



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

---

# INTERIM MANAGEMENT REPORT

**Department of Public Works and Infrastructure**

**31 March 2022**

**Communicated to the accounting officer on: 15 April 2022**



# INTERIM MANAGEMENT REPORT

Department of Public works and Infrastructure

31 March 2022

Discussed with the accounting officer on: 15 April 2022

## CONTENT

INTRODUCTION .....	3
OVERALL MESSAGE.....	4
SECTION 1: Interactions with stakeholders responsible for oversight and governance.....	5
SECTION 2: Status of the audit of pre-determined objectives .....	6
PROGRAMME 3: EXPANDED PUBLIC WORKS PROGRAMME .....	6
SECTION 3: Status of compliance with legislation .....	8
PROCUREMENT AND CONTRACT MANAGEMENT .....	8
EXPENDITURE MANAGEMENT .....	<b>Error! Bookmark not defined.</b>
CONSEQUENCE MANAGEMENT .....	8
SECTION 4: Status of the Audit of Annual financial statement.....	10
GOODS AND SERVICES .....	9
SECTION 5: Internal controls.....	10
KEY MATTERS FOR ATTENTION .....	<b>Error! Bookmark not defined.</b>
SECTION 6: Material irregularities .....	13
STATUS OF IMPLEMENTING COMMITMENTS AND RECOMMENDATIONS ..	13
SECTION 7: Status of implementation of commitments and Recommanations .....	16
SECTION 8: Ratings of detailed audit findings .....	16
SECTION 9: Conclusion .....	16
SECTION 10: Summary of detailed audit findings.....	17
DETAILED AUDIT FINDINGS:.....	19

## INTERIM MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE DEPARTMENT OF PUBLIC WORKS AND INFRASTRUCTURES FOR THE YEAR ENDED 31 MARCH 2022

### 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 is provided to make it easier for the auditee to consider and correct the audit findings arising from the audit of the financial statements, performance information and compliance with legislation that have come to our attention to date. We will provide a final management report following the completion of the audit after year-end.

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

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

#### Audit of Financial statements

- Goods and Services

#### Audit of predetermined objectives

- Programme 3: Expanded Public Works Programme (EPWP)

#### Audit of compliance with legislation

- Procurement and contract management
- Expenditure management
- Consequence management

#### Material irregularities

- Follow up on action plans implemented by the accounting officer to address the prior year MIs.

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<sup>1</sup> 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.

## OVERALL MESSAGE

6. The department received an unqualified audit opinion with findings in the prior year. The qualification was on **performance information** where both Programme 3 – EPWP and Programme – Construction management were qualified. The department developed action plans to address internal and external EPWP audit findings, however based on the outcomes of the interim audit, the action plans have not been effective. Management did not monitor adherence to the plans in a timely manner to address the issues reported in the prior year audit. No audit work was done on Programme 08 – Construction management.
7. During the period covered in this report, it has been noted that in certain instances the department did not implement the internal controls in relation to expenditure for goods and services effectively to ensure compliance with applicable legislation, as there was a non-compliance noted where payments were not made within 30 days in line with Treasury Regulation 8.2.3.

In relation to the audit of **procurement and contract management**, management implemented the contract, tender and quotation registers, however the registers were not completed at all times and were inaccurate as quotations for the department were recorded as if they were procured by the trading entity and vice versa thus resulting in audit inefficiencies.

8. With regards to **consequence management** of the Department, on-going investigations into allegations identified in the prior years were finalised and recommendations are currently under implementation in the current year. However, the period it takes to get the recommendations to be approved by the Director General is concerning after the investigations have been finalised as this impacts the timeous response from management to implement the recommendations.
9. Management made progress in implementing action plans to address prior year audit findings on areas relating to information technology (IT) governance. However, there are still areas of concerns requiring attention. The ICT focus areas relating to user access management, security management and IT service continuity still require improvement. As previously reported, we still noticed some vacancies around key ICT positions. This resulted in capacity constraints, which was evident in slow progress to address prior year's findings.

The lack of implementing basic IT security and user access controls could further lead to unauthorised users gaining access to systems, resulting in data being compromised, denial of service attacks or data integrity issues and consequently overall disruption to business processes.

## SECTION 1: INTERACTIONS WITH STAKEHOLDERS RESPONSIBLE FOR OVERSIGHT AND GOVERNANCE

10. 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 reviews of the department:

Key stakeholder	Purpose of interaction	Number of interactions
Portfolio committee on Public Works and Infrastructure	Meeting to share the audit outcomes and present the BRRR	1
Standing committee on public accounts	Audits outcomes of DPWI portfolio over (5) Years	1
Minister of the Department of Public works and Infrastructure.	2021-22 Status update on Material irregularities	1
Acting Director General ( Imtiaz Fazel)	2021-22 Status update on Material irregularities	1
Audit committee	To discuss governance and oversight	2

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

- Audit engagement letter with specific emphasis on the roles and responsibilities of the auditor and management as well as those charged with governance.
- Overall audit strategy including the proposed nature, timing, and extent of audit procedures to be performed.
- PAA Amendments with the focus on progress made in addressing the material irregularities reported in the prior year.
- Some stakeholders made commitments to implement initiatives that can improve the audit outcome.

## SECTION 2: STATUS OF THE AUDIT OF PRE-DETERMINED OBJECTIVES

### PROGRAMME 3: EXPANDED PUBLIC WORKS PROGRAMME

12. The audit included the assessment of reported achievements for the expanded public works programme for reliability i.e. validity, accuracy and completeness. The results of these tests are shown in the table below and are communicated to management to assist in the finalisation of the annual performance report to be submitted at year-end.

13. The assessment outcomes of the programme are as follows:

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

Programme	Prior Period Opinion	Movement	Status	Key findings raised
Programme 3: Expanded Public Works Programme	Qualified	▶		We identified key findings similar to the prior year, where reported achievements were not adequately supported by valid and complete source information as well as instances of limitation of the scope
Programme 8: Construction project management	Qualified	▶		The programme did not form part of the interim audit.

14. We audited 39 projects at various public bodies around the country to determine whether the action plans put in place were effectively implemented. Summary of the findings from the audit of Programme 3: Expanded Public Works Programme are as follows:

Findings	Total indicator opportunities' sampled	Total misstatements identified	Percentage non-compliance
<b>Participants reported on the EPWP-RS system not supported by Portfolio of Evidence</b>			
Job work opportunity	60	10	17%
Female work opportunity	60	7	12%
Disabled work opportunity	60	60	100%
Youth work opportunity	60	11	18%
<b>Participants supported by Portfolio of Evidence and not reported on EPWP-RS system</b>			
Job work opportunity	60	35	58%
Female work opportunity	60	25	42%
Disable work opportunity	60	3	5%
Youth work opportunity	60	23	38%

15. As depicted on the table above it is concerning that in the current year each indicator is subject to both over-reporting and under-reporting findings. These results are an indication that within the department preventative controls ought to be enhanced by strengthening the verification, review and monitoring processes such that all work opportunities created from projects implemented are recorded in a manner that enables usefulness and reliability of reported performance information. Failure to address and prevent poor record keeping of the number of work opportunities created from projects implemented by the department and its implementing agent may continue to be a hindrance to the department in achieving the desired audit outcomes.
16. Further to the above, an additional finding was raised with regards to a limitation of scope in the Gauteng region for the following **Public Body: City of Johannesburg Metro, Project Name: Riverside/ Diepsloot Housing Development 2020/21**. Even though, ID copies were received for some participants however proof of payments and attendance registers remain outstanding for all 267 opportunities reported.

## SECTION 3: STATUS OF COMPLIANCE WITH LEGISLATION

### PROCUREMENT AND CONTRACT MANAGEMENT

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

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

Compliance area	Status	No. of issues identified	Key findings
Procurement and contract management		1	Request for quotation did not specify the minimum threshold for local production as prescribed in the relevant NT Instruction Notes.
Expenditure Management		2	Payments to suppliers not made within 30 days of invoice receipt
Consequence management		0	The basics are in place as no concerns were identified.

