Position: Acting DD: Prestige

Date: 25 June 2021

Signed off by:

Name: P. Penxa

Position: Regional Manager

Date:

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

Management response noted. The finding is therefore resolved.

## 27. Cape Town - No evidence that tender awards were published on the eTender publication portal

### Requirements

Public Finance Management Act paragraph (PFMA) 38(1)(n) states that *“The accounting officer for a department, trading entity or constitutional institution must comply, and ensure compliance by the department, trading entity or constitutional institution, with the provisions of this Act.”*

National Treasury Instruction No 1 of 2015/16 paragraph 4.1 and 4.2 states that:

*“4.1 The Accounting Officers of PFMA compliant institutions must through the relevant treasury publish the awards of all advertised competitive bids on the eTender Publication Portal by taking cognisance of the requirements in paragraph 4.2”*

### Nature

During the audit of tenders at Cape Town region, we noted that evidence that the following tender awards were published on the eTender Publication Portal was not included in the tender files submitted for audit. Furthermore, due to the National Treasury eTender Portal being temporarily unavailable at the moment, the officials could not login to the website to obtain evidence that the awards were published:

No	Tender number	Tender Description	Supplier Name	Amount	Date of award
1	CPTSC01/20	Cape Town Appointment Of A Household Manager For Groote Schuur House/Museum (24 Months Term Contract)	Najwaa Francke	672 000,00	15-Sep-20
2	CPTSC06/20	Cape Town: Presidential Office And Accommodation: Provision Of Fresh Flowers At Genadendal. Tuynhuys And Highstead (24 Months Term Contract)	NVT Communications	1 282 043,00	27-Oct-20
3	CPTSC12/20	Parliamentary Precinct: Internal Deep Cleaning - December 2020 Recess Cleaning	Moilalehlaka Investment	488 187,86	15-Dec-21
4	CPTSC11/20	Parliamentary Precinct: External Deep Cleaning - December 2020 Recess Cleaning	Acadia Cleaning Service	744 289,20	15-Dec-21
5	CPTSC13/20	Parliamentary Precinct: Provision Of Infrastructural Requirements For The State Of The Nation Address, February 2021	MTKR	967 179,00	15-Dec-21



6	CPTSC05/20	Ministerial Residences: Deep Cleaning Of Official State Residences Of The Members Of The Executive	Rassol Clean	2 058 500,00	15-Dec-21
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### Impact of the finding

This results in a limitation of scope because we are unable to confirm whether the awards were published on the eTender Publication Portal.

### Internal control deficiency

#### *Financial and Performance Management*

Lack of formal controls over IT systems to ensure the reliability of the systems and the availability of information.

#### **This is due to:**

This is due to unavailability of the eTender publication portal due to technical challenges experienced with the publication of awards on the eTender publication portal.

### Recommendation

Management should ensure that:

- Management should record the dates they experienced technical challenges with the publication of awards on the eTender publication portal and include screen shorts in the tender files.
- Management should send the proof of awards and the relevant documents to the National Treasury in cases where there are challenges in publishing the awards on the eTender publication portal.

### Management response

Management takes note of the findings of the Auditor General (AG). It is management's understanding that publication of awards on the e-tender portal is one of the SCM compliance requirements, however, the intention to award the tenders under discussion, was advertised on the departmental website and the Government Tender Bulletin.

National Treasury Regulations compels all departments to publish the intention to award on the Government Tender Bulletin. Management is of the view that the requirements of the National Treasury Regulations have been complied with. During the publication of the intention to award, the department has been experiencing technical problems with accessing the e-tender portal, where it doesn't allow even to issue printout. The e-tender portal is still having problem to date, it has not been resolved. The regulation also allows the department to use other media for advertised which the departmental was used to attract a wide pool of prospective bidders. On or before 30<sup>th</sup> June 2021, the listed awards mentioned above will be manually submitted to National Treasury as recommended by AG.

Name: D. Dlamini

Position: D: SCM

Date: 25 June 2021

Signed off by:

Name: P. Penxa

Position: Regional Manager

Date:

### **Auditor's response**

Management response noted. The non-compliance relating to tender awards not published on eTender portal remains and will be reported accordingly.

## 28. Head Office - No evidence that tender awards were published on the eTender publication portal and Government tender bulletin

### Requirements

Public Finance Management Act paragraph (PFMA) 38(1)(n) states that *“The accounting officer for a department, trading entity or constitutional institution must comply, and ensure compliance by the department, trading entity or constitutional institution, with the provisions of this Act.”*

Treasury regulation 16A6.3 (d) states that *“awards are published in the Government Tender Bulletin and other media by which the bids were advertised.”*

National Treasury Instruction No 1 of 2015/16 paragraph 4.1 and 4.2 states that:

*“4.1 The Accounting Officers of PFMA compliant institutions must through the relevant treasury publish the awards of all advertised competitive bids on the eTender Publication Portal by taking cognisance of the requirements in paragraph 4.2”*

### Nature

During the audit of tenders at Head office, we noted that evidence that the following tender awards were published on the eTender Publication Portal and Government tender bulletin was not included in the tender files submitted for audit. Furthermore, due to the National Treasury eTender Portal and Government tender bulletin being temporarily unavailable at the moment, the officials could not login to the website to obtain evidence that the awards were published:

N o	Tender number	Tender Description	Supplier Name	Amount	Date award	Finding description
1	HP20/013GS	Conducting the Longitudinal Study of the EPWP	S24 Business Group	R6 253 585	24-Nov-2020	Award not published on eTender portal
2	HP20/012GS	Training Of 25 Epwp Participants On Further Education And Training Certificate	Soyisa Learning Institute (Pty) Ltd	R1 478 946	13-Nov-2020	Award not published on eTender portal
3	HP20/010GS	Training Of 25 Epwp Participants On Occupational Certificate	Ketho Training and Consulting	1 489 340	01-Dec-2020	Award not published on eTender portal
4	H20/001GS	Appointment of service provider for rendering Travel Management Services for a period of 36 months.	Travel with Flair (Pty) Ltd	R3 342 600	08-Dec-2020	Award not published on eTender portal and Government tender bulletin

### Impact of the finding

This results in non-compliance as the awards were not published on eTender portal and Government tender bulletin.

**Internal control deficiency***Financial and Performance Management*

Lack of formal controls over IT systems to ensure the reliability of the systems and the availability of information.

**This is due to:**

This is due to unavailability of the eTender publication portal and Government tender bulletin due to technical challenges experienced with the publication of awards on the eTender publication portal and Government tender bulletin.

**Recommendation**

Management should ensure that:

- Management should record the dates they experienced technical challenges with the publication of awards and include screen shorts in the tender files.
- Management should send the proof of awards and the relevant documents to the National Treasury in cases where there are challenges in publishing the awards on the eTender publication portal.

**Management response**

As a corrective measure going forward the following will be Implemented:

- All awards without proof of publication will be re-submitted to e-tender portal, as GTB is still offline;
- When the Letter of Appointment is issued an email should be sent to the relevant SCM manager or direct supervisor of the SCM Practitioner responsible. The SCM Practitioner must take the Letter of Appointment issued together with proof of publication of the award to the relevant manager to sign off and all should be placed in the file.

Name: Xolani Makhonco

Position: Acting Director

Date: 29 July 2021

**Auditors response**

Management agrees with the finding. The finding will be evaluated and reported accordingly.

## 29. Durban - Payments not made within 30 days

### Laws, rules and Regulations:

Public Finance Management Act (PFMA) section 38(1)(f) state that: *“The accounting officer for a department, trading entity or constitutional institution must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period.”*

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

### Nature

The following payments were not made within 30 days from the date of receipt of the invoice:

No	Supplier name	Payment number	Amount	Date of receipt of invoice (Registry stamp)	Payment date	Number of day in which payment is made from receipt of invoice
1.	MASIBUYELE INVESTMENT	PM-018227	46 650,00	20-May-20	13-Aug-20	85
2.	KIM SONYEKA CONSTRUCTION CATERIN	PM-018226	20 800,00	20-May-20	13-Aug-20	85

### Impact

The aforementioned findings result in:

- (a) Non-compliance with Section 38 of the Public Finance Management Act
- (b) Non-compliance with Treasury Regulations 8.2.3

### Internal control deficiency

#### *Financial and Performance Management*

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

This is due to the impact of COVID-19 as only few staff was allowed to be in the premises to process payments.

### Recommendation

It is recommended that when there are unforeseen circumstances that may results in payments not being made timeously, this be communicated to the affected suppliers to renegotiate payment terms and correspondences be kept for audit trial.

### **Management response**

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

1. Delays were encouraged in registration of the two suppliers on departmental system due to COVID-19 lockdown regulations that were implemented in March across the country.
2. Unavailability of staff members to process payments, due to direct contact of staff members with COVID-19 positive official.
3. Due to lack of communication to the affected suppliers to renegotiate payment terms consequence management was applied to the responsible official accordingly (Annexure A attached).

Name: T Ngubane

Position: Director Finance

Date: 03 May 2021

Name: N Vilakazi

Position: Regional Manager: Durban office

Date: 04 May 2021

### **Auditor's conclusion**

Management agrees with the all the findings. Therefore, the findings are valid and the non-compliances will be evaluated and reported accordingly.

The implementation of the corrective actions and consequence management will be followed up during the final audit.

### 30. Head Office - Payments not made within 30 days

#### Requirements

Public Finance Management Act (PFMA) section 38(1)(f) state that: *“The accounting officer for a department, trading entity or constitutional institution must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period.”*

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

#### Nature

The following payments were not made within 30 days from the date of receipt of the invoice:

Payment Number	Amount	Beneficiary/ Supplier Name	Invoice number	Date invoice received by DPWI registry	Payment Date	Time take to pay the invoice.
158896	362 149,81	State Information Technology Agency	158896	21-May-20	20-Jul-20	60
2436206	2 475 069,09	Property Management Trading Entity	INV2012S1001029506	12-Jun-20	14-Aug-20	63
<b>2 837 218,90</b>						

#### Impact of the finding

The above may result in the following:

- Non-compliance with Section 38 of the Public Finance Management Act
- Non-compliance with Treasury Regulations 8.2.3

#### Internal control deficiency

*Financial and Performance Management*

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

#### This is due to:

This is due to the impact of COVID-19 as only few staff was allowed to be in the premises to process payments.

#### Recommendation

It is recommended that when there are unforeseen circumstances that may results in payments not being made timeously, this be communicated to the affected suppliers to renegotiate payment terms and correspondences be kept for audit trial.

**Management response**

I am in agreement with the finding that not all payments were not processed within 30 days. The Auditors recommendation is noted, and the Department will in future communicate to the affected suppliers to renegotiate the payment terms when there are unforeseen circumstances that may result in payments not being made timeously.

