



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

FINAL MANAGEMENT REPORT

DEPARTMENT OF PUBLIC WORKS

31 MARCH 2018

Communicated to the accounting officer on: 15 July 2018





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MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE DEPARTMENT OF PUBLIC WORKS FOR THE YEAR ENDED 31 MARCH 2018

INTRODUCTION

1. The purpose of the management report is to communicate audit findings and other key audit observations to the accounting officer and the report does not constitute public information. This management report includes audit findings arising from the audit of the financial statements, performance information and compliance with legislation for the year ended 31 March 2018.
2. These findings were communicated to management and this report details management's response to these findings. The report includes information on the internal control deficiencies that we identified as the root causes of the matters reported. Addressing these deficiencies will help to improve the audit outcome.
3. In accordance with the terms of engagement, our responsibility in this regard is to:
 - express an opinion on the financial statements
 - express an opinion in the management report on the usefulness and reliability of the reported performance information for selected programmes, and report the material findings in the auditor's report
 - report on material findings relating to compliance with specific requirements in key applicable legislation, as set out in the general notice issued in terms of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

Our engagement letter sets out our responsibilities and those of the accounting officer in detail.
4. This management report consists of the overall message arising from the audit, summary of key findings and observations, annexures containing the detailed audit findings, annexures to the report on the audit of performance information as well as the annexure to internal control deficiencies reported.
5. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report is signed. In adherence to section 50 of the PAA, we do not disclose any information obtained during the audit and contained in this management report.
6. The **figure** that follows provides a pictorial summary of the audit results and our key messages on how to improve the audit outcomes with the focus on the following:
 - Status of the audit outcomes
 - Status of the level of assurance provided by key role players
 - Status of the drivers of internal controls
 - Status of risk areas

- Root causes to be addressed

Movement from the previous year is depicted as follows:

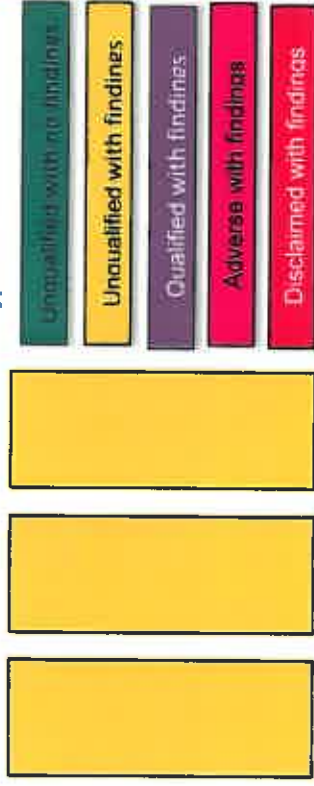
 /  Improved

 /  Unchanged / slight improvement / slight regression

 /  Regressed

Stagnation in audit outcomes

Types of audit outcomes



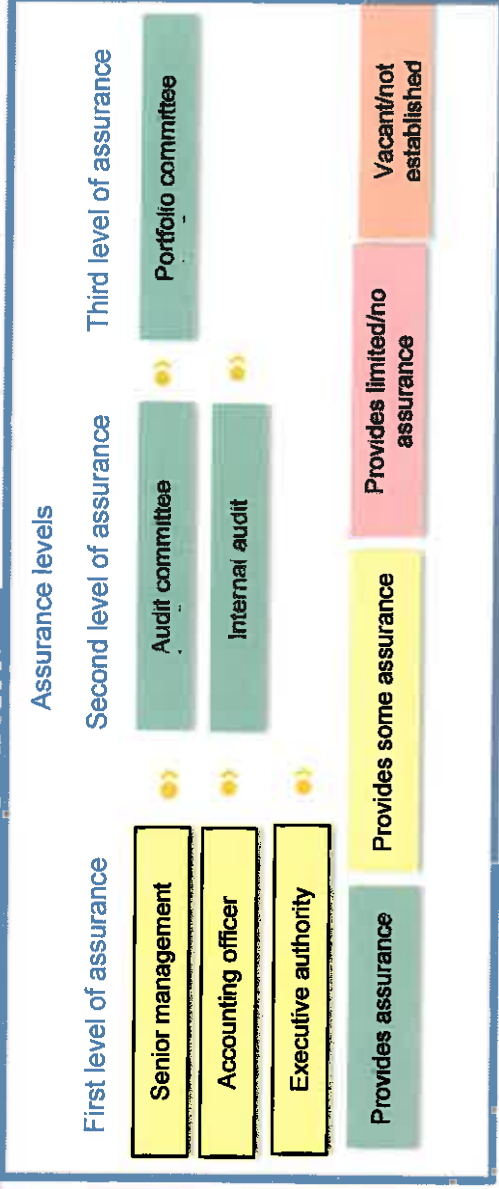
1 To improve the **audit outcomes** ...

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

4 ...the **risk areas**, and ...

3 attention is given to the **key controls**, and ...

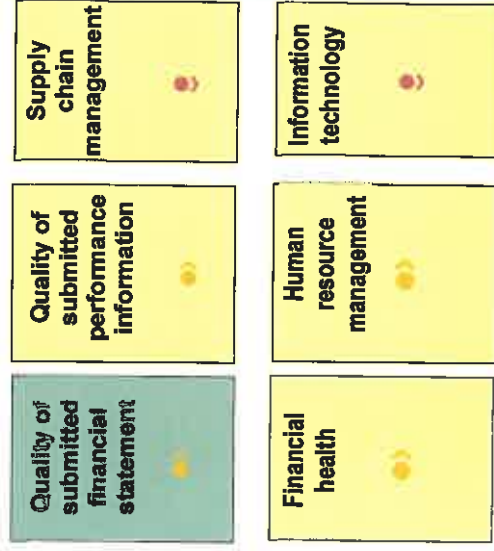
2 **key role players** need to assure that...



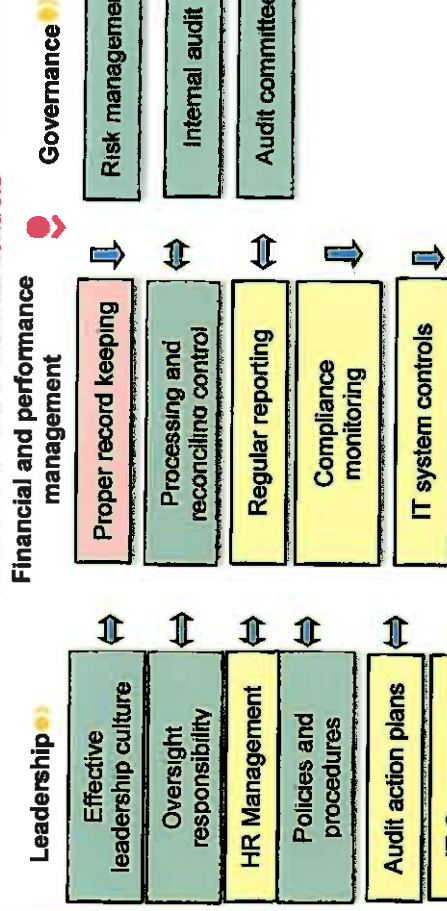
Root causes should be addressed

- Slow response by management
- Lack of consequences for poor performance and transgressions
- Instability or vacancies in key positions and or support staff positions

Risk areas



Status of drivers of internal controls



Intervention required

Concerning

Good

OVERALL MESSAGE

7. The audit outcome of the department has remained unchanged over the three-year period, with the department obtaining an unqualified audit outcome with findings in other areas in 2017-18. The main obstacle preventing the department from obtaining a clean audit outcome remains the quality of submitted performance information.
8. During the audit of performance information, key findings similar to the prior year were identified, where reported achievements were not adequately supported by valid and complete source information. The entity must implement proper record keeping ensuring that the relevant information is accessible which supports the reported performance.
9. Instances of irregular expenditure were identified during the audit which were not included in the irregular expenditure register.
10. The assurance provided by the key role players at the department is adequate, however there still remains room for improvement, especially with respect to performance reporting and monitoring of compliance. In addition, focus should be placed on continuing to strengthen internal controls as well as financial and compliance management practices.