#### Procurement and contract management

20. During the audit of procurement, a request for quotation was identified for an award with a total value of R25 280 that did not specify the minimum threshold for local production for face shields as prescribed in line with National Treasury Instruction No.11 of 2020/21. Therefore, resulting in an irregular expenditure of R25 280 being incurred in the current financial year because of the contravention of SCM legislation. The stated irregular expenditure was identified by the audit process and was not included in the auditees disclosure note for irregular expenditure. The irregular expenditure schedule should therefore be updated.

#### Expenditure Management

21. There was a non-compliance noted where payments were not made within 30 days in line with Treasury Regulation 8.2.3. for two invoices with a total amount of R1 038 677

#### Consequence management

22. The PFMA and its regulations clearly stipulate that matters such as incurring unauthorised, irregular as well as fruitless and wasteful expenditure, the possible abuse of the SCM system (including fraud and improper conduct) and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of the investigations. Our audits included an assessment of the Department's management of consequences.





23. Appropriate actions were taken in implementing the recommendations provided within the investigations finalised into allegations and irregularities that were identified. An improvement was noted on the status of investigations that were on-going in the prior financial year, However, the period it takes to get the recommendations to be approved by the Director General is concerning after the investigations have been finalised as this impacts the timeous response from management to implement the recommendations. Therefore, management can improve with regards to their timeous response in implementing the recommendations.

A total of 5 (Five) investigations are currently ongoing relating allegations of financial misconduct and Fraud. Some of these investigations have been ongoing for a period exceeding 12 months. The PFMA treasury regulation requires that at completion of an investigation, disciplinary proceedings be held. A total of 11 (eleven) investigations were completed during the current year.

## SECTION 4: STATUS OF THE AUDIT OF ANNUAL FINANCIAL STATEMENTS

### GOODS AND SERVICES

24. Based on the interim audit performed on Goods and Services, no material misstatements were identified from the selected sample of transactions tested.

## SECTION 5: STATUS ON INTERNAL CONTROLS

### INTERNAL CONTROLS

#### Leadership

##### Information technology governance framework

Information technology governance was found to be inadequately designed and implemented with the following internal control deficiencies to be considered by management:

25. The ICT structure was approved on 30 September 2016, the Minister requested a re-configuration of the ICT structure to be align to the new mandate of DPWI. 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.

Management failed to meet key performance indicators (KPIs) as per the Annual Performance Plan (APP) due to dependencies on other parties which were not initially considered when committing to the KPIs. Furthermore, due to delays in procurement by the department.

#### Financial and performance management

##### Daily and monthly processing and reconciling of transactions

26. Management implemented the contract, tender and quotation registers, however, these registers were not complete at all times and sometimes were in accurate as quotations for the trading entity were recorded as if they were procured by the department and vice versa thus resulting into audit inefficiencies.

##### Compliance monitoring

27. Management's processes to ensure compliance with laws and regulations were not effective in ensuring that payments are made within 30 days. There were payments which were not paid within 30 days of invoice receipt.

##### Performance management

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

##### Human resource management

29. There is a high vacancy rate (above 10%) for the DPWI on an overall basis and including key management. The vacancy rate also remained stagnant at 15% from the prior year for the overall basis. It is however noted that filling of key management positions has improved significantly by 29,5%.

##### Information technology systems



- IT controls pertaining to service continuity, security management, user access management and change control management were not effectively designed and implemented due to the following key internal control deficiencies:
- IT controls relating to Service Continuity were not effectively designed and implemented due to the challenges with replication at CGO, Cape Town, and SITA to DR because of bandwidth limitations. Also, ICT has not managed to get a new backup and recovery solution that will address the issue on testing.
- The review of administrator activities on AD was not performed due to resource constraints within the ICT function.
- Management did not in all instances implement proper record keeping of reviews of user access rights and system administrator's activities on Reapatala and EPWP systems in a timely manner to ensure that complete, relevant, and accurate information is accessible and available to support Information Systems Audit reporting.
- The deficiencies relating to security management controls could be attributed to a lack of capacity from a skills and technology perspective within the department to ensure that adequate security control measures are implemented and consistently performed.

## SECTION 6: STATUS ON MATERIAL IRREGULARITIES

### MATERIAL IRREGULARITIES

30. In accordance with the PAA and the material irregularity regulations, we have a responsibility to report on material irregularities identified during an audit and on the status of material irregularities reported in the previous year.
31. We have notified the accounting officer of material irregularities identified during the audit and the actions the AGSA will take with regard to these material irregularities. We also assessed the progress made in resolving the material irregularities reported in the previous year.

#### Status of previously reported material irregularities

##### State funerals - Price and quantity variances pertaining to to the funeral related expenditures

The investigation was finalised and a report was submitted to the Department on 29 March 2019.

The executive authority of DPWI, acting accounting officer and the executive authority in the office of The Presidency are taking disciplinary actions against the officials found responsible. However, the disciplinary processes are taking longer due to court cases levelled by the implicated officials against the departments.

The accounting officer opened a criminal case with the South African Police Service (SAPS) on CAS 792/3/2020 against the service provider and notified the supplier of the intention to prohibit the supplier from doing business with the state. A request was subsequently received from the service provider wherein they requested a three-month extension to submit their representations. This request is now being addressed by the Restriction Committee, who will advise the Accounting Officer accordingly.

An investigation by the Special Investigating Unit (SIU) on the matter commenced in 2021, with the plan to institute civil claim against the supplier based on the outcome of the investigation and the contract with the supplier was terminated in the prior year.

I will continue to follow up on the implementation of the planned actions during the final audit of 21-22 financial year.

#### **State Events - Expenditure on state events exceeded contracts amounts**

The Accounting Officer was notified of the MI on 03 September 2020 and the appropriate actions committed in response to the notification (Investigate the expenditure into state events, quantify the full quantum of the likely financial loss, identify responsible officials and initiate the process to recover the financial loss) have not been implemented within reasonable time based on the evidence of progress made per the communication received from the accounting officer dated 07 May 2021.

It was recommended in the 2020/21 audit report that the accounting officer should take the appropriate actions to address the material irregularity, which should be implemented by 3 February 2022.

The written responses and substantiating documents were received on the 4 February 2022, 2 March 2022 and 16 March 2022 respectively, on the implementation of recommendations included in the audit report in terms of section 20(4) of the Public Audit Act, 25 of 2004 read together with the Material Irregularity Regulation 4(3). The AGSA has and have concluded that appropriate actions have been taken to address the material irregularity. The audit team will continue to follow up on the progress with the actions taken in subsequent audits.

## SECTION 7: STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS

### STATUS OF IMPLEMENTING COMMITMENTS AND RECOMMENDATIONS

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

No.	Commitment	Made by	Auditors assessment
1	<ol style="list-style-type: none"> <li>1) Regular reminders to be sent to units with invoices approaching the 30 days and issue letters for units to account on why they failed to pay invoices within 30 days.</li> <li>2) Consequence management to be taken against individuals who did not respond to the letters issued.</li> <li>3) Negotiation of payment terms with suppliers in instances where payments cannot be made timeously</li> </ol>	Azwihangwisi Negota	<p>Action(s) Partially Implemented</p> <p>Instances of invoices not being paid within 30 days identified during the Interim period</p>
2	<ol style="list-style-type: none"> <li>1) Review receivables impairment circular in line with the latest Modified Cash Standards and Accounting Manual for Department.</li> </ol>	Azwihangwisi Negota	Action(s) Not yet implemented
3	<ol style="list-style-type: none"> <li>1) Develop EPWP coordination indicators for 2022/23 DPWI APP and submit them to GRC.</li> <li>2) Provide monthly reports of valid EPWP participants to reporting public bodies for reconciliation against their records.</li> <li>3) Provide support to the following branches that report EPWP work opportunities in the system by checking the projects implemented by DPW: <ul style="list-style-type: none"> <li>• PM/FM/Prestige or any other Branch - 60 projects</li> <li>• Metropolitan municipalities - 120 projects,</li> </ul> And forwarding escalation letters from DG: DPWI addressed to non-compliance for actions by the relevant branches. </li> </ol>	Mr. Tjaart van der Walt	<p>Action(s) Partially Implemented</p> <p>Prior year issues identified during Interim audit</p>
4	<ol style="list-style-type: none"> <li>1) All Deviations to follow proper authorisation from applicable SCM Committees before approval by DG.</li> <li>2) Deviation registers to be maintained on a monthly basis (Separate deviation register for bids and deviations for quotations to be declared as such in the quotation register).</li> <li>3) All applicable deviations to be reported quarterly to National Treasury.</li> </ol>	Xolani Makhonco	Action(s) Partially Implemented