Name: Azwihangwisi Negota

Position: Director: Financial Accounting

Date:14 July 2021

**Auditors response**

Management response noted.

The above non-compliance with be evaluated and reported accordingly.



### 31. Local content not reported to DTI

#### Requirements

Public Finance Management Act (PFMA) paragraph 38(1)(n) states that *“The accounting officer for a department, trading entity or constitutional institution must comply, and ensure compliance by the department, trading entity or constitutional institution, with the provisions of this Act.”*

The National Treasury Designated Sector Instruction Notes paragraph 7.1 states that *“Once bids are awarded, the DTI must be (i) Notified of all the successful bidders and the value of the contracts; and (ii) Provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the declaration C submitted by the winning bidder.”*

#### Nature

During the audit of quotations, we could not obtain evidence that the procurement for local content and production for the following quotations was reported to the Department of Trade and Industry:

Supplier	Description	Amount
Tagi Business Solutions	Personal Protective Equipment	14 798,56
MAC NET Business Development	Coverall Overall all size all colours	322 593,75
SAI Consulting	Uniform, any size, any colour	315 090,00
Klevas Accessories	Mask, Safety Mask, Laboratory, Face Mask	5 175,00
SAI Consulting	Jacket (Blazer), any size, any colour	102 000,00
Masana Clothing CC	Uniform any size any colour	18 476,40
Masana Clothing CC	Embroidery clothing outfit protective	113 011,12

#### Impact of the finding

This results in an internal control deficiency.

#### Internal control deficiency

##### *Financial and Performance Management*

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

#### This is due to

The DTI was not notified due to the fact that the SCM unit could not access the purchase orders because the orders are issued by the provisioning unit and physical contact was prohibited due to covid-19.

#### Recommendation

It is recommended that purchase orders and the relevant documents be scanned to soft copies to enable reporting to DTI even in times when physical contact is not allowed.

**Management response**

I am partly in agreement with the finding, as only two transactions were concluded through DPWI responsibility and have since been reported, namely:

Supplier	Description	Amount
Tagi Business Solutions	Personal Protective Equipment	14 798,56
Klevas Accessories	Mask, Safety Mask, Laboratory, Face Mask	5 175,00

The rest of the transactions were completed through National Treasury's Transversal Contract RT59 and 64, and the responsibility for reporting to DTI lies with National Treasury as they are the custodians of the contract.

For the following reasons [and supply the following/attached information in support of this]:

Name: Nobusi Mazwai

Position: Acting DD: SCM

Date: 19 July 2021

**Auditors response**

Management response noted. However, the awards were reported after a finding was raised. Therefore, the internal control deficiency remains valid.

### 32. Contract register not complete

#### Requirements:

- a) The Public Finance Management Act (PFMA) section 38(1)(a)(i) state that: *“The accounting officer for a department must ensure that the department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control...”*
- b) The Public Finance Management Act (PFMA) section 40(1)(a)(i) state 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...”*

#### Nature

During the audit of contract management, we noted that the contracts listed in the table below were not included in the contract register:

No	Tender/Contract number	Description	Supplier name	Amount	Contract start date	Contract end date
1	CPTSC04/19	Appointment of a service provider: conservative and restoration work to be done pm the antique items and heritage furniture at Groote Schuur House/Museum, Genadendal, Tuynhuys and other ministerial residences 2019-2020	DK Conservators Pty Ltd	893 037,11	19-Feb-20	19-Nov-20
2	HP17/005	Provision of Technical Support to Provincial Departments and Municipalities Implementing EPWP Projects in the Infrastructure Sector. Cluster	Naidu Consulting	22 671 048,55	17-May-18	17-May-21

		3:Northern Cape, North West and Limpopo Province				
3	PPP RTG718	Fleet services	Phakisawor Id	Based on service	14 November 2006	28 February 2021

### Cause

Management did not implement controls in place to ensure that all contracts which were active during the year are recorded in the contract register.

Management did not adequately review the contract register to ensure all contracts are included in the register.

### Impact

This resulted in an internal control deficiency as the contract register is not complete.

### Internal control deficiency

#### *Financial and performance management*

Management did not implement controls over daily and monthly processing and reconciling of transactions to ensure that the contract register is complete.

### Recommendation

It is recommended that:

Management should investigate the population to ensure all contracts are reported, update the contract register and provide the updated register for audit purposes.

Management should implement controls in place to ensure that all contracts which were active during the year are recorded in the contract register.

### Management response

I am not in agreement with the finding for CPTSC04/19 for the following reasons:

The project was listed on the contract register 2019/20 for Quarter 4 as Procurement Plan 87. The challenge might be the different in project description as it was not captured in full but the fact of the matter is the project does appear in the contract register of 2019/20. See the attached Q4 Tender Register.

I am not in agreement with the finding for HP17/005 for the following reasons:

The project in question was declared in the 2017/2018 Procurement Plan because it was an overlap to 2018/2019 but was initiated in 2017/2018 hence declared in the Procurement Plan of that financial year. There are two version of the Procurement Plan 2017/2018 due to the review of the Procurement Plan in the middle of the year. The attached has the detail of the award as Procurement Plan number 508. See the attached Contract register.

I am not in agreement with the finding for PPP RTG 718 for the following reasons:

The PPP RTG 718 contract is a transversal contract managed by the National Department of Transport and the National Treasury. As the contract was not awarded by the Department it will not appear in the DPWI contract register but in the National Department of Transport contract register.

Name: Xolani Makhonco

Position: Acting Director

Date: 17 June 2021

**Auditor's conclusion**

Management response noted. The finding is therefore resolved.

However, management should ensure that contract registers for all contract awarded in the current and previous years and still active are submitted for audit.

### 33. Deviation register not complete – Shereno Printers CC not included in the deviation register

#### Requirements:

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

The Public Finance Management Act (PFMA) section 40(1)(a)(i) state 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...”*

*The National Treasury SCM Instruction Note 2 of 2016-2017 paragraph 4.1.2.2 states that: “The accounting officer must report on all acquisitions concluded through the deviation procurement method.”*

#### Nature

With the supply chain management (SCM) business process walkthrough it is noted that Shereno Printers CC were appointed through a deviation approval dated 25 August 2020 about EPWP phase 4 monitoring evaluation framework design/layout/editing/proofreading, however, the quotation was not included in the Deviation Register (8 December 2020) as per request for information no. 5 dated 7 December 2020.

The deviation was also traced to the National Treasury’s website for deviations concluded for the second quarter (1 July to 30 September 2020) of the 2020/21 financial year and the deviation was not included in the report issued by National Treasury.

#### Cause

Management erroneously omitted the quotation when compiling the deviation register.

Management did not adequately review the deviation register to ensure all procurements concluded through deviations are included in the register.

#### Impact

This resulted in an internal control deficiency as the deviation register is not complete.

The deviation was not reported to National Treasury as it was not included in the deviation register used for reporting purposes, resulted in non-compliance with National Treasury SCM Instruction Note 2 of 2016-2017.

#### Internal control deficiency

*Financial and performance management*

Management did not implement controls over daily and monthly processing and reconciling of transactions to ensure that the deviation register is complete.

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

### **Recommendation**

It is recommended that:

All procurement files approved by the Chief Director must be returned to the Director: Acquisition Goods and Service for recording purposes on the deviation register in preventing the re-occurrence of this issue.

Management should investigate the population to ensure all deviations are reported, update the deviation register and provide the updated register for audit purposes.

### **Management response**

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

Name: Xolani Makhonco

Position: Acting Director: SCM Goods and services

Date: 01<sup>st</sup> April 2021

### **Auditor's conclusion**

Management responses have been noted, I have inspected the Consolidated Quotation Report April 2020 to March 2021 submitted as part of the response and noted that Shereno Printers CC was included in the register as a deviation. Therefore, the finding has been resolved.

However, the finding relating to the deviation not reported to National Treasury remains valid for the following reasons:

- As per *The National Treasury SCM Instruction Note 2 of 2016-2017 paragraph 4.1.2.2 states that: "The accounting officer must report on all acquisitions concluded through the deviation procurement method."* Management is therefore required to report to National Treasury all procurement concluded through deviations irrespective of the quoted amount.
- National Treasury Practice Note No 06 of 2007/2008 only applies to deviations from competitive bidding process that are above R1 million. Therefore, the reporting of procurement concluded through deviation for quotations is not affected by Practice Note No 06 of 2007/2008.

### 34. Limitation of scope - RFI 50

#### 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 2020/21 for the Department of Public Works and Infrastructure (DPWI) 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	50.1	1. Supply Chain Management <ul style="list-style-type: none"> <li>• Related party disclosure form signed by SCM officials in soft copy</li> <li>• Annual code of conduct signed by SCM officials in soft copy</li> <li>• A list of DPWI contracts that were extended to the current financial year, include all the supporting documents (Internal memo – request, Relevant NBAC meeting minutes) and approvals (NBAC approval) in soft copy</li> <li>• A list of DPWI contracts that were renewed in the current financial year, include all the supporting documents (Internal memo – request, Relevant NBAC meeting minutes) and approvals (NBAC approval) in soft copy</li> </ul>	11/03/2021

#### 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 filling and record keeping to ensure that A lack of appropriate internal controls regarding proper filling 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]:

Name:

Position:

Date:

### **Auditors Conclusion**

Management responses not submitted in line with timelines agreed in the signed engagement letter. However, management subsequently submitted the information except for the following:

1. A list of DPWI contracts that were extended to the current financial year, include all the supporting documents (Internal memo – request, Relevant NBAC meeting minutes) and approvals (NBAC approval) in soft copy.
2. A list of DPWI contracts that were renewed in the current financial year, include all the supporting documents (Internal memo – request, Relevant NBAC meeting minutes) and approvals (NBAC approval) in soft copy.

Therefore, the finding remains valid and will be evaluated and reported accordingly.

### 35. Limitation of scope on RFI 71

#### 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.'*

*The Engagement letter paragraph 68 states that "Requests for information will be submitted via email to the relevant person responsible, as assigned by the Accounting Officer for distribution and a carbon-copy (CC) will be forwarded to the CFO and the Accounting Officer (management):*

- *Management has **3 working days** to submit the information requested from the date the request was made.*
- *Failure to submit the information requested within the agreed timeframe will result in an audit finding and if material, individually or in aggregate, will impact the audit opinion."*

#### Nature

During the planning for the 2020/21 for the Department of Public Works and Infrastructure (DPWI) audit, the following requested information was not submitted to the auditors within the required timeframe and is to date still outstanding

RFI no.	RFI issue date	RFI due date	Information outstanding
71	09-Apr-21	17-Apr-21	All information is still outstanding for the items listed in the attached Annexure A

#### 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 agreement with the finding. However, the information was subsequently submitted.