SECTION 1: Interactions with stakeholders responsible for oversight and governance

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

Key stakeholder	Purpose of interaction	Number of Interactions
Portfolio committee on Public Works	<ul style="list-style-type: none"> Budgetary review and recommendations report – 2016/17 Audit Outcomes and key messages Presentation of Action Plans by the Department Review of Annual Performance Plan 2018/19 	3
Chairperson of the portfolio committee on Public Works	<ul style="list-style-type: none"> Introductory meeting – Quarterly briefing Letter to the chairperson – Delay in submission of PMTE Annual Financial Statements (31 March 2018) 	2
Minister of Public Works	Letters were sent to the Minister on a regular basis on the audit progress of the public works portfolio, as we have been unable to confirm a meeting date.	3
Director-General	<ul style="list-style-type: none"> Detail discussion on quarterly Status of Records review and presentation of engagement letter and audit Strategy Audit progress of the Public works portfolio 	2
Audit committee	<ul style="list-style-type: none"> Presentation of quarterly status of 	3

Key stakeholder	Purpose of interaction	Number of interactions
	Records Review <ul style="list-style-type: none"> • Presenting the engagement letter and audit strategy • Approval of the Department's Annual Financial Statements 	

1. At these interactions, we shared the following matters:

- The status of key controls of the Department of Public Works (DPW) and its entities (PMTE, IDT, CBE, CIDB, ASA and ECSA) were discussed with the Portfolio Committee.
- Terms of the engagement for the current year 2017/18 audit cycle with specific emphasis on the roles and responsibilities of the auditor and management as well as those charged with governance.
- Overall audit strategy including the proposed nature, timing and extent of audit procedures to be performed, risk assessment (including fraud risk assessment) and the effectiveness of internal control
- Audit progress and findings were discussed on a continuous basis. The key issues discussed for DPW related to EPWP.

12. Some stakeholders made commitments to implement initiatives that can improve the audit outcome. The commitments given and the progress of previous commitments are included in section 3.2, which deals with the assessment of assurance providers.

SECTION 2: Matters relating to the auditor's report

AUDIT OF THE FINANCIAL STATEMENTS

13. We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the department's system of internal control.

Material misstatement				Impact R current year	Impact R prior year
Financial statement item	Finding	Occurred in prior year (Insert Yes/No)			
Material misstatements corrected					
Disclosure					
Irregular Expenditure	SCM processes were not adequately followed when requesting the appointment of advocates to represent the department in legal matters.	No		12 606 297	nil

MATTERS TO BE BROUGHT TO THE ATTENTION OF USERS

Emphasis of matter paragraphs

14. The following emphasis of matter paragraphs will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

Material losses/impairments – receivables

15. As disclosed in note 12.5 to the financial statements, material impairments to the amount of R59 183 000 were provided for as a result of irrecoverable receivables.

Other matter paragraphs

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

Unaudited supplementary schedules

17. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon

AUDIT OF THE ANNUAL PERFORMANCE REPORT

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

Introduction and scope

19. I have undertaken a reasonable assurance engagement on the reported performance information for the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2018:

Programmes	Pages in annual performance report	Opinion	Mov.
Programme 3: Expanded Public Works Programme objective	x – x	Qualified	●●
Programme 4: Property and Construction Industry Policy and Research	x – x	Unqualified	●●
Programme 5: Prestige Policy	x – x	Disclaimer	●●

20. I conducted my reasonable assurance engagement in accordance with the International Standard on Assurance Engagements, ISAE 3000: *Assurance engagements other than audits or reviews of historical financial information*.
21. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Programme 3 – Expanded Public Works Programme

Qualified opinion

22. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the reported performance information for Programme 3 – Expanded Public Works Programme is useful and reliable in accordance with the applicable criteria as developed from the performance management and reporting framework set out in annexure D to this report.

Basis for Qualified opinion

Various indicators

23. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided that the achievements of these indicators were as follows:

Indicator description	Reported Achievement	Audited Value
Number of work opportunities reported in the EPWP-RS by public bodies	900 234 WO reported in the EPWP-RS by public bodies. (Cumulative)	1 117 272 WO reported in the EPWP-RS by public bodies. (Cumulative)
Percentage EPWP participation among designated groups (women, youth and persons with disability) reported on the EPWP-RS by public bodies	66.5% women 43.8% Youth 1.3 People with disability	72% women 38% Youth 1% People with disability

Programme 4 – Property and Construction Industry Policy and Research

Opinion

24. In my opinion, the reported performance information for Programme 4 – Property and Construction Industry Policy and Research is useful and reliable, in accordance with the applicable criteria as developed from the performance management and reporting framework as set out in annexure D to this report

Programme 5 – Prestige Policy

Disclaimer of opinion



25. I do not express an opinion on the reported performance information for Programme 5 – Prestige Policy of the department. Because of the significance of the matters described in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion on the reported performance information of the programme.

Basis for Disclaimer of opinion

Indicator 2: Average number of working days taken to resolve mechanical breakdown after logging a complaint.

26. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target number of working days taken to resolve mechanical breakdown after logging a complaint. This was due to limitation placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements of 440 (Pretoria) and Cape Town (680: Residence and Parliamentary village and 3 573: Offices) mechanical breakdown.

Indicator 3: Average number of working days taken to resolve emergency breakdown after logging a complaint.

27. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target number of working days taken to resolve emergency breakdown after logging a complaint. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements of 6 372 (Pretoria) and Cape Town (675: Residence and Parliamentary village and 1 113: Offices) emergency breakdown.

Indicator 4: Number of planned state events supported with movable structures.

28. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target number of planned state events supported with movable structures. This was due to limitation placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 8 state events.

Indicator 5: Average number of working days taken to provide furniture to prestige clients.

29. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target number of working days taken to provide furniture to prestige clients. This was due to limitation placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

Other matter

30. I draw attention to the matter below. My opinion is not modified in respect of this matter.



Achievement of planned targets

31. Refer to the annual performance report on page(s) x to x; x to x for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the qualified and disclaimer of opinions expressed on the usefulness and reliability of the reported performance information in paragraphs 22 and 25 of this report.