5	<ol style="list-style-type: none"> <li>1) All Local Content and Production tenders awarded in 2020/21 accompanied by certificate of compliance and completeness (COCC to be reported to DTI by end of September by end of September 2021 by all offices to the DTI.</li> <li>2) Proof of acknowledgement of reporting must be obtained from the DTI and sent back to the reporting office for filing.</li> <li>3) Compliance of reporting of Local contents must be verified against both the consolidated Quotations Register and Bids Awarded Register (War Room Report.) by the DD: Acquisition - Infrastructure. And a Management dashboard of compliance must be tabled on weekly meetings.</li> <li>4) Training on Local Production and Content to be embarked on and rolled out to all Regional Offices and Head Office including Line Function stakeholders.</li> </ol>	Xolani Makhonco	<p>Action(s) Partially Implemented</p> <p>Local content issues identified during the Interim audit</p>
6	<ol style="list-style-type: none"> <li>1) Heads of SCM and Acquisition Directors to complete and submit COCC as well as confirming due diligence has been done in reviewing the registers and reports for completeness, accuracy and compliance in all material respects on a monthly basis.</li> <li>2) A SCM Top Management Dashboard summarising all compliance issues at every stage of the SCM process using the Milestone Monitoring Tool must be compiled by the relevant senior and middle managers and submitted/presented to the DDG: SCM Management Meeting on a monthly basis.</li> </ol>	Xolani Makhonco	<p>Action(s) Partially Implemented</p> <p>Issues relating to inaccurate registers identified during the Interim audit</p>

7	<ol style="list-style-type: none"> <li>1) To publish bid adverts and bid awards on all platforms namely: National Treasury eTender Publication Portal and Government Tender Bulletin/Government Printing Works, CIDB iTender in response to AGSA findings, and keep evidence of publishing for record purposes, corrective measures to be taken against any non-compliance identified.</li> <li>2) Keep screen prints in the relevant contract file for audit trail to be produced on demand by the AGSA or IA in cases where the system on publishing platforms is not available.</li> <li>3) Communication with the Circular on system challenges to be attached in all the files until such time both systems are operational.</li> <li>4) All relevant SCM Practitioners must complete the NT application forms to be registered on the new/upgraded NT e-Tender Publication Portal.</li> <li>5) All bid adverts, registers of bids received, bid awards, cancellations and contract information must be captured in the DPWI website, NT e-Tender Publication Portal, CIDB I-Tender Portal/Register of Contracts and the Government Tender Bulletin.</li> <li>6) COCC must be completed, captured in the Management Dashboard for the above actions/milestones to be tabled in weekly meetings.</li> <li>7) Non-compliance by any official to the above will be followed up with consequence management over and above the requisite corrective measures being implemented.</li> </ol>	Xolani Makhonco	Action(s) Partially Implemented
---	---	-----------------	---------------------------------

## SECTION 8: RATINGS OF DETAILED AUDIT FINDINGS

1. For purposes of this report, the detailed audit findings included in annexures A 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 and compliance with legislation.

## SECTION 9: CONCLUSION

- The matters communicated throughout this report relate to the three fundamentals of internal control that should be addressed to achieve sustained clean administration. Our staff remain committed to assist 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

Corne Myburgh

Business Executive: National A

Enquiries: Siyabonga Hlongwana

Telephone: 078 228 7140

Fax: 012 422 9619

Email: SiyabongaH@agsa.co.za

**Distribution:**

Audit committee

Head of internal audit unit

Executive authority



## SECTION 10: SUMMARY OF DETAILED AUDIT FINDINGS

Page no.	COAF number	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		
AUDIT OF PREDETERMINED OBJECTIVES												
	COAF 01 - EPWP	EPWP - Gauteng Region - Misstatement of reported performance		X				X			4	No Movement
	COAF 02 - EPWP	Gauteng Province Limitation of scope - Misstatement of reported performance		X				X			0	N/A
	COAF 03 - EPWP	EPWP Mpumalanga Province - Misstatement of reported performance		X				X			4	No Movement
	COAF 04 - EPWP	EPWP Limpopo Province - Misstatement of reported performance		X				X			4	No Movement
	COAF 05 - EPWP	EPWP KZN Province - Misstatement of reported performance.		X				X			4	No Movement
	COAF 06 - EPWP	EPWP Eastern Cape Province - Misstatement of reported performance		X				X			4	No Movement
AUDIT OF COMPLIANCE WITH LEGISLATION												
	COAF 07 - HO	Procurement of goods and services through quotations: Local content with no stipulated thresholds			X			X			0	N/A



	COAF 08 - HO	Payments not made within 30 days			X			X			0	N/A
<b>FINDINGS RELATING TO THE INFORMATION SYSTEMS AUDIT</b>												
<b>INFORMATION TECHNOLOGY GOVERNANCE</b>												
	COAF 01 - ISA	Vacant positions within information and communication (ICT) division				X			X		5	In progress
	COAF 01 - ISA	Information Communication Technology projects for 2020/21 were not achieved				X			X		3	In Progress
<b>USER ACCESS MANAGEMENT</b>												
	COAF 01 - ISA	Active directory (AD) administrator activities not monitored				X			X		4	In Progress
	COAF 01 - ISA	Inadequately implementation of user access management controls around Reapatala				X			X		4	In progress
	COAF 01 - ISA	Inadequate implementation of user access controls on EPWP				X			X		4	In progress
<b>SECURITY MANAGEMENT</b>												
	COAF 01 - ISA	Inadequate Security Management controls				X			X		5	In progress
<b>INFORMATION TECHNOLOGY SERVICE CONTINUITY</b>												
	COAF 01 - ISA	Inadequate IT service continuity controls				X			X		5	In progress
<b>OTHER MATTERS</b>												
	COAF 01 HO	Internal Control Deficiency				X			X		0	N/A
	COAF 02 - HO	Scope Limitation – Information not received				X			X		0	N/A
	COAF 04	Network Security Review				X			X		0	N/A



**DETAILED AUDIT FINDINGS:****AUDIT OF PREDETERMINED OBJECTIVES****COAF 01 EPWP - Gauteng Region****Requirements**

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

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

**Nature**

During the audit of 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 in the Gauteng province:

**Finding one: EPWP – Gauteng province – EPWP participants were not reported on the EPWP Q3 data per indicator.**

Participants included in the table below were confirmed to be disabled as per participants file during project visits however, the participants list as per RS system does not indicate them as disabled.

Project Code	Project Name	Name	Surname	ID no	Public Body
100684-EPWP3M	Clean Up Waste Management Project	Puleng Pactricia	Lelaka	9406060679081	Mogale City
100684-EPWP3M	Clean Up Waste Management Project	Eulendu Dikgetho	Makgafela	9404206052081	Mogale City
100684-EPWP3M	Clean Up Waste Management Project	Kelebogile Judith	Hlongwana	9407030148082	Mogale City
102169-EPWP3P	IG/NYS Phase4 Two	Tivani	Chauke	9205070218082	GP - Department of Infrastructure Development (DID)
97185-EPWP3M	IG/ Sedibeng CBDs Cleaning and beautification	Maite Olga	Masilo	9606100413082	Sedibeng

Project Code	Project Name	Name	Surname	ID no	Public Body
97185-EPWP3M	IG/ Sedibeng CBDs Cleaning and beautification	Mampho Agnes	Motsitsi	9006191241080	Sedibeng
97185-EPWP3M	IG/ Sedibeng CBDs Cleaning and beautification	Lerato Prijde	Malefo	9503250262080	Sedibeng
11037-EPWPRS	Yakha Ikusasa	Khumbulani	Magwaza	8909025975081	Nat Dept of Public Works
11037-EPWPRS	Yakha Ikusasa	Caroline	Marks	9211250790080	Nat Dept of Public Works
11037-EPWPRS	Yakha Ikusasa	Olga Duduzile	Radebe	6009110291080	Nat Dept of Public Works

Female participants included in the table below had signed contracts, were included on the attendance registers and/ or had proof of payments of payments made to them; however were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit.