Name:

Position:

Date:

### **Auditors conclusions**

Management subsequently submitted the information and the finding is closed. However, the significant delay in gathering and submitting the information to auditors is resulted in control deficiency. This is due to break down in internal communication as to who is responsible for submitting the requested information.

## 36. Limitation of scope on RFI 76

### 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.'*

*The Engagement letter paragraph 68 states that "Requests for information will be submitted via email to the relevant person responsible, as assigned by the Accounting Officer for distribution and a carbon-copy (CC) will be forwarded to the CFO and the Accounting Officer (management):*

- *Management has **3 working days** to submit the information requested from the date the request was made.*
- *Failure to submit the information requested within the agreed timeframe will result in an audit finding and if material, individually or in aggregate, will impact the audit opinion."*

### Nature

During the planning for the 2020/21 for the Department of Public Works and Infrastructure (DPWI) audit, the following requested information was not submitted to the auditors within the required timeframe and is to date still outstanding:

RFI no.	RFI issue date	RFI due date	Information outstanding
76	10-May-21	12-May-21	All information is still outstanding for the items listed in the attached Annexure A

### 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 agreement with the finding. However, the information was subsequently submitted.

Name:

Position:

Date:

#### **Auditors conclusions**

Management subsequently submitted the information and the finding is closed. However, the significant delay in gathering and submitting the information to auditors is resulted in control deficiency. This is due to break down in internal communication as to who is responsible for submitting the requested information.

### 37. Limitation of scope on RFI 105

#### 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.'*

*The Engagement letter paragraph 68 states that "Requests for information will be submitted via email to the relevant person responsible, as assigned by the Accounting Officer for distribution and a carbon-copy (CC) will be forwarded to the CFO and the Accounting Officer (management):*

- *Management has **3 working days** to submit the information requested from the date the request was made.*
- *Failure to submit the information requested within the agreed timeframe will result in an audit finding and if material, individually or in aggregate, will impact the audit opinion."*

#### Nature

During the planning for the 2020/21 for the Department of Public Works and Infrastructure (DPWI) audit, the following requested information was not submitted to the auditors within the required timeframe and is to date still outstanding.

RFI no.	RFI issue date	RFI due date	Information outstanding
105	13-May-21	17-May-21	<p>The following information is still outstanding:</p> <ul style="list-style-type: none"> <li>- Bidding documents submitted by the bidders including SBD forms, tax clearance certificates, BEE certificates for the following bidders: <ul style="list-style-type: none"> <li>• Lathi Holdings</li> <li>• Growth Point Engineering Corporation</li> </ul> </li> <li>- Declaration of interest by officials involved in the procurement of the awards</li> <li>- Approval by relevant bid adjudication committees</li> <li>- Minutes of meetings of bid committees</li> <li>- Evaluation score cards and reports</li> </ul>

#### 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 filling 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. However, the information was subsequently submitted.

Name:

Position:

Date:

### **Auditors conclusion**

Management response noted. The finding is therefore resolved.

### 38. Limitation of scope on RFI 143

#### 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.'*

*The Engagement letter paragraph 68 states that "Requests for information will be submitted via email to the relevant person responsible, as assigned by the Accounting Officer for distribution and a carbon-copy (CC) will be forwarded to the CFO and the Accounting Officer (management):*

- *Management has **3 working days** to submit the information requested from the date the request was made.*
- *Failure to submit the information requested within the agreed timeframe will result in an audit finding and if material, individually or in aggregate, will impact the audit opinion."*

#### Nature

During the audit of the Department of Public Works and Infrastructure (DPWI) audit, the following requested information was not submitted to the auditors within the required timeframe and is to date still outstanding:

RFI no.	RFI issue date	RFI due date	Information outstanding
143	15-Jul-21	21-Jul-21	<p>Please provide the following documentation relating to compliance with Regulation 12(2) of the B-BBEE Regulations:</p> <ul style="list-style-type: none"> <li>- 2019-20 Form: B-BBEE 1;</li> <li>- The approved 2019-20 audited annual financial statements; and</li> <li>- The approved 2019-20 annual report.</li> <li>- Proof of submission of the above to B-BBEE Commission</li> </ul>

#### 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. However, the information was subsequently submitted.

Name:

Position:

Date:

**Auditor's conclusions**

Management's response not submitted in line with timelines agreed in the signed engagement letter. In the absence of management's response, the audit finding is considered valid and will be evaluated and reported accordingly.

## FINDINGS RELATING TO THE INFORMATION SYSTEMS AUDIT

### 39. Information Technology Governance

#### a. Vacant positions within information and communication (ICT) division

Management should establish Information and ICT organisational structure that reflects business needs. In addition, put a process in place for periodically reviewing the ICT organisational structure to adjust staffing requirements and sourcing strategies to meet expected business objectives and changing circumstances.

#### Audit finding

As previously reported, it was noted that there was an established and approved ICT department organisational structure in 2016. However, the following listed positions were still vacant:

- Chief Information Officer (CIO);
- Deputy Project Manager (ICT)

This issue was reported in the 2019-2020 financial years.

#### Risk

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

#### Internal control deficiency

**Leadership:** Lack of implementation of appropriate key controls:

The finalisation of the structure review was pending approval of budget.

#### Recommendation

The acting Chief Information Officer (CIO) with support from the Chief Financial Officer (CFO) should prioritise filling all ICT critical positions.

#### Management response

**Management comment on audit findings:**

Management agrees with finding.

The post of the Chief Information Officer was advertised and the process of filling the position is underway. The post for Deputy Director Project Manager was advertised and shortlisting and interviews completed, the process of appointing the recommended candidate is underway.

Root cause: The finalisation of the structure review was pending approval of budget.

**Management comment on internal control deficiencies:**

To minimise the impact on service delivery, two permanently employed officials acted on the posts of the Chief Information Officer and Deputy Director Project Manager.

Management is satisfied that the intervention as indicated above provided the necessary and required level of leadership.

**Management comment on recommendations:**

Management agrees

**Remedial actions:**

**What actions will be taken:**

Fill the posts of CIO and DD Projects

**By whom:**

Fill the posts of CIO and DD Projects

**By when:**

August 2021

**Auditor's conclusion**

Management comments are noted and acknowledged. The action plans will be followed up during the 2021/22 audit and the outcome of the assessment will be communicated at completion of the audit.

## b. Project overruns and unachieved project timeliness

### Background

As previously reported in the 2019-2020 audit period, the DPWI had embarked in the process of implementing its Enterprise Resource Planning (ERP) system “Archibus” which is developed to manage the operational aspects of asset management and to provide a platform on which financial transactions take place. The project started in August 2015 with a planned duration of completion of 10 months, starting in 01 August 2015 to 30 May 2016.

An approved business case relating to the extension of the initial project for the implementation of ERP system was provided, and through review of the document it was noted that the ERP system implementation date was extended from 2016-2019. The project governance and management issues are discussed in the ICT Exco subcommittee meeting on a monthly basis.

### Audit Finding

During the 2020/2021 audit period it was established that the ERP system implementation project was not yet completed and that not all modules of the ERP were deployed for usage, as a result the below status indicated that currently, three (3) out of eight (8) planned modules of the Archibus ERP solution are operational and the other remaining modules are at different levels of completion. The following is an indication of the modules, which are live or not live as indicated by management in June 2021:

Archibus Module	Live/ Not live
1. Lease in module	Live
2. Lease out module	Not live
3. Immovable Assets module	Live
4. Unscheduled Maintenance	Live
5. Movable Assets Module	Not live
6. Condition assessment	Not live
7. Preventative Maintenance Module	Not live
8. Infrastructure budgeting and Construction & Project management	Not live

Through further analysis it was noted that the following amounts have been spend throughout the project life cycle from 2015 to 2020:

Details expense	Actual Amount Paid
ALCM Holdings (2019/2020)	R327 382,33
LDM appointed in 2015 until 2017.	R16, 500,027.78
ALCM appointed in 2017 until 2019.	R 19,702,980.46
Total by end of 2020/2021 financial period.	R 36 203 000

A total cost on **R 36 203 000** spend on the project from initiation date with an additional **R40 000 000** estimated for 2021-2023 have been invested in the project.

### Risk

Lack of adequate management of the Archibus ERP project resulted in the department paying for more than what was budgeted for as indicated in the approved Project Plan. Project delays, budget overruns and scope creep will lead to fruitless and wasteful expenditure which might be disclosure in the financial statement.

### Internal control deficiency

#### Leadership: Information technology governance framework

The original service level agreement (SLA) between ALCM Solutions (PTY) LTD and the department had expired under the period of review, the department was in the process of contracting a new service provider.

### Recommendation

- The acting Chief Information Officer (CIO) with support from the Chief Financial Officer (CFO) should prioritise procurement of a suitable new service provider.
- Management should consider monitoring of the project costs centrally in order to track spending overall and ensure that overruns are mitigated.
- Management should continue to monitor all the critical success factors and risks identified ensuring that resolutions are prioritised. This will ensure the project is managed successful and that deliverables are achieved within planned timeliness and budget.

### Management response

#### Management comment on audit findings:

Management partially agrees with the finding.

Root cause: <ul style="list-style-type: none"> <li>- Lack of executive ownership by some branch heads</li> <li>- Unavailability of approved business processes</li> <li>- Data quality</li> <li>- Over customisation by business and lack of agility</li> </ul>		
<b>Management comment on internal control deficiencies:</b> ICT EXCO subcommittee and IT OPS Committee oversees the implementation of the project. Business case review Finalising the TOR for appointment of a new service provider		
<b>Management comment on recommendations:</b> <b>Management is prioritising the procurement of a suitable new service provider</b>		
<b>Remedial actions:</b>		
<b>What actions will be taken:</b>	<b>By whom:</b>	<b>By when:</b>
Appointment a new service provider	ACIO	Q3 2021/22

#### Auditor's conclusions

Management comments are noted and acknowledged. The action plans will be followed up during the 2021/22 audit and the outcome of the assessment will be communicated at completion of the audit.

**c. Information Communication Technology projects for 2019/20 were not achieved**

**Audit finding**

During the audit, it was established that Department of Public Works Infrastructure (DPWI) had developed and approved the 2020/21 Annual Performance Plan (APP), which detailed the “key performance indicators (KPIs)” to be implemented. However, the following ICT projects were not achieved at the end of the 2020/21 financial year.