Responsibilities of the party responsible for the annual performance report the reported performance information

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

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

33. Our objectives are to obtain reasonable assurance about whether the reported performance information for the selected programmes presented in the annual performance report is free from material misstatement and to issue a management report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that the assurance engagement conducted in accordance with the relevant assurance standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if they could reasonably be expected to influence the relevant decisions of users taken on the basis of the reported performance information.
34. Our procedures address the reported performance information, which must be based on the approved performance planning documents of the department. We have not evaluated the appropriateness of the performance indicators established and included in the planning documents. Our procedures do not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance. Accordingly, our opinion does not extend to these matters.
35. A further description of my responsibilities for the reasonable assurance engagement on reported performance information is included in annexure E to this report.

AUDIT OF COMPLIANCE WITH LEGISLATION

36. We did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

37. The department and accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
38. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
39. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROLS

40. The significant deficiencies in internal control which led to our overall assessment of the status of the drivers of key controls, as included in the figure in paragraph 6, are described below. The detailed assessment of the implementation of the drivers of internal control in the areas of financial statements, performance reporting and compliance with legislation is included in annexure F.

Leadership

Effective leadership culture

41. The department acknowledged that there were internal constraints within the governance, risk and compliance unit, which impacted their ability to conduct their own internal investigations. We have noted that the majority of investigations are initiated within the required time, however investigations take extremely long to finalise depending on their complexities.
42. We have noted from our review of the work of internal audit that management has, in some instances, been slow to respond to the findings of internal audit. Addressing these findings will strengthen the control environment in the department, and embed a culture of compliance within all officials.



43. Some investigations are referred to Special Investigations Unit or to SAPS where criminal activities are suspected. Where follow up actions are required from the department as a result of findings from investigations (e.g. disciplinary hearings, etc.), these are not taking place on time in some instances.

Oversight responsibility

44. Compliance matters, particularly with regards to supply chain management, have received considerable attention from the department. It has been noted that the department confirmed that all awards are subject to a pre-audit by Inspectorate and Compliance unit across the department since September 2014 in order to prevent any potential irregular and fruitless and wasteful expenditure, but some instances of non-compliance were noted in the current year.
45. There should be an increased level of oversight in the upcoming year over performance reporting against predetermined objectives. This includes the interrogation of reasons why particular targets are not being achieved.

Human resource management

46. The department did not hold performance management and reporting staff accountable for shortcomings identified during the internal and external audit processes.
47. The department has finalised updating the organisational structure in line with the restructuring that took place between the department and PMTE, which amongst others includes the approval of the new Programme budget structure. A migration framework was also developed and was implemented from 01 April 2017, which resulted in an overall vacancy rate of 27%. Furthermore, we noted that posts are vacant for more than 12 months.

Policies and procedures

48. Management should ensure that policies and procedures are reviewed and updated on regular basis to keep policies relevant. This was highlighted to management as an internal control issue.

Action plans to address internal control deficiencies

49. Implementation of the audit actions plan has not transpired in all instances. It is a concern that not all the internal and external audit findings from the prior year 2016/17 were addressed and we also noted that management did not monitor adherence to the plan in a timely manner. This is especially evident in performance information where action plans have not been implemented.

Financial and performance management

Proper record keeping

50. The department did not have a proper filing system and a proper record management system to maintain information that supported the reported performance in the annual performance



report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information.

51. The entity did not have sufficient schedules supporting actual performance relating to Programme 5: Prestige Policy.
52. We were also unable to obtain sufficient supporting documentation to substantiate the creation of work opportunities reported for a significant number of projects included Programme 3: EPWP. This includes reliable supporting evidence, such as identity documents, attendance registers and proof of payment.
53. These resulted in the negative audit outcomes for Programme 3 and 5.

Daily and monthly processing and reconciling of transactions

54. Challenges were still being experienced regarding the integrity of the data from EPWP reporting system as we have noted during the audit that the information on the EPWP reporting system was not adequately validated due to the errors noted.

Regular, accurate and complete financial and performance reports

55. The reported achievements for predetermined objectives included in the annual performance report were not supported by appropriate audit evidence.

Compliance monitoring

56. Some instances of non-compliance have been identified in the current audit cycle, resulting in irregular expenditure. Management should ensure that the recommendations from pre-audits done by Inspectorate and Compliance unit on awards are implemented effectively.

Information technology systems

57. Non-compliance to the patch management policy was noted, and management was not performing regular risk assessments, resulted in security updates not being timeously applied, and unsupported software being utilised on various systems
58. Weak configurations were attributed to information security hardening standards not being adequately documented in policies, standards and procedures to ensure the secure configuration of servers.
59. Lack of management oversight to ensure that user access controls are adequately designed and implemented on LOGIS, BAS and PERSAL systems.
60. Lack of management oversight to ensure that backup and disaster recovery processes are adequate.

Governance

Internal audit



61. Discussions have been held with internal audit around whether the work performed by the unit can be utilised by the external audit. In the current audit cycle, the reports of internal audit were analysed for risk assessment purposes.

Audit committee

62. The audit committee functions throughout the year and meets on a regular basis. The committee scrutinizes the annual financial statements and annual report and provide management with meaningful inputs and recommendations. The audit committee reviews and approves the internal audit plan and internal audit reports.

Summary

63. The matters above, as they relate to the findings on the annual performance report and findings on compliance with legislation, will be summarised in the auditor's report as follows:

Leadership

64. Inadequate monitoring of action plans to address prior year findings resulting in similar findings in the current year.

Financial and Performance Management

65. Regular, accurate and complete performance reports were not always supported and evidenced by reliable information.

OTHER REPORTS

66. We draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the department's financial statements, reported performance information and compliance with applicable legislation and other related matters. The reports noted do not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation. The summarised other reports will be included in the auditor's report as follows:

Investigations

67. Numerous allegations, mainly relating to transgressions with regard to supply chain management, potential fraud and financial misconduct, are still being investigated on an ongoing basis by the Special Investigating Unit and the Governance, Risk and Compliance unit of the department.

SECTION 3: Assurance providers and status of implementation of commitments and recommendations

Assessment of assurance providers

68. The annual report is used to report on the financial position of auditees, their performance against predetermined objectives and overall governance. One of the important oversight functions of Parliament is to consider auditees' annual reports. To perform this oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report includes our auditor's report, which provides assurance on the credibility of the financial statements and the annual performance report, as well as on the auditee's compliance with legislation.
69. Our reporting and the oversight processes reflect on past events, as it takes place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.
70. We assess the level of assurance provided by these assurance providers based on the status of internal controls (as reported in section 2.6) and the impact of the different role players on these controls. We provide our assessment for this audit cycle below.

Senior management: provides some assurance

- Senior management should continue with an increased level of oversight in the upcoming financial year over performance reporting of predetermined objectives. This includes the interrogation of reasons why particular targets are not being achieved, but even more importantly putting in place mechanisms of ensuring that all performance reported is accurate, valid and complete, and that the required supporting documentation is in place and easily retrievable for audit purposes.

Accounting officer: provides some assurance

- The accounting officer has put initiatives in place to provide assurance. These initiatives are monitored regularly and management is held accountable where weaknesses are identified. Some of the interventions did not take place timeously, which contributed to the recurrence of the negative audit outcomes on performance information.