Project Code	Project Name	Name	Surname	ID no	Public Body
120577-EPWP3M	Informal Settlement-ZFM Trading	Notsikelelo Joyce	Cumbi	7002080790081	Ekurhuleni Metro
120577-EPWP3M	Informal Settlement-ZFM Trading	Nopinky Patricia	Ngobe	6609100983081	Ekurhuleni Metro
101593-EPWP3M	Rehab of Roads in Finsbury	Palesa Valentia	Tsimpa	9306161662087	Rand West City
101593-EPWP3M	Rehab of Roads in Finsbury	Phatheka Patricia	Matomana	7409281378089	Rand West City
101593-EPWP3M	Rehab of Roads in Finsbury	Suzan Ndo	Mkasi	8206041348082	Rand West City
102169-EPWP3P	IG/NYS Phase4 Two	Nomfundoko Nothando	Mabaso	9203260422085	GP - Department of Infrastructure Development (DID)
102169-EPWP3P	IG/NYS Phase4 Two	Ntswaki Theodora	Medupi	9005200199081	GP - Department of Infrastructure Development (DID)

Project Code	Project Name	Name	Surname	ID no	Public Body
97185-EPWP3M	IG/ Sedibeng CBDs Cleaning and beautification	Bongiwe Ethel	Dladla	9308290292083	Sedibeng
97185-EPWP3M	IG/ Sedibeng CBDs Cleaning and beautification	Khumbuzile Lenah	Yende	6704200304088	Sedibeng

Youth participants included in the table below had signed contracts, were included on the attendance registers and/ or had proof of payments of payments made to them; however were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit.

Project Code	Project Name	Name	Surname	ID no	Public Body
100684-EPWP3M	Clean Up Waste Management Project	Puleng Pactricia	Lelaka	9406060679081	Mogale City
100684-EPWP3M	Clean Up Waste Management Project	Eulendu Dikgetho	Makgafela	9404206052081	Mogale City
100684-EPWP3M	Clean Up Waste Management Project	Kelebogile Judith	Hlongwana	9407030148082	Mogale City
102169-EPWP3P	IG/NYS Phase4 Two	Tivani	Chauke	9205070218082	GP - Department of Infrastructure Development (DID)
97185-EPWP3M	IG/ Sedibeng CBDs Cleaning and beautification	Maite Olga	Masilo	9606100413082	Sedibeng
97185-EPWP3M	IG/ Sedibeng CBDs Cleaning and beautification	Mampho Agnes	Motsitsi	9006191241080	Sedibeng
97185-EPWP3M	IG/ Sedibeng CBDs Cleaning and beautification	Lerato Priede	Malefo	9503250262080	Sedibeng

Job opportunity participants included in the table below had signed contracts, were included on the attendance registers and/ or had proof of payments of payments made to them; however, were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit.

Project Code	Project Name	Name	Surname	ID no	Public Body
11037-EPWPRS	Yakha Ikusasa	Nompumelelo	Mahaye	8704091021088	Nat Dept of Public Works

Project Code	Project Name	Name	Surname	ID no	Public Body
11037-EPWPRS	Yakha Ikusasa	Samukelisiwe	Buthelezi	8106220534082	Nat Dept of Public Works
10828-EPWPRS	FLOODING BACKLOGS IN ATTERIDGEVILL E PHASE 2	Rabby	Makgoba	8009305726099	City of Tshwane Metro
10828-EPWPRS	FLOODING BACKLOGS IN ATTERIDGEVILL E PHASE 2	Given	Maake	8108315338080	City of Tshwane Metro
100684-EPWP3M	Clean Up Waste Management Project	Barenes Ernest	Shuping	8511206054080	GT481
100684-EPWP3M	Clean Up Waste Management Project	Rapula Alfred	Sejaphala	6803045665081	GT481
120577-EPWP3M	Informal Settlement-ZFM Trading	Nomthandazo Emmelina	Nkosi	5510180404081	EKU
120577-EPWP3M	Informal Settlement-ZFM Trading	Banele Mviko	Mviko	8609146366083	EKU
120577-EPWP3M	Informal Settlement-ZFM Trading	Notsikelelo Joyce	Cumbi	7002080790081	EKU
101593-EPWP3M	Rehab of Roads in Finsbury	Tshepo Melvin	Moleme	8910245736089	GT485
101593-EPWP3M	Rehab of Roads in Finsbury	Lazarus	Moletsane	6301215765088	GT485
102169-EPWP3P	IG/NYS Phase4 Two	Nomfundo Nothando	Mabaso	9203260422085	GP-D-164
102169-EPWP3P	IG/NYS Phase4 Two	Ntswaki Theodorah	Medupi	9005200199081	GP-D-164
102169-EPWP3P	IG/NYS Phase4 Two	Ofentse	Masethi	9908105122084	GP-D-164
97185-EPWP3M	IG/ Sedibeng CBDs Cleaning and beautification	Mapaseka Elizabeth	Mofokeng	8204101376085	Sedibeng
97185-EPWP3M	IG/ Sedibeng CBDs Cleaning and beautification	Luzuko Glorian	Mapapu	8908015685080	Sedibeng
97185-EPWP3M	IG/ Sedibeng CBDs Cleaning and beautification	Nzuku Pricilla	Nduku	710110077383	Sedibeng

**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 and/or contracts and/or proof of payments to the participants reported on the EPWP reporting system.

Participant's lists and/or attendance registers and/or signed contract and/or proof of payment supporting documents 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/or attendance registers and/or signed contract and/or proof of payment supporting documents 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 lists and/or signed contract and/or proof of payment supporting documents, to ensure that all work opportunities created are reported.

**Finding two: EPWP – Gauteng province – EPWP participants were reported on the EPWP Q3 data per indicator however, the participant files did not contain all supporting information**

Disabled participants included in the table below were reported on the quarter three (April 2021 to 31 December 2021) data submitted for audit, however, the individual participant file did not contain signed attendance registers

Project ID	Project Name	Name	Surname	ID no	Name of Public Body
102169-EPWP3P	IG/NYS Phase4 Two	Andisani Boston Molamola	Nkuna	9309185190085	GP - Department of Infrastructure Development (DID)
102169-EPWP3P	IG/NYS Phase4 Two	Azola	Jakuja	0202050313081	GP - Department of Infrastructure Development (DID)
102169-EPWP3P	IG/NYS Phase4 Two	Boitumelo	Matjila	9208310959085	GP - Department of Infrastructure Development (DID)

Project ID	Project Name	Name	Surname	ID no	Name of Public Body
102169-EPWP3P	IG/NYS Phase4 Two	Calfonina	Ngobeni	9312231072083	GP - Department of Infrastructure Development (DID)

Female participants included in the table below were reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit, however, the individual participant file did not contain signed attendance registers

Project ID	Project Name	Name	Surname	ID no	Name of Public Body
100684-EPWP3M	Clean Up Waste Management Project	Martha Kedibone	Johnson	9204060688081	Mogale City
100684-EPWP3M	Clean Up Waste Management Project	Elizabeth Keorapetse	Sibiya	8402110547080	Mogale City
100684-EPWP3M	Clean Up Waste Management Project	Andisiwe Angelinah	Khwitshana	9111111497083	Mogale City

Youth participants included in the table below were reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit, however, the individual participant file did not contain signed attendance registers

Project ID	Project Name	Name	Surname	ID no	Name of Public Body
100684-EPWP3M	Clean Up Waste Management Project	Dominic Thulare	Matlaila	9306115439087	Mogale City
100684-EPWP3M	Clean Up Waste Management Project	William Tshegofatso	Tshose	9010025465089	Mogale City
100684-EPWP3M	Clean Up Waste Management Project	Nomonde Nonceba	Makwelo	8710160323081	Mogale City
101593-EPWP3M	Rehab of Roads in Finsbury	Jacob Maxwell Lekwalo	Gobuapelo	9204205121089	Rand West City

Job opportunity participants included in the table below were reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit, however, the individual participant file did not contain signed attendance registers



Project ID	Project Name	Name	Surname	ID no	Name of Public Body
100684-EPWP3M	Clean Up Waste Management Project	Letia Ntsamayeng	Thulo	7203180330089	Mogale City
100684-EPWP3M	Clean Up Waste Management Project	Molefe Jeremiah	Monareng	7004145800087	Mogale City
101593-EPWP3M	Rehab of Roads in Finsbury	Andries Mbulaheni	Luvhengo	8511035809084	Rand West City
101593-EPWP3M	Rehab of Roads in Finsbury	Mbongeni Cyprian	Sibisi	6304055451082	Rand West City

### 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 effective controls to ensure participants reported on the EPWP reporting system have files containing: certified ID copies and/or have signed attendance registers and/or have proof of payments made to the participant.