Project Description	Status	Target achieved (Yes/No)	Challenges
1. Appointment of a service provider to supply and implement an ICT data backup and recovery solution with maintenance and support (R29m).	<ul style="list-style-type: none"> <li>Service provider is appointed.</li> <li>Kick-off meeting was held on 26<sup>th</sup> Feb 2021.</li> <li>Information gathering.</li> </ul>	Yes, Service provider was appointed. Currently busy with project configuration and implementation.	Printing of purchase order.
2. Appointment of a service provider to supply and implement an enterprise ICT security solution with maintenance and support services (R29m).	<ul style="list-style-type: none"> <li>TOR and Procurement Strategy documents were submitted to the NBAC.</li> </ul>	No	Procurement process delays.
3. Renewal of the Microsoft Enterprise Agreement (R42m).	<ul style="list-style-type: none"> <li>Submission was made to NBAC.</li> <li>NBAC responded requesting further clarity.</li> <li>BSC to meet and endorse a memo to NBAC.</li> </ul>	Yes	No new EA signed between DPWI and Microsoft.
4. Procurement of SAS licensing, maintenance and support services (R9.5m)	<ul style="list-style-type: none"> <li>Procurement Strategy is approved.</li> <li>Advert will be out on the 19th March 2021.</li> </ul>	No	Procurement process delays.
5. Procurement of ESRI GIS licensing, maintenance and support services (R8m).	<ul style="list-style-type: none"> <li>BSC &amp; SCM requested an approval for deviation, as this tender is taking</li> </ul>	No	Deviation for Negotiated strategy.

	"Negotiated" route.		
6. Appointment of a service provider to supply resources for WCS & PMIS support services (R8m).	<ul style="list-style-type: none"> <li>Advert went out on the 5th March 2021.</li> <li>Briefing session is scheduled to be on 15th March 2021.</li> <li>Closing on the 31st March 2021.</li> </ul>	No	Procurement process delays.
7. Appointment of a service provider supply and upgrade server infrastructure with maintenance and support services (R7m).	<ul style="list-style-type: none"> <li>Tender has been evaluated.</li> </ul>	No	Procurement process delays.
8. Appointment of a service provider to supply and install Video Conferencing equipment, access points and security features with maintenance and support services (R24m).	<ul style="list-style-type: none"> <li>Procurement Strategy &amp; ToR submitted to the NBAC.</li> </ul>	No	Procurement process delays.
9. Appointment of service provider for all network equipment license renewal with maintenance and support.	<ul style="list-style-type: none"> <li>Procurement Strategy &amp; ToR submitted to the NBAC.</li> </ul>	No	Procurement process delays.
10. Appointment of a service provider to enter into a service level agreement (SLA) with the department for ARCHIBUS ERP system licensing, support and maintenance services (R35m).	<ul style="list-style-type: none"> <li>Cancellation documents have been submitted to the NBAC/National Treasury.</li> </ul>	No	Submitting to National Treasury for 2nd cancellation.
11. Appointment of a service provider for SAGE ERP system development, licensing, maintenance and support services.	<ul style="list-style-type: none"> <li>Tender advert issued via SITA 1183 but not of the proposals met the minimum functionality score.</li> <li>Open tender issued and cancelled due to material irregularity. NT approved the cancellation. Minister requested process to be halted pending the</li> </ul>	No	Procurement process delays.



	<p>review of the ERP rollout strategy.</p> <p>ERP rollout strategy review completed.</p> <p>Business case draft completed</p>		
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Failure to achieve set ICT goals may hinder the progress in implementation of the APP and ICT may fall short in aligning to the organisational strategy.

### Internal control deficiency

#### **Leadership:** Information technology governance framework

ICT did not meet set targets due to the following:

- Procurement Plan was approved in June 2020.
- Due to Covid-19 and lack of working tools at home:
  - SCM personnel work on rotational basis, which means they were not available all the time to assist on:
    - Approval of forms,
    - To be part of BSC and BEC meetings
    - Provisioning personnel for printing of purchase order.
  - Legal Services delay issuing of appointment letter for the backup project.
  - Delay in getting budget confirmation for projects from Finance.
- NBAC sits once week, if a submission has not been attended to, it would wait for the following week.

### Recommendation

The Acting Chief Information Officer should ensure that:

- All KPIs are developed with an understanding of dependencies on other parties to ensure set target are realistic in order to be achieved
- He continues to monitor implementation of all KPIs on a monthly basis and reasons or root causes for failure to implement should be clearly documented

### Management response

#### **Management comment on audit findings:**

Management does not agree with the finding.

The Chief Directorate ICT plans ahead on projects but in order to complete the procurement process, the following needs to happen:

- Finance must allocate budget to ICT. A Budget shortfall prompts ICT to go back and make adjustments.
- Procurement Plan is formulated and submitted to SCM for approval. Projects are allocated project numbers only by SCM.
- Chief Director SCM must approve PA25.1 and PA25.2 for formation of Bid Specification Committee (BSC) and Bid Evaluation Committee (BEC).
- Available SCM Practitioner would be allocated to a specific project. No committee would proceed without its formation approved and SCM Practitioner allocated.
- Once the BSC has completed its work, a budget would have to be reconfirmed by Finance for a specific project before the Project Manager formally submits all documents to the SCM practitioner.
- Only the SCM Practitioner is allowed to submit the Procurement Strategy PA01 and Terms of Reference (ToR) to the National Bid Adjudication Committee (NBAC) for approval.
- There is always a possibility that the NBAC would return the submission back to the BSC for clarity. The BSC will have to hold a meeting to have the clarity documented and resubmitted to the SCM Practitioner for the NBAC. The NBAC normally does not approve the submission at the first instance.

Root Cause:

- Procurement Plan was approved in June 2020.
- Due to Covid-19 and lack of working tools at home:
  - SCM personnel work on rotational basis, which means they were not available all the time to assist on:
    - Approval of forms,
    - To be part of BSC and BEC meetings
    - Provisioning personnel for printing of purchase order.
  - Legal Services delay issuing of appointment letter for the backup project.
  - Delay in getting budget confirmation for projects from Finance.
- NBAC sits once week, if a submission has not been attended to, it would wait for the following week.

**Management comment on internal control deficiencies:** Management noted the ICD

**Management comment on recommendations:** Management notes the recommendation

**Remedial actions:**

What actions will be taken:	By whom:	By when:

### Auditor's conclusions

Management comments are noted; however, since this was a repeat finding, ICT should have approached the DPWI affected departments by the finding. Therefore, the finding will remain.

## 40. User Access Management

### a. Active directory (AD) administrator activities not monitored

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

#### Audit finding

Although the process was defined in the Information and Communication Technology (ICT) Business Systems User Access Policies and Procedures on page 12, section 8.7, it was noted that administrator activities on the active directory (AD) were not adequately performed as the review reports did not detail administrator activities performed such as user creation, user ID maintenance, allocation of functions and deletion of user accounts.

#### Risk

Lack of regular reviews of AD system administrator activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying information and unauthorised attempts to access the system may not be timely detected and resolved.

#### Internal control deficiency

**Financial and Performance management:** Information technology systems

The review of administrator activities on AD was not performed due to resource constraints within the ICT function.

#### Recommendation

Management should ensure that regular review and monitoring of system-generated audit trails, which detail activities of privileged user's / system controller on AD, should be conducted and evidence of review should be retained for audit purposes.

#### Management response

<b>Management comment on audit findings:</b> Management agrees with the finding. Activity reviews were not performed and monitored.
<b>Management comment on internal control deficiencies:</b>
<b>Management comment on recommendations:</b>
<b>Remedial actions:</b>

What actions will be taken:	By whom:	By when:
Management will performed and monitored admin activities.		

**Auditor's conclusions**

Management comments are noted and acknowledged. The action plans will be followed up during the 2021/22 audit and the outcome of the assessment will be communicated at completion of the audit.

## **b. Inadequately implementation of user access management controls around EPWP**

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

### **Audit finding**

The following deficiencies were noted with regards to the administration of user access controls on the EPWP system:

- Although an email was sent to remind supervisors to confirm the access rights of users, there was no evidence from the supervisors to confirm that the users' access rights were still in alignment with their job responsibilities.
- There was no evidence of system controller reviews in place.
- System was configured to log failed logon attempts however there was no evidence indicating that the logs were analysed and reviewed on an interval basis and malicious trends or activities such as brute force attack are followed up
- Due to lack of system generated list indicating when user access was modified on the EPWP application system, testing could not be performed to determine if controls in place had been adequately implemented.

### **Risk**

Failure to perform user access reviews might result in employees being granted excessive rights that would allow them to perform inappropriate activities on the applications such as fraud.

Inadequate reviews of system controller activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying information and unauthorised attempts to access the system may not be timely detected and resolved.

Without monitoring of access and logon violations, it may be difficult to assess the effectiveness of the security controls. Attempts to breach security may remain undetected, enabling knowledge of security loopholes to be exploited for malicious purposes.

Failure to ensure that adequate audit logs are designed and implemented for user account access amendments on the system could result in unauthorized access modification going undetected. This might lead to unauthorized access to systems which could potentially compromise data integrity.

### **Internal control deficiency**

#### **Financial and performance management: Formal controls over IT Systems**

- Management did not in all instances implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support Information Systems Audit reporting
- Failure by management in ensuring that application systems in use is configured to log user account access amendments on the system.

### **Recommendation**

Management should:

- Management should impose consequence on supervisors who do not comply on review of user profiles.
- Communicate their minimum security requirements on new version to record user's access rights and actioned performed by the system controller, furthermore reviews should have performed and signed off as evidence of review.
- Consider updating the systems to include information on changes to user access rights. Alternatively, administrator logs should be made available.

### Management response

<b>Management comment on audit findings:</b> Management does not agree with the findings due to the following reasons <ul style="list-style-type: none"> <li>• As per ICT Business Systems User Access Management policy line managers must download the reports from the business systems and perform the user access review and submit such to ICT. ICT can only provide evidence of review if received from line managers. ICT as per the policy sends out communication to line managers and evidence of communications as reminders to managers was submitted to AG as part of RFI 51.</li> <li>• System controller reviews were submitted as part of RFI 51 response.</li> <li>• Failed logon attempt review evidence was provided as part of RFI 51 response.</li> <li>• The EPWP Reporting system does not process user role changes and therefore have no user role change requests to submit. This information was submitted as part of RFI 51 response.</li> </ul>		
<b>Management comment on internal control deficiencies:</b> <ul style="list-style-type: none"> <li>• There is a systems user access management policy which ICT has followed by sending reminders on monthly basis to line function to review user rights and access. On monthly basis HR sends a list of employees who have resigned from the Department to ICT to remove from systems. ICT removes the users as per line function and HR lists.</li> <li>• The roles on the system will never change for a user, and all roles and permissions are set at the local project level. That means we do not have a simple role table where a users' access role can be changed. The role is assigned per project for a new project.</li> </ul>		
<b>Management comment on recommendations:</b>		
<b>Remedial actions:</b>		
<b>What actions will be taken:</b>	<b>By whom:</b>	<b>By when:</b>

### Auditor's conclusions

Management comments have been noted, however management should refer the finding to the relevant team as they should work hand in hand to achieve the effective control.