Executive authority: provides some assurance

- The Expanded Public Works Programme is a key focus area for the department and government as a whole. The interventions put in place did not have the desired impact in the current financial period. There was a change in minister during the course of the financial period and thus new initiatives will be assessed in the next financial period.

Internal audit: provides assurance

- Legislation in South Africa requires the establishment, roles and responsibilities of internal audit units. Internal audit units form part of the internal control and governance structures of



the department and play an important role in its monitoring activities. Internal audit provides an independent assessment of the department's governance, risk management and internal control processes.

- The internal audit unit of the department prepared a risk-based audit plan and internal audit programme for the financial year. The unit reports to the audit committee on the implementation of the internal audit plan and matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management, performance management, loss control and compliance with the PFMA. The internal audit is responsible for normal internal audits in terms of their internal audit charter.

Audit committee: provides assurance

- The audit committee met regularly throughout the year. The committee reviewed and approved the annual financial statements and annual report before submission. The audit committee also follows up with management on the implementation of internal and external audit recommendations.

Portfolio committee: provides assurance

- The portfolio committee met regularly throughout the year, and obtained commitments from management as part of their oversight role. The effectiveness of the work performed by the committee has not yet yielded the desired results, due to management's failure to adequately implement their recommendations.

Status of implementing commitments and recommendations

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

No	Commitment	Made by	Date	Status
	Predetermined Objectives -Reported achievement not supported by sufficient evidence (1) Documentation will be verified before being submitted for Annual report. (2) Information to be verified quarterly by an assigned official. (3) The Annual Audit results for 2016/17 pertaining poor record management will be communicated to Accounting Officers. (4) Develop a business process flow management template and checklist for filing of documents of performance data captured in the EPWP Reporting System and monitored.	Mr. S. Henderson(DDG :EPWP)	01/02/2018	The same finding was raised for Programme 5 which resulted in a disclaimer of audit opinion. Not resolved
	Transfers and Subsidies - (1) EPWP grants are not effectively monitored: One Audit planned in collaboration with Internal Audit to check on projects in addition to the 700 site visits.	Mr. S. Henderson(DDG :EPWP)	01/02/2018	In progress. Management commented that letters will be written to the relevant accounting officers on non-compliant grant-funded projects identified in site visit reports during each month.

No	Commitment	Made by	Date	Status
				<p>The above will start at the end of February for 2017/18 site visits. In a new financial year, the above process will be implemented only after the first tranche has been paid. Intervention register</p> <p>An intervention register for technical support by all sectors will be developed by 23 February 2018. Implementation of this register will be piloted in the remainder of the 2017/18 financial year.</p> <p>Internal audit on the EPWP Integrated Grants for Provinces and Municipalities was completed and the results discussed with the DDG.</p>
	<p>Transfers and Subsidies -</p> <p>EPWP Expenditure Reports submitted by Public bodies do not indicate what the funds were used for:</p> <p>(1) The EPWP Integrated Grant template will be modified to show bring down of expenditure on different items.</p>	Mr. S. Henderson(DDG :EPWP)	01/11/2018	<p>In progress.</p> <p>Management commented as per the recommendation, National Treasury will be engaged to formalise an agreement on the modification of the template.</p>
	<p>Predetermined objectives -</p> <p>Errors on beneficiary reported on EPWP systems for quarter 4 – ending 31 March 2017</p> <p>(1) The existing validation procedures external to the EPWP-RS and prior to the publication of data has been revised to detect quality issues more effectively.</p> <p>(2) Quarterly performance data will be submitted to Internal Audit for further verifications.</p> <p>(3) The department will continue with the verifications with the Department of Home Affairs on the ID numbers on a quarterly basis.</p>	Mr. S. Henderson(DDG :EPWP)	30/09/2017	<p>In progress</p> <p>All validation processes external to the EPWP RS will be described and POE will be given that these processes are implemented.</p> <p>A report that shows work opportunities not reported in a specified quarter due to wage limits will be developed.</p>
	<p>Predetermined objectives:</p> <p>EPWP the projects were not reported on the EPWP reporting system</p> <p>(1) Technical Support to be provided to public bodies to ensure that there is proper reporting of all projects.</p> <p>(2) Convene monthly meetings on verification of projects reported in the EPWP RS vs planned project list template and follow up for alignment.</p>	Mr. S. Henderson(DDG :EPWP)	01/02/2018	<p>Not resolved.</p> <p>The action plans put in place were not adequate as the same finding was raised in the current year</p>

No	Commitment	Made by	Date	Status
	(3) Conduct ad hoc project site verification visits.			
	Predetermined objectives - EPWP beneficiaries were not reported on the EPWP Fourth quarter data. (1) Conduct projects site verification visits to ensure EPWP adherence.	Mr. S. Henderson (DDG:EPWP)	Quarterly	Not resolved. The action plans put in place were not adequate as the same finding was raised in the current year
	Predetermined objectives - EPWP beneficiaries were duplicated on the EPWP reporting system. (1) The projects financial years reported in the EPWP- RS will always have different financial years due to the different spheres of government. (2) Projects can cross financial years. (3) The person days are counted afresh from the 1st April of each financial year for the same work opportunity. No action required. (4) To request the EPWP M&E unit to write a circular to the reporting public bodies about the registration of projects and ensuring that employment contracts are signed for each financial year of reporting.	Mr. S. Henderson (DDG:EPWP)	30/01/2018	Resolved The circular on multi-year project will be revised, as per IA's recommendation. (It will indicate that new contracts should be signed in line with the new municipal financial year as evidence that the project is not a duplication of the project that would have been reported in the previous financial year.) The EPWP RS manual will be revised to reflect the content of the circular above.
	Predetermined objectives - EPWP Non submission of ID copies, attendance registers and proof of payment (1) The EPWP branch will monitor public bodies to ensure that files for projects are well maintained. (2) Seven hundred (700) site visits to be done on a sample basis to ensure compliance with proper record keeping. (3) Develop project site verification annual plans.	Mr. S. Henderson (DDG:EPWP)	01/02/2018	(1) Not resolved as the same finding was raised in the current year for the non-submission of attendance registers and proof of payments. (2) Resolved. The non-submission of identification documents because this is done through the Home Affairs website
	Predetermined objectives: EPWP beneficiaries listed on the EPWP reporting system list not employed on the project. (1) Engagements will be held with public bodies to ensure that participants are loaded onto the reporting system while implementing projects. (2) 700 site visits to be made to compare participants on site against those on the system. (3) Convene monthly management meetings on verification of projects reported in the EPWP RS vs planned project list template and follow up for alignment for the Sectors. (4) Conduct ad hoc project site verification visits	Mr. S. Henderson (DDG:EPWP)	01/02/2018	Not resolved. The action plans put in place were not adequate as the same finding was raised in the current year
	Goods and Services - Payments made after 30 days from the	Ms R. Sadiki (DDG: Finance)	30/01/2018	Resolved.