Participant files are not regularly reviewed to ensure that all participants captured on EPWP reporting system have all the required supporting documentation.

### Recommendation

It is recommended that:

The department should perform frequent, adequate reviews of participant files to ensure that all participants that are captured on EPWP reporting system have all the supporting documents to ensure the reported information is valid, accurate and complete.

### Management response

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

1. ID documents for Nompumelelo Mahaye (8704091021088) and Samukelisiwe Buthelezi (8106220534082) are attached. They were reported by the end of Quarter 3, as may be verified with reference to the participant list. Note that their surnames changed with a change in marital status.
2. Palesa Valentia Tsimpa (9306161662087), Phatheka Patricia Matomana (7409281378089) and Suzan Ndo Mkasi (8206041348082) were reported under the Rehab of Roads in Finsbury project (101593-EPWP3M) , as may be verified with reference to the participant list.
3. Luzuko Glorian Mapapu (8908015685080) was reported by the end of Quarter 3 under the indicated project, as may be verified with reference to the participant list.

4. Attendance registers for the following participants are attached: Andisani Boston Molamola Nkuna (9309185190085); Azola Jakuja (0202050313081); Boitumelo Matjila (9208310959085); and Calfonina Ngobeni (9312231072083).

Letter to Accounting Officers from ADG: DPWI / DDG: EPWP that states the finding and ask for intervention to assure that it does not repeat. Public bodies to correct reporting.

DPWI EPWP Branch is the coordinator, not an implementer. The MTSF indicator was changed from "Number of work opportunities reported through other public employment programmes" to "Number of validated EPWP work opportunities reported by public bodies into the EPWP-RS". This indicator now reflects that EPWP work opportunities are created by various public bodies and not solely by DPWI.

Furthermore the lead and contributing departments, as reflected in the above MTSF indicator was changed from being solely DPWI to reflecting that the following public bodies also contribute to the EPWP:

- EPWP Lead Sector Departments;
- Provincial Departments; and
- Municipalities.

The public bodies did not follow the EPWP reporting guidelines.

PFMA/MFMA accountability is for the Accounting Officers of the public bodies.

DPWI EPWP branch has formulated and formalised minimum standards for records management for EPWP in line with the approved EPWP Standard Operating Procedure (SOP).

The Accounting Officers of the implementing public bodies takes ultimate responsibility for the management of the records (i.e. filing, archiving and disposal) as S12 of the Ministerial Determination and the PFMA 40 and 41.

The Accounting Officers of the implementing public bodies must also ensure that records management is compliant with legislation in terms of compliance and safeguarding of records.

### **Auditor's conclusion**

Management response is noted however the finding will remain and be reported in the management report excluding the following participants which were cleared.

1. Nompumelelo Mahaye (8704091021088) and Samukelisiwe Buthelezi (8106220534082) were traced to Q3 participants list and confirmed they were captured
2. Palesa Valentia Tsimpa (9306161662087), Phatheka Patricia Matomana (7409281378089) and Suzan Ndo Mkasi (8206041348082) were traced to Q3 participants list and confirmed they were captured
3. Luzuko Glorian Mapapu (8908015685080) was traced to Q3 participants list and confirmed they were captured
4. Attendance registers for the following participants were received Andisani Boston Molamola Nkuna (9309185190085); Azola Jakuja (0202050313081); Boitumelo Matjila (9208310959085); and Calfonina Ngobeni (9312231072083).

**COAF 02 – Gauteng Province Limitation of scope****Limitation of scope – EPWP – Participants files not made available for audit at public body****Requirements**

Section 41 of the Public Finance Management Act (PFMA) 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*”,

The ministerial determination 4: Expanded Public Works Programme dated 04 May 2012 paragraph 12(1)(a) to (e) and 12.2 – Keeping records 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*”

The Engagement letter 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 interim audit of Expanded Public Works Programme (EPWP) for Department of Public Works and Infrastructure (DPWI) for the Public body (City of Johannesburg Metro), the following participant’s files as per Annexure A were not made available for audit and we could not confirm if there was an active project.

Project Id	Public Body Code	No of Participants	Public Body Name	Project Name
75258-EPWP3M	JHB	267	City of Johannesburg Metro	Riverside/Diepsloot Housing Development 2020/21

Due to the non-submission of certified ID documents, signed contracts and proof of payments the participants could not be confirmed and verified

### **Impact of the finding**

Non-compliance with section 41 paragraph 15 (a) to (c) of PFMA Act

Non-compliance with Ministerial Determination 4

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

Furthermore, inefficiencies are noted in the audit because 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;

### **Management response**

I am in partial agreement with the finding.

1. ID Documents, contracts and proofs of payments for the project have been received from the City of Johannesburg and are attached.
2. Signed attendance registers are still outstanding.
- 3.

Letter to Accounting Officer from ADG: DPWI / DDG: EPWP that states the finding and ask for intervention to assure that it does not repeat. Public bodies to supply records.

MTSF indicator was changed from "Number of work opportunities reported through other public employment programmes" to "Number of validated EPWP work opportunities reported

by public bodies into the EPWP-RS". This indicator now reflects that EPWP work opportunities are created by various public bodies and not solely by DPWI.

Furthermore the lead and contributing departments, as reflected in the above MTSF indicator was changed from being solely DPWI to reflecting that the following public bodies also contribute to the EPWP:

- EPWP Lead Sector Departments;
- Provincial Departments; and
- Municipalities.

DPWI EPWP branch has formulated and formalised minimum standards for records management for EPWP in line with the approved EPWP Standard Operating Procedure (SOP).

The Accounting Officer of the implementing public body takes ultimate responsibility for the management of the records (i.e. filing, archiving and disposal) as S12 of the Ministerial Determination and the PFMA 40 and 41.

The Accounting Officer of the implementing public bodies must also ensure that records management is compliant with legislation in terms of compliance and safeguarding of records.

### **Auditor's conclusion**

Management response is noted, information received has been evaluated and participants with valid supporting documentation have been removed however the finding will remain and be reported in the management report to the extent of information not yet received.

ID copies for the following participants are still outstanding

1. Vhutshilo Negote
2. Sithole Kholani Calvin
3. Shumane Asanda
4. Ratlaba Thabo
5. Ntsele Misokwakwe
6. Nammle Ntsikelelo
7. Ndlovu Sphamandla
8. Mlambo Sibusiso
9. Malapile Christain
10. Makura Bongani
11. Maake Bennet
12. Khoza Thomas

Proof of payment to participants will not be accepted as it is an excel document which does not provide conclusive evidence that the participants were paid

Attendance registers are also still outstanding.

**COAF 03 – EPWP Mpumalanga Province****Requirements**

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

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

**Nature**

During the audit of Indicator 3.2 Percentage EPWP participation among designated groups reported in the EPWP-RS by public bodies, the following matter was identified at EPWP projects in the Mpumalanga province:

**Finding one: EPWP – Mpumalanga province – EPWP participant was reported on the EPWP Q3 data per indicator however the participant files did not contain all supporting information**

Disabled participant included in the table below was reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit, however, the individual participant file did not contain any supporting documentation and/or POEs to support their disability

Project ID	Project Name	Name	Surname	ID no	Name of Public Body
97790-EPWP3M	WASTE WATER OPERATIONS	Bulelwa	Ngqaba	7207060935081	Govan Mbeki

**Impact of the finding**

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

Overstatement 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 ensure participants reported on the EPWP reporting system as a person with disability have files containing: Signed and stamped doctors note, sworn affidavit and/or and other POE confirming disability

Participant files are not regularly reviewed to ensure that all participants captured on EPWP reporting system have all the required supporting documentation.

### **Recommendation**

It is recommended that:

Management should review all EPWP participants reported on the system against the participant files, to ensure that all work opportunities created and reported are valid, accurate and complete based on supporting information contained in the participant files.

### **Management response**

I am in agreement with the finding for the following reasons

- The participant was incorrectly reported by the public body as disabled.