The evidence was not provided and this was confirmed during the communication of findings meeting. Management promised to forward the evidence ,however, it was not provided.

The logon reviews provided were not signed off to confirm that it was monitored.

**c. Inadequately implementation of user access management controls around Reapatala**

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

**Audit finding**

- Although an email was sent to remind supervisors to confirm the access rights of users, there was no evidence from the supervisors to confirm that the users' access rights were still in alignment with their job responsibilities.
- Evidence of the amendment form for access rights changes that were made on Magret Masemola was not provided.

**Risk**

- Failure to perform user access reviews might result in employees being granted excessive rights that would allow them to perform inappropriate activities on the applications such as fraud.
- If functions granted to a specific user are not recorded and authorised, this can result in users having access rights which are in excess of what is required to perform their job responsibilities. This increases the chances of fraud being committed or unauthorised amendments being made.

**Internal control deficiency**

**Financial and performance management: Formal controls over IT Systems**

- Lack of consequence management for not resolving prior audit findings by the users' supervisors.
- Management did not in all instances implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support Information Systems Audit reporting.

**Recommendation**

Management should:

- Management should impose consequence on supervisors who do not comply on review of user profiles.
- Management should ensure that the records for all the authorised activities on user profiles are kept properly.

**Management response**



**Management comment on audit findings:**

Management does not agree with the finding due to the following reasons

- As per ICT Business Systems User Access Management policy line managers must download the reports from the business systems and perform the user access review and submit such to ICT. ICT can only provide evidence of review if received from line managers. ICT as per the policy sends out communication to line managers and evidence of communications as reminders to managers was submitted to AG as part of RFI 51.
- The process of receiving requests for user profile change, effecting the change request on the system and confirmation of change is managed outside ICT, it is managed by finance.
  - The system has a full audit process to indicate which users information or profile was changed, by whom and when.
  - Additionally only Finance Head Office officials have access to the user profile change function on the system.
  - The function is assigned to only three officials in the Finance Head Office unit.
  - The function was developed by ICT for business to manage this function.

**Management comment on internal control deficiencies:**

- There is a systems user access management policy which ICT has followed by sending reminders on monthly basis to line function to review user rights and access. On monthly basis HR sends a list of employees who have resigned from the Department to ICT to remove from systems. ICT removes the users as per line function and HR lists.
- This process is managed by business, however to ensure that such requests are properly recorded in future, ICT has developed an automated process to mitigate this finding that will allow users to request role changes directly on the system which includes the approval process as well. UAT has already passed with regards to this enhancement.

**Management comment on recommendations:**

- There is a systems user access management policy which ICT has followed by sending reminders on monthly basis to line function to review user rights and access. As officials not performing the review are outside the ICT's chief directorate, ICT management is not able to perform the recommendation put forward by the AG.
- This process is managed by business, however to ensure that such requests are properly recorded, ICT has developed an automated process to mitigate this finding that will allow users to request role changes directly on the system which includes the approval process as well. UAT has already passed. Go live is planned for 15 June 2021.

**Remedial actions:**

What actions will be taken:	By whom:	By when:

**Auditor's conclusions**

Management comments have been noted, however management should refer the finding to the relevant team as they should work hand in hand to achieve the effective control.

**d. Inadequately implementation of user access management controls around PERSAL**

**Audit finding**

During the review, it was noted that the PERSAL system was configured to log failed logon attempts, however there was no evidence indicating that the logs were analysed and reviewed on an interval basis and malicious trends or activities such as brute force attack are followed up.

**Risk**

Without monitoring of access and logon violations, it may be difficult to assess the effectiveness of the security controls. Attempts to breach security may remain undetected, enabling knowledge of security loopholes to be exploited for malicious purposes.

**Internal control deficiency**

**Financial and performance management: Control over IT Systems**

Management should ensure that the logon violations reports are monitored on a regular basis, furthermore, the trends on logon violations should be followed and the reports should be signed off for review.

**Recommendation**

Management should:

- Regular review and monitoring of the automated audit trails which details activities of privileged users / administrators should be duly conducted and signed off by management as evidence of review.
- Proper and accurate record keeping is done regularly

**Management response**

<b>Management comment on the audit finding:</b>		
As agreed this with AG this finding will be dealt with by the relevant system controller.		
<b>Management comment on internal control deficiencies:</b>		
<b>Management comment on recommendation:</b>		
<b>Remedial action:</b>		
<b>What actions will be taken:</b>	<b>By whom:</b>	<b>By when:</b>

**Auditor's conclusion**

Management comment from PERSAL was not provided.

#### e. **Inadequate implementation of user access management controls around GIS system**

Deficiencies relating to the administration of user access controls on the GIS system were raised since 2018-19 and although some aspects of user access management were remediated i.e documented and approved policy/procedures, user creation, amendments of user access, duplicate user ID's:

#### **Audit finding**

The following deficiencies were noted with regards to the administration of user access controls on the GIS system:

- The ICT Business Systems User Access Policies and Procedures refers to the process of access modification on page 8, paragraph 8.2 that “All changes/updates of user information/profile must be approved by line manager or director of the unit on the request form or by writing a letter/email “ however testing of change of existing access/access modification on GIS could not be assessed as, the system generated list of all user access modifications performed during the period under review could not be obtained due to system limitation.
- The ICT Business Systems User Access Policies and Procedures refers to the process of password reset on page 8, paragraph 8.2, testing of password resets on GIS could not be assessed as the system generated list of all password resets performed during the period under review could not be obtained due to system limitation.
- Cognizance was taken of the fact that ICT Application Management reminds all the managers and supervisors to review active user profile reports to confirm if users have the correct profiles aligned to their roles, however evidence of the review performed by the managers and supervisors was not provided for audit purpose, thus assurance could not be provided on whether review were performed by the managers and supervisors.
- The ICT Business Systems User Access Policies and Procedures refers to the process of review of system administrator/controller activities on Page 12, Par 8.7 that “access management will institute a review of system administrator/controller activities at least twice a year, for any seriously suspicious behaviour or critical events must be assessed and acted on’ However reviews were not performed to monitor activities (such as user creation, user ID maintenance, allocation of functions and deletion of user accounts.) that were performed by the system controller on the system.
- The ICT Business Systems User Access Policies and Procedures refers to the process of review of system administrator/controller activities on Page 13, par 9 that “The best practice for access management will institute a review of system access violation at least four times a year, for any suspicious behaviour or critical events must be assessed and acted on.” However reviews were not performed to monitor access and logon violations on the system due to system limitation.
- ICT Business Systems User Access Policies and Procedures refers to the process of removing users on page 10, par 8.4 that “As soon as an employee leaves the department, all his/her system logons must be revoked/terminated. “However there

were 6 GIS users who had their employment terminated by HR were still active on the system. This finding was raised in the 2019/20 audit period and one (1) user was identified, in the current year six (6) users were identified to be active on the system. The details of the accounts are listed in the table below:

N o	USERNAME	FIRST_N AME	LAST_N AME	ACCOUNT_S TATUS	RESIGNATION _DATE
1	NTOKOZO.NDLO VU	Ntokozo	Ndlovu	Active	20200430
2	MATSHIDISO.M OKOENA	Matshidis o	Mokoena	Active	20201130
3	TEBOHO.HAMO TSEO	Teboho	Hamotse o	Active	20201109
4	YANELISA.MEVA	Yanelisa	Meva	Active	20191231
5	RIRHANDZU.BAL OYI	RIRHAN DZU	BALOYI	Active	20191231
6	NOXOLO.NGEM A	Noxolo	Ngema	Active	20200430

## Risk

- If functions granted to a specific user are not recorded on the system and authorised, this can result in users having access rights which are in excess of what is required to perform their job responsibilities. This increases the chances of fraud being committed or unauthorised amendments being made.
- Inadequate controls around the resetting of user passwords might result in unauthorised users being granted access to the system.
- Failure to ensure that user access rights are regularly reviewed may lead to the inability to detect users that have inappropriate access rights, which may lead to the performance of functions that are not commensurate with those user's job functions, which may lead to unauthorised transactions compromising the integrity and availability of financial information.
- Lack of regular reviews of system controller activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying information and unauthorised attempts to access the system may not be timely detected and resolved.
- Without the monitoring of access and logon violations, it may be difficult to assess the effectiveness of the security controls. Attempts to breach security may remain undetected, enabling knowledge of security loopholes to be exploited for malicious purposes.

## Internal control deficiency

**Financial and performance management: Design and implement formal controls over IT systems:**



- System generated list of users who had their access modified, password reset, audit trail which details activities performed by system controller and failed logon violations could not be obtained due to system limitation
- The GIS system has not resolved the 2019/20 findings. The department is in the process of strengthening the controls and processes on the system to ensure that the weaknesses are eradicated.
- Users who had left the department were not timely communicated and removed on the system.
- Management did not comply with their own process of removing of terminated users prescribe on page 10, par 8.4 of the policy.

### Recommendation

- Management should expedite the process of strengthening the controls on the system, furthermore verifications should be performed on the system to ensure that the controls on the system allows for /is conducive to effectively record of all the activities performed on the system e.g. the implementation of audit logs/ audit trails such as the list of amendment of functions, list of password resets, failed logon attempts and activities performed by the system controller.
- IT management, in collaboration with HR, should ensure that terminated user's access is timeously revoked from application systems once those terminated users have left the employment of the organisation.

### Management response

#### Management comment on the audit finding

Management agrees with the findings. The service provider has already started with the implementation to align the user access management of the GIS solution with the departmental Security and Business System User Management policies.

#### Management comment on internal control deficiencies:

The currently available controls on the system are:

- **Business Systems User Access Management policy**
- **Registration of users which is approved by supervisors**
- **Username and passwords for access control**
- **Roles(capture, verifier and approver) for separation of duties**
- **The system is only accessible through the Government SITA network.**
- **The above controls are deemed sufficient to mitigate against unauthorised access.**

#### Management comment on recommendation:

Management agrees.