No	Commitment	Made by	Date	Status
	<p>receipts of the invoice (1) Regular monitoring to be implemented to ensure payments are made within 30 days from invoices</p> <p>(2) Corrective action to be taken to address the control weakness.</p> <p>(3) Employees contributing to late payments to be reported to management for disciplinary actions to be taken against them.</p>	& SCM)		
	<p>Key Management Personnel - Disclosure note is not correctly calculated (1) Adequate review by both Human Resources Directorate and Finance Directorate of supporting schedules used in preparation of Key Management Disclosure note to ensure accurate and complete information disclosed.</p>	Ms R. Sadiki (DDG: Finance & SCM)	01/02/2018	Resolved, The Note was signed off as reviewed on the 31 March 2018 AFS documents submitted
	<p>Contingent Liabilities - Amount disclosed differs with confirmation from State Attorneys State Attorney confirmation will be obtained before the disclosure of the claims against the Department in the annual financial statements disclosure note.</p>	Ms R. Sadiki (DDG: Finance & SCM)	01/02/2018	Resolved, no new claims against the State reported to date. 0 amount recorded in the AFS
	<p>Predetermined Objectives Inconsistencies were noted between the performance indicators included in the approved Annual Performance Plan and Annual Performance Report. (1) Quarterly review of reported performance in accordance with the APP to be monitored; (2) Deviations to be corrected when identified and line functions to be advised accordingly</p>	Mr. I. Fazel (DDG: GR C)	31/03/2018	Resolved, no finding was raised
	<p>Predetermined objectives (2017-18 APP) – Not all the targets from MTSF were included in the APP (1) The DPME as the responsible custodians of the MTSF did not consult with sector Departments when amending the MTSF Chapter 4. (2) Furthermore, this KPI is a repetition of KPI 1 which is reporting the same WOs in an aggregated form. (3) Although the Department does not agree that this should be an additional KPI (both in the MTSF Chapter 4 and in the APP), it has been included into the 2017/18 APP for compliance.</p>	Mr. I. Fazel (DDG: GRC)	01/03/2018	Resolved
	<p>Predetermined Objectives - Reported targets not consistent when compared with planned targets (1) Quarterly review of reported performance in accordance with the APP will be monitored and deviations will be corrected when identified and line functions</p>	Mr. I. Fazel (DDG: GRC)	31/03/2018	Resolved

No	Commitment	Made by	Date	Status
	will be advised accordingly			
	Procurement and Contract Management: SMS members did not declare their interest (1) SMS Disclosures submitted to Public Service Commission for verification (2016/2017) SMS non-disclosure of companies as per AG Findings. (2) Non-disclosure forwarded for investigation by Anti-Fraud and Corruption. (3) Disciplinary action to be taken after outcome of investigation. (4) E-disclosure porthole by DPSA to very financial disclosures against CIPC Communique to be send out to all SMS to submit Financial disclosures through the e-disclosure porthole, action to be taken for non-disclosure and explanation of what must be declared.	Ms T. Hlatshwayo (DDG:CS)	31/12/2018 31/01/2018 31/03/2018	Not resolved, the same finding was raised In terms of Regulation 21 of the Public Service regulations, 2016 the Public Service Commission investigates SMS and then provide report to the EA of the outcome
	Procurement and Contract Management: No approval obtained for remunerative work (1) A remunerative work circular issued quarterly to ensure compliance with new categories identified by the MPSA for submission of financial disclosure of all interest by the designated groups to be verified against CIPC, DEEDS and E-Natis. (2) Cases of non-disclosure to be forwarded for investigation and disciplinary action to be taken in line with the recommendations of the relevant Directives.	Ms T. Hlatshwayo(DD G:CS)	31/03/2018	Not resolved, the same finding was raised
	Human Resource Management -Payroll certificates not certified and returned timeously (1) Investigate the possibility of printing payroll certificates in Regions. (2) Implement Payroll Delivery Registers to Regions. (3) Enhance the current Payroll Register to Units. Possibly confirmation of Payroll Certificates in line with Treasury Regulations to be transferred to Heads of HR in the Regions.	Ms T. Hlatshwayo(DD G:CS)	30/04/2018 30/09/2017 30/04/2018	Not resolved, the same finding was raised
	Human Resource Management Leave forms not captured timeously (1) Reminders to all staff on timeous submission of leave forms every month. (2) HR to reconcile leave received with leave captured Heads of Units informed of late submission of leave forms.	Ms T. Hlatshwayo(DD G:CS)	15 th monthly	Not resolved, the same finding was raised

No	Commitment	Made by	Date	Status
	(3) Quarterly reports on late submission to CD: HRM.		30/09/2018	
	(4) Quarterly reports on late submission to CD: HRM.		30/09/2018	
	Human Resource Management: Management of vacancy rates (1) The implementation of the organisational structures for PMTE and DPW (matching and placing). (2) Allocation of sufficient compensation budget to fill vacant positions. (3) Activation on the Persal establishment of funded vacant positions for immediate advertising and filling.	Ms T. Hlatshwayo(DD G:CS)	31/03/2018	Not resolved, the same finding was raised
	Human Resource Management - Performance agreement deviations (1) Send reminders to all SMS members to submit signed PA's timeously. (2) Institute disciplinary action against members who do not comply with the SMS Handbook and the DPSA instructions. (3) Recommend members who do not comply with the SMS Handbook and DPSA instructions to not be considered to receive performance related incentives.	Ms T. Hlatshwayo(DD G:CS)	31/03/2018	Resolved no finding was raised
	Security Management - Management did not implement adequate security management controls. (1) Finalise Firewall installation at 2 remaining sites. (2) Implement Patch management. (3) Update Security Policy	Ms T. Hlatshwayo(DD G:CS)	31/03/2018	Not resolved, the same finding was raised
	IT Service Continuity – An ICT Disaster recovery plan (DRP) had been documented however the plan had not been approved Complete updating of DRP	Ms T. Hlatshwayo(DD G:CS)	01/02/2018	Not resolved. Although Disaster Recovery Plan (DRP) was developed and approved, however it was noted that the DRP was not tested.

- 25 audit recommendations accepted by management in the prior year on matters included in the auditor's report and other important matters were implemented, or alternative actions were taken to resolve the finding.
- 3 recommendations are still being implemented and 12 have not been addressed, or very limited progress has been made.
- Details on the status of implementing the previous year's recommendations are provided in section 10, which summarises the detailed audit findings.