Letter to Accounting Officer from ADG: DPWI / DDG: EPWP that states the finding and ask for intervention to assure that it does not repeat. Public bodies to supply records.

DPWI EPWP Branch is the coordinator, not an implementer. The MTSF indicator was changed from “Number of work opportunities reported through other public employment programmes” to “Number of validated EPWP work opportunities reported by public bodies into the EPWP-RS”. This indicator now reflects that EPWP work opportunities are created by various public bodies and not solely by DPWI.

Furthermore the lead and contributing departments, as reflected in the above MTSF indicator was changed from being solely DPWI to reflecting that the following public bodies also contribute to the EPWP:

- EPWP Lead Sector Departments;
- Provincial Departments; and
- Municipalities.

The public body did not follow the EPWP reporting guidelines.

PFMA/MFMA accountability is for the Accounting Officers of the public bodies.

### **Auditor's conclusion**

The auditor has evaluated the response provided by management and confirmed that that management is in agreement with the finding. The finding will be included in the Interim management report.



**COAF 04 – EPWP Limpopo Province****Requirements**

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

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

**Nature**

During the audit of 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 in the Gauteng province:

**Finding one: EPWP – Limpopo – EPWP participants were not reported on the EPWP Q3 data per indicator.**

Participants included in the table below were confirmed to be disabled as per participants file during project visits however, the participants list as per RS system does not indicate them as disabled.

Project Code	Project Name	Name	Surname	ID no	Public Body
116006-EPWP3P	BA-PHALABORWA HOUSEHOLD ROUTINE	Florence	Mashabane	6306290548085	Provincial Public works
116006-EPWP3P	BA-PHALABORWA HOUSEHOLD ROUTINE	Bongani	Ngobeni	9410196238085	Provincial Public works
114976-EPWP3M	Malamulele West RWS phase 2B	Tlangelani	Maluleke	8808235534086	Vhembe
114976-EPWP3M	Malamulele West RWS phase 2B	Xichavo	Risenga	9106115841088	Vhembe
115663-EPWP3P	Elias Motsoaledi HOUSEHOLD BASED ROUTINE MAINTENANCE	Tshepo	Motlale	8406046127081	Provincial Public works
115663-EPWP3P	Elias Motsoaledi HOUSEHOLD BASED ROUTINE MAINTENANCE	Rejoyce Lethabo	Molapo	8709041074087	Provincial Public works
115663-EPWP3P	Elias Motsoaledi HOUSEHOLD BASED ROUTINE MAINTENANCE	Aretta	Rankwe	9104290735084	Provincial Public works



Female participants included in the table below had signed contracts, were included on the attendance registers and/ or had proof of payments of payments made to them; however were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit.

Project Code	Project Name	Name	Surname	ID no	Public Body
116842-EPWP3M	CONSTRUCTION OF VIP TOILETS IN GTM BAYBOL TRADING	Pink	Mahasha	7309090995083	Mopn ai

Youth participants included in the table below had signed contracts, were included on the attendance registers and/ or had proof of payments of payments made to them; however were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit.

Project Code	Project Name	Name	Surname	ID no	Public Body
114976-EPWP3M	Malamulele West RWS phase 2B	Peace	Mdungasi	9508055796083	Vhembe
114976-EPWP3M	Malamulele West RWS phase 2B	Given	Ndlovu	8804036063086	Vhembe

Job opportunity participants included in the table below had signed contracts, were included on the attendance registers and/ or had proof of payments of payments made to them; however, were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit.

Project Code	Project Name	Name	Surname	ID no	Public Body
116842-EPWP3M	CONSTRUCTION OF VIP TOILETS IN GTM BAYBOL TRADING	Machael	Hlangwane	7908075616083	Mopani
114976-EPWP3M	Malamulele West RWS phase 2B	Phanuel Simon	Chauke	850225577087	Vhembe

### 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 and/or contracts and/or proof of payments to the participants reported on the EPWP reporting system.

Participants lists and/or attendance registers and/or signed contract and/or proof of payment supporting documents are not regularly reviewed to ensure that all participants are captured on EPWP reporting system.

### **Recommendation**

It is recommended that:

Management should review all EPWP projects reported on the system against the attendance registers lists and/or signed contract and/or proof of payment supporting documents, to ensure that all work opportunities created are reported.

### **Management response**

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

The 5 listed participants were not reported by the public bodies by the end of Quarter 3.

The following participants were reported as disabled, as may be verified with reference to the participant list:

- a. Florence Mashabane (6306290548085)
- b. Bongani Ngobeni (9410196238085)
- c. Tlangelani Maluleke (8808235534086)
- d. Xichavo Risenga (9106115841088)
- e. Tshepo Motlale (8406046127081)
- f. Rejoyce Lethabo Molapo (8709041074087)
- g. Aretta Rankwe (9104290735084)

Letter to Accounting Officer from ADG: DPWI / DDG: EPWP that states the finding and ask for intervention to assure that it does not repeat. Public bodies to supply records.

DPWI EPWP Branch is the coordinator, not an implementer. The MTSF indicator was changed from "Number of work opportunities reported through other public employment programmes" to "Number of validated EPWP work opportunities reported by public bodies into the EPWP-RS". This indicator now reflects that EPWP work opportunities are created by various public bodies and not solely by DPWI.

Furthermore the lead and contributing departments, as reflected in the above MTSF indicator was changed from being solely DPWI to reflecting that the following public bodies also contribute to the EPWP:

- EPWP Lead Sector Departments;
- Provincial Departments; and
- Municipalities.

The public bodies did not follow the EPWP reporting guidelines.

### **Auditor's conclusion**

Management response are noted however the finding will remain and reported to the management report, as there was no proof of disability for disable participants.

**COAF 05 – EPWP KZN Province****Requirements**

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

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

**Nature**

During the audit of 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 in the Gauteng province:

**Finding one: EPWP – KwaZulu Natal – EPWP participants were not reported on the EPWP Q3 data per indicator.**

Participants included in the table below were confirmed to be disabled as per participants file during project visits however, the participants list as per RS system does not indicate them as disabled.

Project Code	Project Name	Name	Surname	ID no	Public Body
115046-EPWP3P	Early Childhood Development (ECD)	Nondumiso Princess	Ndlovu	9312040558082	KZN - Social Development
115046-EPWP3P	Early Childhood Development (ECD)	Sayvis Zimbili	Hlalukane	8702230689088	KZN - Social Development
115046-EPWP3P	Early Childhood Development (ECD)	Noluthando Antonia	Disani	8402210696084	KZN - Social Development
115046-EPWP3P	Early Childhood Development (ECD)	Tholakele	Nyathi	8207240444086	KZN - Social Development
115046-EPWP3P	Early Childhood Development (ECD)	Bazamile Rejoice	Conco	7312220776084	KZN - Social Development
115046-EPWP3P	Early Childhood Development (ECD)	Nonhlanhla Zamile Zanele	Zulu	8307060621084	KZN - Social Development
115046-EPWP3P	Early Childhood Development (ECD)	Muziwomuntu Ezrom	Nyawo	8409260661082	KZN - Social Development
115046-EPWP3P	Early Childhood Development (ECD)	Nontokozo Sweetness	Lushaba	8406100409086	KZN - Social Development

Female participants included in the table below had signed contracts, were included on the attendance registers and/ or had proof of payments of payments made to them; however were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit.