**Remedial action:**

Enhance GIS system to align to the Security and Business System User Management policies

**What actions will be taken?**

- Enhance GIS system to align to the Security and Business System User Management policies

**By whom?**

- Khathu Nekhumbe

**By when?**

- 31 December 2021

**Auditor's conclusion**

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

**f. Inadequate implementation of user access management controls around SAGE X3 system**

Deficiencies relating to the administration of user access controls on the SAGE X3 system were raised since 2018-19 and although some aspects of user access management were remediated i.e documented and approved policy/procedures, user creation, amendments of user access, duplicate user ID's:

**Audit finding**

The following deficiencies were noted with regards to the administration of user access controls on the SAGE system:

- Although the control for monitoring and reviewing users' access rights was implemented and performed, however evidence of reviews performed to monitor user's access rights of the following provinces indicated below, to validate whether user's current access rights and privileges on the system are still in line with their job responsibilities were not provided for audit purpose.
  - Head office = Account receivable
  - Head office = Budget
  - Bloemfontein
  - Durban
  - Johannesburg
  - Mmabatho
  - Nelspruit
  - Port Elizabeth
  - Pretoria
- Although the control for monitoring and reviewing of system controller's activities was implemented and performed, however the control was not adequately performed as the reports did not detail admin activities performed by the system administrator such as user creation, user ID maintenance, allocation of functions and deletion of user accounts.
- Although the control for monitoring and reviewing of access and logon violation was implemented and performed, however the control was not adequately performed as the reports did not detail record of logon and access violations.
- ICT Business Systems User Access Policies and Procedures refers to the process of removing users on page 10, par 8.4 that "As soon as an employee leaves the department, all his/her system logons must be revoked/terminated." However, there were 12 SAGE X3 users who had their employment terminated by HR were still active on the system. This finding was raised in the 2019/20 audit period and five (5) users were identified, in the current year twelve (12) users were identified to be active on the system. The details of the accounts are listed in the table below:

No	Surname	Name	Active	Resignation Date
1	PITSE	DAMARIS	2	20200531
2	Fourie	Nico	2	20200531



3	Shai	Dimakatso	2	20200610
4	Mogoale	Montjane Clive	2	20201031
5	Mokgofa	Othusitse	2	20200531
6	Mabizela	Nonhlanhla	2	20200531
7	Ndlovu	Ntombi	2	20200430
8	Ramohlale	Mmapeu Annah	2	20200930
9	Makinana	Yamkela	2	20200605
10	Maxanjana	Mtokozisi	2	20200609
11	Ndamase	Ntombi	2	20200610
12	Yeko	Cinga	2	20200615

## Risk

- Failure to ensure that user access rights are regularly reviewed may lead to the inability to detect users that have inappropriate access rights, which may lead to the performance of functions that are not commensurate with those user's job functions, which may lead to unauthorised transactions compromising the integrity and availability of financial information.
- Lack of reviews of system controller activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying information and unauthorised attempts to access the system may not be timely detected and resolved.
- Inadequate monitoring of access and logon violations, it may be difficult to assess the effectiveness of the security controls. Attempts to breach security may remain undetected, enabling knowledge of security loopholes to be exploited for malicious purposes.

## Internal control deficiency

### Financial and performance management: Design and implement formal controls over IT systems:

- Management did not in all instances implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support Information Systems Audit reporting.
- Management oversight in determining the adequacy and level of detail required in the documentation of the reports used to review system controller's activities and failed login violation
- Failure by management to ensure that reports used to review system controller's activities and failed login violation adequately detail activities performed by the system controller and failed logon violations on system.
- Users who had left the department were not timely communicated.

## Recommendation



- All information requested for audit purposes is submitted on time in line with the agreed turnaround times.
- Regular review and monitoring of system generated audit trails which detail activities of privileged user's / system controller on the system should be conducted and evidence of review should be retained for audit purposes.
- Regular review and monitoring of access and logon violation audit trails which detail logon violations performed on the system should be conducted and evidence of review should be retained for audit purposes.
- IT management, in collaboration with HR, should ensure that terminated user's access is timeously revoked from application systems once those terminated users have left the employment of the organisation.

## Management response

### Management comment on the audit finding

Management partially agrees with the findings.

Management does not agree with the below findings;

- As per ICT Business Systems User Access Management policy line managers must download the reports from the business systems and perform the user access review and submit such to ICT. ICT can only provide evidence of review if received from line managers. ICT as per the policy must send out communication to line managers and evidence of communications as reminders to managers was submitted to AG as part of RFI 51. [Please Annexure 1](#)
- The report provided to AG includes all details included on the finding such as user creation, user ID maintenance, allocation of functions and deletion of user accounts as part of RFI 51. [Please see Annexure 5](#)

Root cause;

- SAGE X3 users who had their employment terminated by HR were still active on the system however through ICT analysis the dependency on HR Exits report alone is inadequate. ICT has found that some of the users (3 out of 12) indicated as being no longer part of the department may were reinstated as consultants or their contracts extended hence they may not be part of Persal. Though we have found that 9/12 users' access should have been terminated on the system as well.

### Management comment on internal control deficiencies:

The currently available controls on the system are:

- **Business Systems User Access Management policy**
- **Registration of users which is approved by supervisors**
- **Username and passwords for access control from AD**
- **Roles(capture, verifier and approver) for separation of duties**

<ul style="list-style-type: none"> <li>○ The above controls are deemed sufficient to mitigate against unauthorised access.</li> </ul>		
<p><b>management comment on recommendation:</b></p> <ul style="list-style-type: none"> <li>• All information requested was provided on time. This statement must be removed.</li> <li>• Regular review and monitoring of system generated audit trails which detail activities of privileged user's / system controller on the system are conducted and evidence of review is available.</li> <li>• As part of the ICT Business Systems User Access Management policy, line managers must inform ICT when officials under their management exit the department in whatever format. Additionally ICT requests HR Exits list on monthly basis from HR use as reference in terminating users from systems. However ICT will add another process to be performed on quarterly basis whereby a reconciliation Exit report will be requested from HR to compare on all business systems where users that have exited are found can then be terminated on the systems. Also an improved communication and streamlined process between ICT directorates and HR to be developed.</li> </ul>		
<p><b>Remedial action:</b></p>		
<p><b>What actions will be taken?</b></p> <ul style="list-style-type: none"> <li>• Remove all users which have exited DPWI</li> <li>• Implement a process to be performed on quarterly basis where a reconciliation Exit report will be requested from HR to compare on all business systems where users that have exited are found can then be terminated on the systems. Also an improved communication and streamlined process between ICT directorates and HR to be developed.</li> </ul>	<p><b>By whom?</b></p> <ul style="list-style-type: none"> <li>• Mpho Mashia</li> </ul>	<p><b>By when?</b></p> <ul style="list-style-type: none"> <li>• 15 June 2021</li> <li>• 31 August 2021</li> </ul>

No	Surname	Name	Active	Resignation Date
1	PITSE	DAMARIS	2	20200531, Was Active as at 31 March 2021

2	Fourie	Nico	2	20200531, To be deactivated
3	Shai	Dimakatso	2	20200610, To be deactivated
4	Mogoale	Montjane Clive	2	20201031, Was Active as at 31 March 2021
5	Mokgofa	Othusitse	2	20200531, To be deactivated
6	Mabizela	Nonhlanhla	2	20200531, To be deactivated
7	Ndlovu	Ntombi	2	20200430, Was Active as at 31 March 2021
8	Ramohlale	Mmapeu Annah	2	20200930, To be deactivated
9	Makinana	Yamkela	2	20200605, To be deactivated
10	Maxanjana	Mtokozisi	2	20200609, To be deactivated
11	Ndamase	Ntombi	2	20200610, To be deactivated
12	Yeko	Cinga	2	20200615, To be deactivated

### Auditor's conclusion

- We wish to confirm that evidence of communication sent out to line managers as reminders to perform review of access rights does not provide assurance that the reviews were performed by the managers and supervisors, thus the finding remains.
- We wish to confirm that system generated report indicating that there were no requests by users to change role/profile for the system was not provided for audit purpose, thus the finding remain.
- We wish to confirm that evidence of appointment letters for reinstated consultants was requested, however evidence was not provided for audit purpose, thus the exception remains

### g. Inadequate implementation of user access management controls around PMIS system

Deficiencies relating to the administration of user access controls on the SAGE X3 system were raised since 2018-19 and although some aspects of user access management were remediated i.e documented and approved policy/procedures, user creation, amendments of user access, duplicate user ID's:

#### Audit finding

The following deficiencies were noted with regards to the administration of user access controls on the PMIS system:

- List of users who requested password resets during the period under review was not provided due to system limitation, consequently we were unable to assess whether the controls around password resets was adequately implemented.
- Cognizance was taken of the fact that ICT Application Management reminds all the managers and supervisors to review active user profile reports to confirm if users have the correct profiles aligned to their roles, however evidence of the review performed by the managers and supervisors was not provided for audit purpose, thus assurance could not be provided on whether review were performed by the managers and supervisors.
- The ICT Business Systems User Access Policies and Procedures refers to the process of review of system administrator/controller activities on Page 13, par 9 that "The best practice for access management will institute a review of system access violation at least four times a year, for any suspicious behaviour or critical events must be assessed and acted on." However, reviews were not performed to monitor access and logon violations on the system due to system limitation.
- Although management committed to perform regular review of system administrator activities which was implemented, however the control was not adequately performed as the reports did not detail admin activities performed by the system administrator such as user creation, user ID maintenance, allocation of functions and deletion of user accounts.
- ICT Business Systems User Access Policies and Procedures refers to the process of removing users on page 10, par 8.4 that "As soon as an employee leaves the department, all his/her system logons must be revoked/terminated, however the following users who had their employment terminated by HR were still active on the system. The details of the accounts are listed in the table below:

No	User name	Status	Resignation date
1	NONTOBEKO MKHIZE	Active	20200531
2	MMAPEU ANNAH RAMOHLALE	Active	20200930
3	BONGI IRENE DLAMINI	Active	20200510
4	RACHEL BALOYI	Active	20191231

#### Risk



- Inadequate controls around the resetting of user passwords might result in unauthorised users being granted access to the system.
- Failure to ensure that user access rights are regularly reviewed may lead to the inability to detect users that have inappropriate access rights, which may lead to the performance of functions that are not commensurate with those user's job functions, which may lead to unauthorised transactions compromising the integrity and availability of financial information.
- Without the monitoring of access and logon violations, it may be difficult to assess the effectiveness of the security controls. Attempts to breach security may remain undetected, enabling knowledge of security loopholes to be exploited for malicious purposes.
- Inadequate review of system controller activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying information and unauthorised attempts to access the system may not be timely detected and resolved.
- If accounts of users who have left the department are not terminated in a timely manner on the system; such accounts may be used by perpetrators to gain access to the system and process illegal/unauthorized activities.

### Internal control deficiency

#### Financial and performance management: Design and implement formal controls over IT systems:

- The system does not record password reset and access violations due to infrastructure related issues.
- Users who had left the department were not timely communicated and removed on the system.
- Management did not comply with their own process of removing of users as prescribe on page 10, par 8.4 of the policy.