SECTION 4: Specific focus areas**FINANCIAL VIABILITY**

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

FINANCIAL VIABILITY ASSESSMENT			
		AS AT 31 MARCH 2018	AS AT 31 MARCH 2017
EXPENDITURE MANAGEMENT			
1.1	Creditor-payment period	46 Days	44 Days
1.2	30+ day accruals as a percentage of total accruals	0.7%	7.2%
	• Amount of 30+ day accruals	R 365 000	R 3 567 000
	• Amount of total accruals	R 50 481 000	R 48 879 000
REVENUE MANAGEMENT			
2.1	Debtor-collection period (after impairment)	83 Days	48 Days
2.2	Debtors impairment provision as a percentage of accrued departmental revenue	0%	0%
	• Amount of debtors impairment provision	R0	R0
	• Amount of accrued departmental revenue	R1 836 000	R1 416 000
ASSET AND LIABILITY MANAGEMENT			
3.1	An accrual-adjusted deficit for the year was realized (total expenditure exceeded total revenue)	Yes	No
	• Amount of accrual-adjusted surplus / (deficit) for the year	(R20 399 000)	R42 224 000
3.2	An accrual-adjusted net current liability position was realised (total current liabilities exceeded total current assets)	Yes	Yes
	• Amount of accrual-adjusted net current assets / (liability) position	(R381 185 000)	(R334 736 000)
3.3	An accrual-adjusted net liability position was realised (total liabilities exceeded total assets)	No	No
	• Amount of accrual-adjusted net asset / (liability) position	R166 949 000	R181 572 000
CASH MANAGEMENT			

FINANCIAL VIABILITY ASSESSMENT			
		AS AT 31 MARCH 2018	AS AT 31 MARCH 2017
4.1	The year-end bank balance was in overdraft	Yes	Yes
	• Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft)	(R277 731 000)	(R753 533 000)
4.2	Cash shortfall as a percentage of next year's appropriation (budget), excluding "compensation of employees" and "transfers and subsidies" **	459.4%	147.7%
	• Amount of the cash surplus / (shortfall) • Amount of next year's appropriation (budget), excluding "compensation of employees" and "transfers and subsidies"	(R329 362 000) R71 700 000	(R625 145 000) R423 200 000
4.3	Amounts payable in future periods as a percentage of the budget for the next three years, excluding "compensation of employees" and "transfers and subsidies"	17.6%	22.3%
	• Amounts payable in future periods • Amount of the next three years' appropriation (budget), excluding "compensation of employees" and "transfers and subsidies"	R263 426 00 R1 493 200 000	R308 396 000 R1 381 300 000
4.4	Guarantees issued by the department as a percentage of next year's budget, excluding "compensation of employees" and "transfers and subsidies"	No guarantees issued	No guarantees issued
	• Amount of guarantees issued • Amount of next year's appropriation (budget), excluding "compensation of employees" and "transfers and subsidies"	R0 R1 493 200 000	R0 R1 381 300 000
4.5	Claims against the department as a percentage of next year's budget, excluding "compensation of employees" and "transfers and subsidies"	No claims against the department	No claims against the department
	• Amount of claims against the department • Amount of next year's appropriation (budget), excluding "compensation of employees" and "transfers and subsidies"	R0 R71 700 000	R0 R423 200 000
OVERALL ASSESSMENT			
Overall the financial viability is assessed as:		Yellow (Concerning)	Yellow (Concerning)
* This indicator assumes that the unauthorised expenditure of R261 169 000, per note 11 will not be approved with funding.			

High-level comments

73. The department is able to undertake its objectives and the vote has not been depleted or exceeded and there is no significant unpaid expenditure.



74. The bank overdraft primarily emanated as a result of unauthorised expenditure and it is important to note, as highlighted above, that these indicators assume that any unauthorised expenditure that the auditee may have incurred will not be approved with funding. If the unauthorised expenditure is approved with funding, the cash shortfall will decrease.
75. Should the unauthorised expenditure however not be approved with funding it could result in a shortage of available funds to implement planned activities, programs and projects in the future. The department should therefore continue in their efforts to obtain the necessary approval.
76. The major underspending was on consultants (Business and advisory), agency and support (outsourced services) and travel and subsistence, this is a positive indicator and could be as a result of effective cost containment measures.

PROCUREMENT AND CONTRACT MANAGEMENT

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

Irregular expenditure

78. R11 510 928.04 (100%) of irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. 100% (100% in the prior year) of this irregular expenditure was identified during the audit process and not detected by the department's monitoring processes. The root cause of the lack of effective prevention and detection are inadequate review and monitoring of compliance with SCM processes and requirements.

Employees doing business with the state

79. Regulation 13(c) of the Public Service Regulations of 2016 prohibits employees of departments from doing business with the state from 1 August 2016. The transitional provisions of the regulations require that the following actions must be taken by 1 February 2017 in relation to those contracts that were awarded before 1 August 2016:

An employee shall:

- cease conducting business with the organ of the state;
- resign as an employee; or
- resign as a director of a company that conducts business with an organ of state or resign as an employee.

80. Furthermore, section 30(1) of the Public Service Act of 1994 states, "No employee shall perform or engage himself or herself to perform remunerative work outside his or her employment in the relevant department, except with the written permission of the executive authority of the department."

83. The table below provides a summary of findings on employees doing business with the state. These findings amount to contravention of the Public Service Code of Conduct, which must be investigated and action taken in accordance with the provisions of the Public Service Act.

	Employees doing business with the department	Employees doing business with other organs of state
1. Contracts secured after 1 August 2016		
a. Number of employees	0	3
b. Number of contracts/quotations	0	3
c. Value of contracts	0	235 993
2. Ongoing contracts awarded before 1 August 2016 – where no action was taken to dispose of the interest		
a. Number of employees	0	0
b. Number of contracts/quotations	0	0
c. Value of contracts	0	0
3. Number of employees performing other remunerative work without approval	0	3

Procurement processes

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

	Total		Quotations (below R500,000)		Competitive bids (over R500,000)	
	Number	Value R	Number	Value R	Number	Value R
Awards selected for testing	36	R25 046 190	20	R3 957 133	16	R21 089 057
Expenditure incurred on selected awards – current year		R24 453 569		R3 364 512		R21 089 057
Awards on which non-compliance was identified	1	Relates to Panel	0	R0	1	Relates to Panel

Procurement processes – general

- 1 tenderer that failed to achieve the minimum qualifying score for functionality as indicated in the tender invitation was appointed onto a panel. No expenditure has been incurred against the tenderer.
- 1 tender was awarded without following the proper procurement process. The deviation for the specific supplier was not approved by the delegated officials.

Internal control deficiencies

82. The accounting officer did not in some instances exercise oversight responsibility of reporting and compliance with laws and regulations and internal control.

83. Reviewing and monitoring of compliance with applicable laws and regulations was insufficient and not properly monitored in some instances.

FRAUD AND CONSEQUENCE MANAGEMENT

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

Measures to manage consequences

87. The following measures were not implemented to ensure that the environment is conducive to effective consequence management:
- There was a lack of proper record keeping to ensure that complete, relevant and accurate information is accessible and available to support the processes followed for financial misconduct/ transgressions committed by officials and suppliers of the auditee.