Project Code	Project Name	Name	Surname	ID no	Public Body
8869-EPWP3M	Safetyvolunteerproject	Linda	Buthelezi	7708145879087	eThekweni Municipality
8869-EPWP3M	Safetyvolunteerproject	Nombusi Nelly	Hlophe	9211160106088	eThekweni Municipality
97790-EPWP3M	Early Childhood Development (ECD)	Nompilo Penelope	Khambule	9010020574083	KZN - Social Development
97790-EPWP3M	Early Childhood Development (ECD)	Anna Fikile	Dlamini	8907120607088	KZN - Social Development
97790-EPWP3M	Early Childhood Development (ECD)	Nombulelo Beatrice	Ngcobo	8712130319082	KZN - Social Development
97790-EPWP3M	Early Childhood Development (ECD)	Nompumelelo	Mkhize	7301070756080	KZN - Social Development
97790-EPWP3M	Early Childhood Development (ECD)	Goodness Bongiwe	Radebe	8311181103089	KZN - Social Development
114926-EPWP3P	PMB-Zibambele 2021	Magagu Sikhathisini	Ndlovu	7208085413088	KZN - Transport
114926-EPWP3P	PMB-Zibambele 2021	Xolani	Ngubane	8705165400082	KZN - Transport
114926-EPWP3P	PMB-Zibambele 2021	Fufakuni Gcwalisa	Mdluli	6503295288085	KZN - Transport
114926-EPWP3P	PMB-Zibambele 2021	Cynthia Baphilisiwe	Mbele	7811160835081	KZN - Transport
114926-EPWP3P	PMB-Zibambele 2021	Nonhlanhla Precious	Ntshangase	8704250864088	KZN - Transport
114926-EPWP3P	PMB-Zibambele 2021	Bazothini	Fakude	6502200767084	KZN - Transport

Youth participants included in the table below had signed contracts, were included on the attendance registers and/ or had proof of payments of payments made to them; however were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit.

Project Code	Project Name	Name	Surname	ID no	Public Body
8869-EPWP3M	Safetyvolunteerproject	Andile Ndumiso Mngadi	Mngadi	9908315559083	eThekweni Metro
114926-EPWP3P	Zibambele Project	Siyabonga	Basi	0007295278084	Department of Transport
114926-EPWP3P	Zibambele Project	Vela Similo	Bengu	9805255564083	Department of Transport

114926-EPWP3P	Zibambele Project	Sihle	Bhengu	9504035586082	Department of Transport
114926-EPWP3P	Zibambele Project	Siyabonga	Cele	0210045451080	Department of Transport
114926-EPWP3P	Zibambele Project	Nkululeko Lindelani	Dlamin i	9504046488088	Department of Transport
114926-EPWP3P	Zibambele Project	Sandile Emmanuel	Duma	9312226150084	Department of Transport
115046-EPWP3P	Early Childhood Development (ECD)	Nokukhanya Patience	Zondo	8804230760081	KZN - Social Development
115046-EPWP3P	Early Childhood Development (ECD)	Nompumelelo Sandile	Mhlongo	8701200876089	KZN - Social Development

Job opportunity participants included in the table below had signed contracts, were included on the attendance registers and/ or had proof of payments of payments made to them; however, were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit.

Project Code	Project Name	Name	Surname	ID no	Public Body
8869-EPWP3M	Safetyvolunteerproject	Siphelele Eugene	Jiyana	8507085292080	eThekweni Metro
8869-EPWP3M	Safetyvolunteerproject	Sithembiso Kingdom	Luthuli	7808245464085	eThekweni Metro

Physical verifications of participants were performed on different project sites, identified using participants identity numbers and confirmed to have been working for the project, however, were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit.

Project Code	Project Name	Name	Surname	ID no	Public Body
97790-EPWP3M	Early Childhood Development (ECD)	Nonjabulo Nokubonga Hapiness	Buthelezi	9208151408085	KZN - Social Development
97790-EPWP3M	Early Childhood Development (ECD)	Zonke Anthonia	Mkhize	8408051197082	KZN - Social Development
97790-EPWP3M	Early Childhood Development (ECD)	Hapiness Phumzile	Sikhakhane	9109241572080	KZN - Social Development
114926-EPWP3P	PMB-Zibambele 2021	Mandisa	Faku	8604051227081	KZN - Transport
114926-EPWP3P	PMB-Zibambele 2021	Wiseman Mthokozisi	Ngubani	8711255893087	KZN - Transport
114926-EPWP3P	PMB-Zibambele 2021	Bawinile Getrude	Cele	7008070703083	KZN - Transport

Project Code	Project Name	Name	Surname	ID no	Public Body
114926-EPWP3P	PMB-Zibambele 2021	Imaculate Ntombikayise	Duma	8411230831084	KZN - Transport

### 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 and/or contracts and/or proof of payments to the participants reported on the EPWP reporting system.

Participants lists and/or attendance registers and/or signed contract and/or proof of payment supporting documents are not regularly reviewed to ensure that all participants are captured on EPWP reporting system.

### Recommendation

It is recommended that:

Management should review all EPWP projects reported on the system against the attendance registers lists and/or signed contract and/or proof of payment supporting documents, to ensure that all work opportunities created are reported.

### Management response

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

The listed participants were not reported by the end of Quarter 3 of 2021/22.

Letter to Accounting Officer from ADG: DPWI / DDG: EPWP that states the finding and ask for intervention to assure that it does not repeat. Public bodies to supply records.

DPWI EPWP Branch is the coordinator, not an implementer. The MTSF indicator was changed from "Number of work opportunities reported through other public employment programmes" to "Number of validated EPWP work opportunities reported by public bodies into the EPWP-RS". This indicator now reflects that EPWP work opportunities are created by various public bodies and not solely by DPWI.

Furthermore the lead and contributing departments, as reflected in the above MTSF indicator was changed from being solely DPWI to reflecting that the following public bodies also contribute to the EPWP:

- EPWP Lead Sector Departments;
- Provincial Departments; and
- Municipalities.

The public bodies did not follow the EPWP reporting guidelines.

PFMA/MFMA accountability is for the Accounting Officers of the public bodies.

**Auditor's conclusion**

The auditor has evaluated the response provided by management and confirmed that management is in agreement with the finding. Management will be requested to make the necessary adjustments to the reporting system, Furthermore the finding will be included in the management report.

**COAF 06 – EPWP Eastern Cape Province****Requirements**

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

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

**Nature**

During the audit of 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 in the Eastern Cape province:

**Finding one: EPWP – Eastern Cape Province – EPWP participants incorrectly reported on the EPWP Q3 data per indicator.**

Participants included in the table below were reported as per EPWP-RS system however, the participants files containing supporting evidence and/or POEs did not contain IDs and/or Contracts and/or proof of payments and/or attendance registers for the participant reported

Project Code	Project Name	Name	Surname	ID no	Public Body
117669-EPWP3M	ZIZAMELE INTERNAL STREETS	Lunga	Mate	7801016614087	Mnquma
117669-EPWP3M	ZIZAMELE INTERNAL STREETS	Khwezi	Dila	9108035963083	Mnquma
110697-EPWP3M	Development of Magwala Sports Facility	Zolani Caroll	Mquqwana	8305285878083	Intsika Yethu
110697-EPWP3M	Development of Magwala Sports Facility	Mzuvukile William	Kosa	6307275721085	Intsika Yethu
104797-EPWP3M	ADM Bucket Eradication-Fort Beaufort	Thulani	Klaas	8712155808084	Amathole
104797-EPWP3M	ADM Bucket Eradication-Fort Beaufort	Zwelethemba	Khonzani	9801285789089	Amathole

Participants included in the table below were reported to be disabled as per EPWP-RS system however, the participants files containing supporting evidence and/or POEs did not contain any doctors note and/or sworn affidavit to confirm participant disability.



Project Code	Project Name	Name	Surname	ID no	Public Body
110697-EPWP3M	Development of Magwala Sports Facility	Siviwe	Nanise	8302176010082	Intsika Yethu
96686-EPWP3M	EPWP REFUSE COLLECTION/FOOD FOR WASTE	Simthembile	Pike	9207276457084	Mhlontlo
96686-EPWP3M	EPWP REFUSE COLLECTION/FOOD FOR WASTE	Zusiphe	Ncanyelo	9410300801083	Mhlontlo
97233-EPWP3M	O.R Tambo Disaster Management Centre in Libode	Zanele	Matanda	9010220712087	OR Tambo
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Sive	Sotiya	9501155416082	Port St Johns

Female participants included in the table below were reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit however the participant files did not contain an ID and/or signed contract.

Project Code	Project Name	Name	Surname	ID no	Public Body
117669-EPWP3M	ZIZAMELE INTERNAL STREETS	Aphiwe	Mgwebi	9408030728089	Mnquma
117669-EPWP3M	ZIZAMELE INTERNAL STREETS	Luniko	Ngeyake	0001240634087	Mnquma
110697-EPWP3M	Development of Magwala Sports Facility	Nomsa	Mtambeka	8701011397085	Intsika Yethu
110697-EPWP3M	Development of Magwala Sports Facility	Mandisa	Duku	8506051377081	Intsika Yethu

Youth participants included in the table below were reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit however the participant files did not contain an ID and/or signed contract in the case for Public Body: Mnquma and in the case of Public Body: Intsika Yethu the participant files did not contain any proof of payment.