### Recommendation

Management should ensure that:

- All information requested for audit purposes is submitted on time in line with the agreed turnaround times.
- Regular review and monitoring of system generated audit trails which detail activities of privileged user's / system controller on the system should be conducted and evidence of review should be retained for audit purposes.
- IT management, in collaboration with HR, should ensure that terminated user's access is timeously revoked from application systems once those terminated users have left the employment of the organisation

### Management response

<b>Management comment on the audit finding</b>
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<p>Management partially agrees with the findings.</p> <p>Management does not agree with the findings below based on the following reasons;</p> <ul style="list-style-type: none"> <li>• Password resets are managed by SITA as indicated in the response on the RFI 51. <a href="#">Please see Annexure 6.</a></li> <li>• As per ICT Business Systems User Access Management policy line managers must download the reports from the business systems and perform the user access review and submit such to ICT. ICT can only provide evidence of review if received from line managers. ICT as per the policy must send out communication to line managers and evidence of communications as reminders to managers was submitted to AG as part of RFI 51. <a href="#">Please Annexure 1</a></li> <li>• The process of monitoring access and logon violations is managed by SITA as indicated in the response on the RFI 51. <a href="#">Please see Annexure 6.</a></li> <li>• A report to show detailed Admin activities that also show where applicable information such as user creation, user ID maintenance, allocation of functions and deletion of user accounts was provided to the AG as part of RFI 51. <a href="#">Please see Annexure 7</a></li> </ul> <p>Root cause;</p> <ul style="list-style-type: none"> <li>• Users who had their employment terminated by HR were still active on the system.</li> </ul>		
<p><b>Management comment on internal control deficiencies:</b></p> <p>The currently available controls on the system are:</p> <ul style="list-style-type: none"> <li>○ Business Systems User Access Management policy</li> <li>○ Registration of users which is approved by supervisors</li> <li>○ Username and passwords for access control</li> <li>○ Roles(capture, verifier and approver) for separation of duties</li> <li>○ The system is only accessible through the Government SITA network.</li> <li>○ The above controls are deemed sufficient to mitigate against unauthorised access.</li> </ul>		
<p><b>Management comment on recommendation:</b></p> <ul style="list-style-type: none"> <li>•</li> </ul>		
<p><b>Remedial action:</b></p>		
<p><b>What actions will be taken?</b></p> <p>Implement a process to be performed on quarterly basis where</p>	<p><b>By whom?</b></p>	<p><b>By when?</b></p>

a reconciliation Exit report will be requested from HR to compare on all business systems where users that have exited are found can then be terminated on the systems. Also an improved communication and streamlined process between ICT directorates and HR to be developed.	Mpho Mashia	31 March 2022
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No	User name	Status	Resignation date
1	NONTOBEKO MKHIZE	Active	20200531, To be deactivated
2	MMAPEU ANNAH RAMOHLALE	Active	20200930, To be deactivated
3	BONGI IRENE DLAMINI	Active	20200510, To be deactivated
4	RACHEL BALOYI	Active	20191231, To be deactivated

### Auditor's conclusion

Managements comments are noted; however, we wish to confirm that:

- System generated list of password reset and evidence of review of access and logon violation was not provided, thus the finding remains
- evidence of communication sent out to line managers as reminders to perform review of access rights does not provide assurance that the reviews were performed by the managers and supervisors, thus the finding remains.
- Document/program which provides description of the system controllers activities on the reports was not provided, thus the finding remains
- Management response relating to terminate users was noted; however, the corrective actions agreed upon by management will be followed-up in the next audit cycle.



#### h. Inadequate implementation of user access management controls around ARCHIBUS system

Deficiencies relating to the administration of user access controls on the ARCHIBUS system were raised since 2018-19 and although some aspects of user access management were remediated i.e documented and approved policy/procedures, user creation, amendments of user access, password reset, duplicate user ID's:

#### Audit finding

The following deficiencies were noted with regards to the administration of user access controls on the ARCHIBUS system:

- Cognizance was taken of the fact that ICT Application Management reminds all the managers and supervisors to review active user profile reports to confirm if users have the correct profiles aligned to their roles, however evidence of the review performed by the managers and supervisors was not provided for audit purpose, thus assurance could not be provided on whether review were performed by the managers and supervisors.
- Although the control for monitoring and reviewing of system controller's activities was implemented and performed, however the control was not adequately performed as the reports did not detail admin activities performed by the system administrator such as user creation, user ID maintenance, allocation of functions and deletion of user accounts.
- There were users who had their employment terminated by HR were still active on the system. The details of the accounts are listed in the table below:

No	Name and Surname	Active	Resignation Date
1	DANIEL MAMAREGANE	YES	20201231
2	KOKETSO MANOK	YES	20201031
3	MAMMOKO MOFOKENG	YES	20200630
4	MATHILDA MALULEKA	YES	20200831
5	MDUDUZI ZWANE	YES	20201103
6	MONTJANE MOGOALE	YES	20201031
7	NONTOBEKO MKHIZE	YES	20200510
8	SILINDILE CELE	YES	20200822
9	SOLLY SOLOMONS	YES	20200930
10	TEBOHO HAMOTSEO	YES	20201109
11	THOLAKELE DLAMINI	YES	20200722
12	TINYIKO NKUNA	YES	20201130

#### Risk

- If functions granted to a specific user are not recorded on the system and authorised, this can result in users having access rights which are in excess of what is required to perform their job responsibilities. This increases the chances of fraud being committed or unauthorised amendments being made.

- Failure to ensure that user access rights are regularly reviewed may lead to the inability to detect users that have inappropriate access rights, which may lead to the performance of functions that are not commensurate with those user's job functions, which may lead to unauthorised transactions compromising the integrity and availability of financial information.
- Inadequate review of system controller activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying information and unauthorised attempts to access the system may not be timely detected and resolved.
- If accounts of users who have left the department are not terminated in a timely manner on the system; such accounts may be used by perpetrators to gain access to the system and process illegal/unauthorized activities.

### Internal control deficiency

#### Financial and performance management: Design and implement formal controls over IT systems:

- Management did not in all instances implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support Information Systems Audit reporting
- Management oversight in determining the adequacy and level of detail required in the documentation of the reports used to review system controller's activities.
- Users who had left the department were not timely communicated and removed on the system.

### Recommendation

Management should ensure that:

- All information requested for audit purposes is submitted on time in line with the agreed turnaround times.
- Regular review and monitoring of system generated audit trails which detail activities of privileged user's / system controller on the system should be conducted and evidence of review should be retained for audit purposes.
- IT management, in collaboration with HR, should ensure that terminated user's access is timeously revoked from application systems once those terminated users have left the employment of the organisation

### Management response

#### Management comment on the audit finding

Management does not agree with the findings:

- List of user access modifications was provided to AG as part of the response to RFI 51. [Please see Annexure 7](#)
- As per ICT Business Systems User Access Management policy line managers must download the reports from the business systems and

<p>perform the user access review and submit such to ICT. ICT can only provide evidence of review if received from line managers. ICT as per the policy sends out communication to line managers and evidence of communications as reminders to managers was submitted to AG as part of RFI 51. <a href="#">Please Annexure 1</a></p> <ul style="list-style-type: none"> <li>• The report provided to AG as part of RFI 51 response includes all details included on the finding such as user creation, user ID maintenance, allocation of functions and deletion of user accounts. <a href="#">Please see Annexure 8</a></li> <li>• Through ICT Applications Management analysis the dependency on HR Exits report alone is inadequate. ICT has found that all the officials indicated as being no longer part of the department were not on the HR Exit lists received by ICT.</li> </ul> <p>Root Cause: Archibus users who had their employment terminated by HR were still active on the system however through ICT analysis the dependency on HR Exits report alone is inadequate. ICT has found that all of the users, 12 of them, indicated as being no longer part of the department as per AG COFF 02 of 2021, however these officials were not part of the monthly reports being received from HR.</p>		
<p><b>Management comment on internal control deficiencies:</b></p> <p>The currently available controls on the system are:</p> <ul style="list-style-type: none"> <li>○ Business Systems User Access Management policy</li> <li>○ Registration of users which is approved by supervisors</li> <li>○ Username and passwords for access control via AD</li> <li>○ Roles(capture, verifier and approver) for separation of duties</li> <li>○ SSL Certificate on the website</li> <li>○ The above controls are deemed sufficient to mitigate against unauthorised access.</li> </ul>		
<p><b>Management comment on recommendation:</b></p> <p>Recommended actions are already in place</p>		
<p><b>Remedial action:</b></p>		
What actions will be taken?	By whom?	By when?

<b>Management comment on the audit finding</b>		
<b>Management comment on internal control deficiencies:</b>		
<b>Management comment on recommendation:</b>		
<b>Remedial action:</b>		
<b>What actions will be taken?</b>	<b>By whom?</b>	<b>By when?</b>

**Auditor's conclusion**

- We wish to confirm that evidence of communication sent out to line managers as reminders to perform review of access rights does not provide assurance that the reviews were performed by the managers and supervisors, thus the finding remains.
- Document/program which provides description of the system controllers activities on the reports was not provided, thus the finding remains

## 41. Security Management

### a. Inadequate Security Management controls

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

#### Audit finding

As previously reported, the following security management processes weaknesses were noted:

- There was no process in place to review the activity logs on active directory for security significant events;
- Evidence indicating the testing of patches that have been deployed on the network could not be obtained;
- The password security settings for ARCHIBUS system were not provided;
- Furthermore, the password security settings for SAGE system were not in line with the department's ICT security policy:

Settings	IT Security Policy	SAGE	ARCHIBUS
Password complexity	Enabled	Enabled	Not provided
Minimum password length	8	10	Not provided
Maximum password age	30 days	Not provided	Not provided
Lockout threshold	3 invalid attempts	Not provided	Not provided
Password history	5	Not provided	Not provided

These matters were reported in 2019-20 financial year.

#### Risk

- Failure to ensure that failed log on attempts are actively monitored and reviewed periodically may result in the inability to detect security breaches on the application, which may lead to financial information being compromised, degrading its confidentiality, integrity and availability.
- Failure to ensure that patches have been tested prior to deployment may result in known vulnerabilities being exploited by unauthorised individuals. This may result in

sensitive information being compromised, which may impact on the confidentiality, integrity and availability of the information.

- Incorrect password settings, may lead to unauthorised access to application systems, as it may be easy for malicious users to crack the passwords.