Ongoing investigations

88. A total of 2 investigations were ongoing at year-end into allegations relating to improper conduct in SCM. Some of these investigations have been ongoing for a period exceeding 12 months. The table below provides a summary of investigations which had not been completed as at year-end:

Total number of ongoing investigations as at year-end	2
• Number of SCM-related investigations	2
• Number of fraud-related investigations	0
Number of investigations exceeding a period of six months	2

VALUE ADD MATTERS

Management and delivery of expanded public works programme

89. The audit included obtaining an understanding of the expanded public works programme in the estimates of national expenditure (ENE) and the key projects that support the programme.
90. We report on the management and delivery of this key programme to demonstrate the importance of transparency and accountability for government spending. Plans and budgets as included in the ENE should translate into service delivery through good financial, performance and project management, supported by the fair and transparent procurement of goods and services. The department should also report in a credible and transparent manner on how the money was spent and the successes and failures of the funded programme.
91. The table below summarises the audit findings on the expanded public works programme:

Brief description of programme	Coordinate the implementation of the expanded public works programme, which aim to create work opportunities and provide training for unskilled, marginalised and unemployed people in South Africa.
Name of grant	Expanded Public Works Programme
Available budget for the year (Grant amount available for the year)	1 472 615 000,00
Actual amount spent in the current year	1 472 615 000,00
Key performance indicator and target for the year	Number of work opportunities reported in the EPWP-RS by public bodies
Audit findings	
Overspending or underspending on budget available for current year	No findings noted
Findings identified on accounting for the project (annual financial statements)	No findings noted
Findings on key performance indicator and target	<ul style="list-style-type: none"> • Work opportunities created were not reported on EPWP-RS • Non-submission of attendance register / proof of payment • Beneficiaries listed on EPWP-RS not employed on project
Money spent for its intended purpose	No findings noted

Findings on unauthorised expenditure as result of overspending (if applicable)	No findings noted
Findings identified on grants management (if applicable)	No findings noted
Findings identified on fraud	No findings noted

92. The following are the exceptions noted and brought to the attention of management as risk areas for follow up:

Test	Number of records in the final	Prior year records
Beneficiaries have invalid ID numbers	0	65
Beneficiaries wages less than R88,00 per day	33 366	6 043
Beneficiaries with the Persal number	282	74 161
Deceased beneficiaries	0	116
Beneficiaries older than 65 years old	9 788	18 259
Beneficiaries worked more days than allowed	23 088	Not done

93. **No identity numbers (ID's) and invalid identity numbers** – In the current financial year, we noted that there were no beneficiaries reported on the system with invalid ID numbers.

94. **Minimum wage** – We identified 33 366 beneficiaries who were paid a wage below the minimum wage of R88 per day in the current year (2016/17: 6 043). This represents non-compliance with the new ministerial determination issued by the Department of Labour and also the department might not comply with minimum wage regulation which is due to the implemented in the next financial year.

95. **Employees on PERSAL** – We identified 282 beneficiaries who are included on PERSAL system as being permanent employees in the current year (2016/17: 74 161). We are highlighting this matter for the department to ensure that the beneficiaries paid are not permanent employees of any public bodies.

96. **Deceased beneficiaries** – in the current financial year, we noted that there were no cases of beneficiaries reported as deceased but still worked on EPWP. The EPWP RS is fully integrated with the Home Affairs to check on the deceased participants. All the EPWP participants are verified at the point of entry into the system and there is also a continuous verification that is established through a live link with the Department of Home Affairs

97. **Beneficiaries over the age 65** – We identified 9 788 beneficiaries who are persons of pensionable age in the current year (2016/17: 18 259), providing them with jobs does not count

towards reducing the rate of unemployment in the country or alleviation of poverty as those beneficiaries are already receiving grants, denying such an opportunity to the unemployed people who are not receiving any form of a grant.

98. **Beneficiaries working more days than allowed** – The number of beneficiaries who worked more than expected days are 23 088 in 2017/18, we are highlighting this matter for the department to investigate as some of the beneficiaries worked more than 260 days, which is more than expected working days.

Public Works sector matters related to EPWP

99. Below is the summary of the audit outcome per provincial public works

Province	New indicator included in APP for 2017/18 as per ministerial request	Opinion on EPWP Indicator per province	Material findings identified by National auditors where new indicator not included
Gauteng	No	In progress	Yes
Mpumalanga	Yes	In progress	Not applicable
Eastern Cape	Yes	Qualified	Not applicable
Northern Cape	Yes	Disclaimer	Not applicable
Western Cape	Yes	Unqualified	Not applicable
Limpopo	No	Adverse	Yes
Free state	No	In progress	Yes
North West	No	Disclaimer	Yes
Kwazulu Natal	No	Qualified	Yes

100. The table above indicates that the issues identified in reporting on work opportunities are prevalent in all departments within the public works sector. For the six provinces that we received feedback for before the date of this report, five had reported negative audit outcomes with only the Western Cape obtain an unqualified audit outcome in this regard.

101. In the course of our audit work performed, certain key matters have come to our attention. As part of our procedures we reviewed the Annual Performance Plans (APP) for all departments within the Public Works sector and noted the following:

- Only four provincial departments in the sector Public Works included the performance indicator "Number of work opportunities reported in the EPWP-RS by public bodies aligned to the approved EPWP Phase III Business Plan targets" as per ministerial request for the 2017/18 financial year.
- The customised indicator document published by the Department of Planning Monitoring and Evaluation was not updated to include the new indicator for the 2017/18 and 2018/19 financial years.
- The guidance provided to the provincial departments, regarding which work opportunities created in each respective province are required to be reported, was not adequately clear.

The table below illustrate the overall work opportunities created for the 2017/18 financial year:

Province	Targeted Work Opportunities excluding National	Work Opportunities Created including National	Percentage of work opportunities including National

Province	Targeted Work Opportunities excluding National	Work Opportunities Created including National	Percentage of work opportunities including National
Limpopo	84 841	94 498	10%
North West	57 700	51 158	6%
Northern Cape	28 377	44 599	5%
Mpumalanga	60 222	72 017	8%
Free state	49 282	53 613	6%
Eastern Cape	109 013	167 122	19%
Gauteng	130 947	97 034	11%
Kwazulu-Natal	181 117	217 843	24%
Western Cape	82 973	102 350	11%
TOTAL	784 472	900 234	100%

The work opportunities above were created by the different levels of government as follows:

Province	Work Opportunities Created	Percentage
National departments / entities	321 613	36%
Provincial departments / entities	373 428	41%
District municipalities and metros	111 958	12%
Local municipalities	93 235	10%
TOTAL	900 234	100%

102. Our analysis of the figures above noted the following:

- A significant portion of work opportunities are reported only by the national department of public works thus it is their responsibility to ensure these reported work opportunities are valid, accurate and complete. During the audit we noted similar findings noted at national level as those identified at municipal and provincial projects where the work opportunities created are not valid, accurate and complete.
- The majority of the work opportunities are created by provinces; however, the controls to ensure that all work opportunities reported are accurate and valid are not adequate.
- District municipalities, metros and local municipalities are under reporting on work opportunities created. This is consistent with the findings that have been raised that there are no adequate controls to ensure that all work opportunities created are reported.

103. Based on the audit of the EPWP projects across the country in the audit of the current year, issues similar to those previously identified were noted to have recurred in the current period, including inter alia the following repeat findings:

- Since the commencement of the audit of performance information we consistently had challenges with verifying the reliability of reported performance of this programme. This is attributable to two factors: inadequate records management and retention by implementing bodies.
- Based on the audit of the EPWP projects across the country, we were unable to obtain sufficient supporting documentation to substantiate the creation of work opportunities reported for a large number of the projects in our sample. Additionally, in several instances where we eventually obtained information, this was not immediately retrievable and had to be submitted to the audit team subsequent to a finding having been raised.

- We noted that some beneficiaries who were reported in the current year did not participate on any EPWP projects in the current financial year.
- The department remedial actions in place for public bodies not reporting work opportunities created for the period or non-compliance by the public bodies does not achieve desired results as we noted persistent non-compliance by public bodies.

Additionally, in several instances information was not immediately retrievable and had to be submitted to the audit team subsequent to a finding being raised. The problems identified above were noted to have occurred in the majority of the provinces visited thus far.

We also assessed the commitments that were made in the prior period:

No	Commitments	Status
1	Regular site visits by the national department to the public bodies receiving grant funding	We noted that the department increased the number of site visits from 881 in the prior period to 1 198 visits in the current period; however, this intervention did not appear to have the desired impact as similar issues have recurred.
2	The improvement of the Expanded Public Works Programme Integrated Grant template to ensure that proper records which support the reported job opportunities created are consistently maintained.	Template was only amended in 2018/19 financial year
3	The portfolio committee committed to monitor the action plan on a quarterly basis to make certain that it has the desired impact of improving the management and reporting of the expanded public works programme achievements.	Quarterly reports were submitted to the Portfolio committee meeting.

104. It is recommended that the department takes drastic steps to ensure that sufficient and appropriate documentation is available at implementing bodies before the next audit commences. The following recommendations should be considered:

- The department should enhance the procedures performed during visits to the public bodies to ensure that this intervention has the required impact on weaknesses identified.
- Management needs to implement recommendations by internal audit to ensure that information reported in quarterly reports and eventually the annual report is reliable.
- Instituting procedures where minimum documentation, e.g. attendance registers and payment registers, must be verified prior to the pay-out of the final tranche. The implementing bodies must also be compelled to retain these documents for a minimum period after completion of the project.
- The department should engage the national Treasury and major public bodies contributing to the work opportunities about the possibility of including non-compliance clause.
- The department should ensure that the new EPWP indicator "Number of work opportunities reported in the EPWP-RS by public bodies aligned to the approved EPWP Phase III Business Plan targets" is published on the customised sector document to ensure compliance by all provincial department

INTRODUCTION

105. EPWP (Expanded Public Works Programme) is a flagship programme for the Department of Public Works. The EPWP programme was introduced in 2004 as one of the measures to reduce the negative impacts of high and persistent levels of unemployment and alleviate poverty. The aim of the programme was to provide the unemployed with short to medium term work opportunities. Training of EPWP beneficiaries was indicated in the Department of Public Work's strategic plan (2015-2020) as a critical component of EPWP.
106. The Code of Good Practice for employment and conditions of work for EPWP states that "Recognizing the acquisition of skills either through accredited or experiential training forms an integral part of the EPWP". The EPWP is in its third phase which was to be implemented over the five-year period from the 2014/15 to 2018/19 financial years, with the aim of creating 6 million work opportunities and 2.5 million full time equivalent (FTE) by the end of the period."
107. The phase 3 social sector plan highlights training and capacity building as key components of care-based work. In Phase 3 the social sector has committed to ensuring that training, capacity building and career pathing are significantly scaled up. A dedicated training budget was set apart and sector training needs identified which are more structured, coherent and comprehensive. The main objective of the EPWP Phase III is to provide work opportunities and income support to poor and unemployed people through the labour –intensive delivery of public and community assets and services, thereby contributing to development". Another objective for the EPWP is to provide the unemployed people with education and skills development programmes within the first five years of the programme".

AUDIT APPROACH

108. The value-add audit focused on the EPWP Social Sector programmes namely the home community based care (HCBC). Two projects with the duration between 10 and 12 months were selected in Mpumalanga and Limpopo. The following projects were visited:

Mpumalanga

- Tjakastad Home based care
- Ronaldsey community home based care

Limpopo

- Pholosang-Lekhureng community based care
- Bahlabane community based

WHAT WE FOUND

109. The audit team found that there was no formal training provided to beneficiaries in all centres visited, it was confirmed that on-job training, mentoring and coaching are offered to home-



based care EPWP beneficiaries. However, the informal training provided to beneficiaries is not recorded and captured to assist beneficiaries to build work-based portfolio of evidence that can be used for recognition of prior learning. The informal nature of the training offered to beneficiaries and the non-recognition of the skills they had acquired in the programme resulted in them not having evidence of the skills they possess.

110. The reason for non-recording of on-job training and other informal training is linked to the fact that there is no requirement from the Department of Public Works for implementing agencies to plan, monitor and report on both formal and informal training offered to EPWP beneficiaries.

RECOMMENDATIONS

111. It is recommended that the Department of Public works provide a directive for all its implementing agents to plan, monitor and report on both formal and informal training to improve the chances of beneficiaries getting employment beyond EPWP through portfolio of evidence leading to recognition of prior learning. This could be achieved as follows:
- Record and recognize in-service training through certification, testimonials by supervisors and compilation of portfolio of evidence by beneficiaries.
 - The EPWP training unit should offer guidance and support to implementing agents to plan, monitor and report on the training and skilling of EPWP beneficiaries.

MANAGEMENT COMMITMENT

112. EPWP management committed to intervene with EPWP implementing public bodies and will issue as a directive, a circular on recognition of EPWP participants training across all EPWP sectors as a control measures.

SECTION 5. Using the work of internal audit

113. The auditing standards allow external auditors the optional use of the work of internal audit for external audit purposes and for direct assistance. We have used internal audit as follows:
- For risk identification the following internal audit reports were considered:
 - Q3 and 4 AOPO report
 - Follow up audits DPW and PMTE
 - IT Follow up – Computer Audit
114. In line with the AGSA's drive to bring about efficiencies and improve combined assurance, the external and internal auditors have had continuous engagements in order to find a way to work closer in the forthcoming financial year

SECTION 6: Emerging risks

Accounting, performance management/reporting and compliance matters

New legislation

Treasury Regulations

115. The treasury regulations are currently being revised, which may introduce a number of new requirements once effective.

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

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

- **Presentation and disclosure – Overall presentation:**

- Overall presentation of the performance information in the annual performance report is comparable and understandable

- **Relevance – Completeness of relevant indicators:**

- Completeness of relevant indicators in terms of the mandate of the auditee, including:
 - relevant core functions are prioritised in the period under review
 - relevant performance indicators are included for the core functions prioritised in the period under review

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

SECTION 7: Entities controlled by the department

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



Name of entity	Audit outcome			Significant deficiencies in internal control					
	Financial statement opinion	Findings on the performance report	Findings on compliance	Leadership		Financial and performance management		Governance	
				Assessment	Movement	Assessment	Movement	Assessment	Movement
Property Management Trading Entity	In progress								
Construction Industry Development (CIDB)	Unqualified with findings	Yes	Yes						
Council for the Built Environment (CBE)	Unqualified	No	No						
Independent Development Trust (IDT)	In progress								
Agrément South Africa (ASA)	Unqualified with findings	Yes	Yes		N/A		N/A		N/A

	Improved		Unchanged		Regressed
	Good		Concerning		Intervention required

SECTION 8: Ratings of detailed audit findings

119. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:

- **Matters to be included in the auditor's report:** These matters should be addressed as a matter of urgency.
- **Other important matters:** These matters should be addressed to prevent them from leading to material misstatements of the financial statements or material findings on the performance report and compliance with legislation in future.
- **Administrative matters:** These matters are unlikely to result in material misstatements of the financial statements or material findings on the performance report and compliance with legislation.

SECTION 9: Conclusion

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

Yours faithfully



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