### Internal control deficiency

#### Financial and performance management: Formal controls over IT Systems

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

### Recommendation

Management should consider implementing the following:

- Ensure that operating security logs are enabled and reviewed on the regular basis.
- Ensure that workstations and servers are patched with the latest patch releases from the manufacturer, and that testing of patches is performed and adequately documented prior to deployment on the network.
- Ensure that password settings on all systems are in place and adequate as per the department's ICT security policy and best practices.

### Management response

<b>Management comment on audit findings:</b> <ul style="list-style-type: none"> <li>• Management does not agree to the following;</li> <li>• Archibus uses AD for user authentication.</li> <li>• SAGE is upgraded to a newer version as indicated in the 2019/20 audit management response. SAGE uses AD for user authentication.</li> <li>• Active Directory process for log reviews is in place.</li> <li>• All patches reports were provided as part of RFI51</li> </ul>		
<ul style="list-style-type: none"> <li>• Management comment on internal control deficiencies:</li> <li>• Persal is not a system managed within ICT.</li> <li>• Archibus uses AD for user authentication.</li> <li>• SAGE is now upgraded to a newer version as indicated in the 2019/20 audit management response.</li> </ul>		
<b>Management comment on recommendations:</b>		
<b>Remedial actions:</b>		
<b>What actions will be taken:</b>	<b>By whom:</b>	<b>By when:</b>

### Auditor's conclusions

Management comments are noted; however, the evidence provided for testing of patches and reviews of activity logs on active directory for security significant events to the auditors was not adequate. Therefore, the finding will remain.

## 42. Change Management Control

### a. Inadequate implementation of change controls around PMIS, WCS, WORX4U, SAGE, GIS, ARCHIBUS

#### Audit finding

The following deficiencies were noted with regards to the administration of the change management process:

- Procedures around program change management were included on page 59 of an approved Consolidated Information and Communication Technology Policy. On Review of the approved policy it was noted that the policy was inadequately designed as it did not include the following:
  - Testing of changes
  - Migration of changes to production
- Although page 59, paragraph ix of the policy stated that “A Change Management Log must be maintained for all changes. The log must contain, but is not limited to; Date of submission and date of change, Owner and custodian contact information, Nature of the change and Indication of success or failure,” however system generated logs of all changes implemented on PMIS, WCS, WORX4U, SAGE, GIS, ARCHIBUS during the period under review was not provided due to system limitation, thus assurance could not be provided on whether all changes implemented on systems followed a proper change management process (i.e. changes were formally requested, approved and tested prior implementation into production).

These findings were also reported on in the 2018-19 and 19/20 financial period

#### Risk

- Lack of adequately documented change management policy could lead to changes being implemented on critical IT systems without following an authorised process, thereby possibly compromising the integrity of the system and data.
- Without the change logs it would be difficult to trace if any changes were made on the system, by whom and why the changes were required/needed and whether the change were properly authorised by management.

#### Internal control deficiency

#### Financial and performance management: Design and implement formal controls over IT systems:

- Management oversight to include the key program change management procedures on the approved policy.
- System limitations on GIS, SAGE, PMIS, WORX4U and WCS resulted in the inability to obtain a system generated list of changes.

#### Recommendation

**Management should ensure that:**



- Change management procedure is updated to includes the following at minimum:
  - Testing of changes
  - Migration of changes to production
- Management should communicate their minimum security requirements on the system to the service providers and verifications should be performed by ICT to ensure that the controls on the system makes provision for activity logging, thus all changes made to the system should be logged preferably with the following details; change number, change description and change implementer. Furthermore, management should ensure that a proper change management process is followed for all changes/upgrades prior implementation. Management should ensure that change request documentations are completed and approved and appropriate tests are implemented prior to migration into production.

### Management response

#### Management comment on the audit finding

Management partially agrees with the findings.

Management does not agree with the other part of the findings due to the following reasons;

- ICT has a change management process that is followed with every system change request as per ICT Policy change management process. The change requests do contain the information specified in the policy i.e. Date of submission and date of change, Owner and custodian contact information, Nature of the change. Also the policy does not indicate that the log specified is a system generated log. All changes that have been implemented are supported by an approved change request form that is detailed and contains all the information stated on the policy.  
Root cause;
- The approved policy is inadequately designed as it does not include the following:
  - Testing of changes
  - Migration of changes to production

#### Management comment on internal control deficiencies:

The currently available controls on the system are:

- Business Systems User Access Management policy
- Change control protocol
- Registration of users which is approved by supervisors
- Username and passwords for access control
- Roles(capture, verifier and approver) for separation of duties
- Version control
- SSL certificates on the website

#### Management comment on recommendation:

Policy to be reviewed to include the indicated items

Systems changes are managed as per the ICT policy.

#### Remedial action:

Review policy		
<b>What actions will be taken?</b> Review policy	<b>By whom?</b> Pakiso Mphuthi	<b>By when?</b> 31 December 2021

**Auditor's conclusion**

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

## b. Inadequate implementation of change controls around Reapatala and EPWP

Program change management controls ensure that any proposed changes to an existing information systems environment would be coordinated, scheduled, authorized and tested to prevent unnecessary disruptions, erroneous changes and unauthorized and inappropriate access to programs.

### Audit finding

Although the policy on program change management was included in the Consolidated Information and Communication Technology Policy, it was noted that the current policy does not provide adequate guidance on the process to be followed when:

- Testing of changes
- Migration of changes to production

Although page 59 section ix of the policy stated that *“A Change Management Log must be maintained for all changes. The log must contain, but is not limited to; Date of submission and date of change, Owner and custodian contact information, Nature of the change and Indication of success or failure,”* the system generated logs of all changes implemented on the Reapatala and EPWP systems during the period under review could not be provided due to system limitation, thus assurance could not be provided on whether all changes implemented followed a proper change management process (i.e. changes were formally requested, approved and tested prior implementation into production), Furthermore, there was no a change management register in place.

### Risk

Without adequate program change management policy, there might not be a process which provides a managed and orderly method in which changes to the information technology environment are requested, tested and approved prior to installation or implementation.

Without the change logs it would be difficult to trace if any changes were made on the system, by whom and why the changes were and whether the change were properly authorized by management.

### Internal control deficiency

#### Financial and performance management: Control over IT Systems

- Failure by IT management in ensuring that application systems in use can log and track changes that have been implemented.
- Management should ensure that they implement the consequence management controls on lack of addressing the repeating findings.

## Recommendation

ICT management should ensure that the Program Management policy is reviewed to include the following procedures:

- Testing of changes
- Migration of changes to production

Furthermore, ICT management should ensure that system generated logs to track changes on application systems are maintained, and that changes that have been made on the applications have been approved and tested prior to implementation.

This policy should be kept up to date in order to enforce compliance.

## Management response

<b>Management comment on the audit finding:</b> Management agrees with the findings.		
<b>Management comment on internal control deficiencies:</b> <ul style="list-style-type: none"> <li>• ICT has an approved change management process that ensures that all changes applied on departmental systems are approved. The departmental system change form which records the below critical information amongst others;             <ul style="list-style-type: none"> <li>▪ <i>Change request log reference number, Date of submission and date of change, Owner and custodian contact information and Nature of the change.</i></li> </ul> </li> <li>• Even though the logs submitted did not have the date and time of deployment, the form submitted does contain the date and time of when the change was implemented.</li> </ul>		
<b>Management comment on recommendation:</b> Management agrees that ICT policy must be reviewed to include; <ul style="list-style-type: none"> <li>- Testing of changes</li> <li>- Migration of changes to production</li> </ul> <p>Management to ensure that system generated logs to track changes on application systems for Reapatala and EPWP include date and time of the change.</p>		
<b>Remedial action:</b>		
<b>What actions will be taken:</b> <ul style="list-style-type: none"> <li>• Review policy</li> </ul>	<b>By whom:</b> <ul style="list-style-type: none"> <li>• Pakiso Mphuthi</li> <li>• Khathu Nekhumbe</li> </ul>	<b>By when:</b> <ul style="list-style-type: none"> <li>• 31 March 2022</li> <li>• 31 March 2022</li> </ul>

<ul style="list-style-type: none"><li>• Enable and maintain system generated logs to track deployment on the applications</li></ul>		
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**Auditor's conclusion**

Management comments are noted and acknowledged. The action plans will be followed up during the 2021/22 audit and the outcome of the assessment will be communicated at completion of the audit.

### 43. Information Technology Continuity Management

#### a. Inadequate IT service continuity controls

Section 7.3.3.7. of the DPWI Annual Performance Plan (APP) states that the lack of a disaster recovery plan (DRP) has been a recurring audit finding. The department has now finalised and signed off a DRP plan and is in the process of implementing it.

#### Audit finding

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

- Although Disaster Recovery Plan (DRP) was developed and approved, it was noted that the DRP was not tested in the financial year under review.
- The backup processes were included on the ICT Policy document, however, the following procedures were not included:
  - Retention period Not addressed
  - Backup window (time available each day to complete backups)
  - Archival requirements
  - Special media considerations
- Backups were not performed during the 2020-21 financial year on EPWP and Reapatala systems; therefore, there were no restoration test and backups taken offsite.
- These issues were reported in 2018-19 and 2019-2020 financial years.

#### Risk

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

#### Internal control deficiency

**Financial and performance management:** Formal controls over IT Systems

- Lack of consequence management for not resolving prior audit findings.
- There was no space on the drive for backups.

#### Recommendation

- Management should ensure that they implement the consequence management controls on lack of addressing the repeating findings.
- Management should ensure that the ICT Policy document is reviewed and the following procedures are included under Backup processes:
  - Retention period Not addressed

- Backup window (time available each day to complete backups)
- Archival requirements
- Special media considerations
- Management should ensure that they purchase a backup software to perform and monitor backups, furthermore; the drive with enough space should be prioritised.

### Management response

<b>Management comment on audit findings:</b> Management agrees with finding Service provider on-board and currently implementing the DR solution. Root Cause: delays in the appointment of the service provider		
<b>Management comment on internal control deficiencies:</b> 44. Currently available controls are: <ul style="list-style-type: none"> <li>○ Security policy</li> <li>○ Daily snapshots of the Virtual Machine</li> </ul> 45. Daily copying and remote storing (different VM) of the database to enable restore and recovery in case of a disaster		
<b>Management comment on recommendations:</b> <ul style="list-style-type: none"> <li>• DR policy to be reviewed</li> <li>• Software and hardware have already been purchased, awaiting delivery.</li> </ul>		
<b>46. Remedial actions:</b>		
<b>What actions will be taken:</b> Finalise DR solution rollout	<b>By whom:</b> DD ICT Security 47.	<b>By when:</b> 31 March 2022

### Auditor's conclusions

Management comments are noted and acknowledged. The action plans will be followed up during the 2021/22 audit and the outcome of the assessment will be communicated at completion of the audit.