Project Code	Project Name	Name	Surname	ID no	Public Body
117669-EPWP3M	ZIZAMELE INTERNAL STREETS	Zusiphe	Ndzimande	9209145950083	Mnquma
117669-EPWP3M	ZIZAMELE INTERNAL STREETS	Khwezi	Dila	9108035963083	Mnquma
110697-EPWP3M	Development of Magwala Sports Facility	Sikhosonke Siyasanga	Ntiyantiya	950301137108	Intsika Yethu
110697-EPWP3M	Development of Magwala Sports Facility	Nwabisa	Soyekwa	8711230878088	Intsika Yethu

Project Code	Project Name	Name	Surname	ID no	Public Body
104797-EPWP3M	ADM Bucket Eradication-Fort Beaufort	Nandipha	Mfeku	9510290376085	Amathole

### 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 effective controls to ensure participants reported on the EPWP reporting system have files containing: certified ID copies and/or have signed attendance registers and/or have proof of payments made to the participant.

Participant files are not regularly reviewed to ensure that all participants captured on EPWP reporting system have all the required supporting documentation.

### Recommendation

It is recommended that:

The department should perform frequent, adequate reviews of participant files to ensure that all participants that are captured on EPWP reporting system have all the supporting documents to ensure the reported information is valid, accurate and complete.

### **Finding two: EPWP – Eastern Cape Province – EPWP participants not reported on the EPWP Q3 data per indicator.**

Female participants included in the table below were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit however the participant files did contain an ID and/or signed contract and/or proof of payment with signed attendance registers

Project Code	Project Name	Name	Surname	ID no	Public Body
117649-EPWP3M	CONSTRUCTION OF GCINA (Esingeni) A.R.	Nora	Mpiyonke	8308111021084	Mnquma
117649-EPWP3M	CONSTRUCTION OF GCINA (Esingeni) A.R.	Nandipha	Ndabisuikle	7404031386086	Mnquma
117669-EPWP3M	ZIZAMELE INTERNAL STREETS	Zukiswas	Ngamela	9208301157087	Mnquma
110697-EPWP3M	Development of Magwala Sports Facility	Nontembeke	Nkcitha	8902180687088	Intsika Yethu
110697-EPWP3M	Development of Magwala Sports Facility	Angeline	Mtambeka	8107010740087	Intsika Yethu
96686-EPWP3M	EPWP REFUSE COLLECTION/FOOD FOR WASTE	Zoleka	Ranuga	6910201063082	Mhlontlo

Project Code	Project Name	Name	Surname	ID no	Public Body
96686-EPWP3M	EPWP REFUSE COLLECTION/FOOD FOR WASTE	Indiphile	Mafusini	8908300985088	Mhlontlo

Youth participants included in the table below were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit however the participant files did contain an ID and/or signed contract and/or proof of payment with signed attendance registers

Project Code	Project Name	Name	Surname	ID no	Public Body
117649-EPWP3M	CONSTRUCTION OF GCINA (Esingeni) A.R.	Anathi	Kololo	9903041086089	Mnquma
117669-EPWP3M	ZIZAMELE INTERNAL STREETS	Zukiswas	Ngamel a	9208301157087	Mnquma
96686-EPWP3M	EPWP REFUSE COLLECTION/FOOD FOR WASTE	Minikwazi	Ngceke	9003271043080	Mhlontlo
96686-EPWP3M	EPWP REFUSE COLLECTION/FOOD FOR WASTE	Yonelani	Fefkazi	9309070490087	Mhlontlo
104797-EPWP3M	ADM Bucket Eradication-Fort Beaufort	Yanela	Dunjwa	9103106114088	Amathole
104797-EPWP3M	ADM Bucket Eradication-Fort Beaufort	Vuyolwethu	Nkotobe	9303165930081	Amathole

Job opportunity participants included in the table below had signed contracts, were included on the attendance registers and/ or had proof of payments of payments made to them; however, were not reported on the quarter 3 (April 2021 to 31 December 2021) data submitted for audit.

Project Code	Project Name	Name	Surname	ID no	Public Body
117649-EPWP3M	CONSTRUCTION OF GCINA (Esingeni) A.R.	Zolani	Molose	8008135599087	Mnquma
117669-EPWP3M	ZIZAMELE INTERNAL STREETS	Jerry	Matiwane	6307155518080	Mnquma
110697-EPWP3M	Development of Magwala Sports Facility	Mnceddis Mandisi	Rozani	6209205201081	Intsika Yethu
96686-EPWP3M	EPWP REFUSE COLLECTION/FOOD FOR WASTE	Life	Guga	8001025704081	Mhlontlo
96686-EPWP3M	EPWP REFUSE COLLECTION/FOOD FOR WASTE	Minikwazi	Ngceke	9003271043080	Mhlontlo

Project Code	Project Name	Name	Surname	ID no	Public Body
96913-EPWP3M	GCUWA WEST WATER SUPPLY SCHEME PHASE 3	Mbulelo	Bhikitsha	7902155333081	Amathole
96913-EPWP3M	GCUWA WEST WATER SUPPLY SCHEME PHASE 3	Wendy	Solombela	8403021162084	Amathole
104797-EPWP3M	ADM Bucket Eradication-Fort Beaufort	Sidney Sakhumuzi	Gxabashe	7909106090082	Amathole
104797-EPWP3M	ADM Bucket Eradication-Fort Beaufort	Mxolisi Matshisi	Matshisi	8009276238089	Amathole
97233-EPWP3M	O.R Tambo Disaster Management Centre in Libode	Mpendulo	Soyizwaphi	7905235770081	O.R. Tamb o
104797-EPWP3M	ADM Bucket Eradication-Fort Beaufort	Bonisile	Kweta	8206056556082	Amathole
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Jolakhe	Dumisa	9304301202088	Port St Johns
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Aphelele	Gamzana	0008195957082	Port St Johns
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Vuyani	Mdlazi	6410065896081	Port St Johns
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Saziso	Gangxa	9404106139087	Port St Johns
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Sikhona	Qwedela	9212026020083	Port St Johns
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Zolani	Gwili	8111135745088	Port St Johns
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Sandisile	Nondula	0007100813083	Port St Johns
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Siziwe	Gxeni	9110110999081	Port St Johns
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Lethemba	Gazula	0002065578086	Port St Johns
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Simthembile	Lonfgwana	7802135022088	Port St Johns
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Lungisile	Khiwa	7505126304089	Port St Johns
109896-EPWP3M	AGGATE TERRACE PHASE TWO	Sivuyile	Nogwada	8206066844080	Port St Johns

**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 and/or contracts and/or proof of payments to the participants reported on the EPWP reporting system.

Participant's lists and/or attendance registers and/or signed contract and/or proof of payment supporting documents 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/or attendance registers and/or signed contract and/or proof of payment supporting documents 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 lists and/or signed contract and/or proof of payment supporting documents, to ensure that all work opportunities created are reported.

**Management response**

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

1. Attached are copies of the following:
  - Contract, Identity Document, Proof of Payment and Attendance Register for Lunga Mate (7801016614087);
  - Contract, Identity Document, Proof of Payment and Attendance Register for Khwezi Dila (9108035963083);
  - Contract and Identity Document for Zolani Carol Mquqwana (8305285878083);
  - Contract and Identity Document for Mzuvukile William Kosa (6307275721085);
  - Attendance Register for Thulani Klaas (8712155808084);
  - Attendance Register for Zwelethemba Khonzani (9801285789089);
  - Contract and Identity Document for Aphiwe Mgwebi (9408030728089);
  - Contract and Identity Document for Luniko Ngeyake (1240634087);
  - Contract for Mandisa Duku (8506051377081);
  - Contract and Identity Document for Zusiphe Ndzimande (9209145950083);
  - Contract and Identity Document for Khwezi Dila (9108035963083);
  - Contract, Identity Document and Proof of Payment for Sikhosonke Siyasanga Ntiyantiya (950301137108);
  - Proof of Payment for Nwabisa Soyekwa (8711230878088);
  - Proof of Payment for Nandipha Mfeku (9510290376085).
2. As may be verified with reference to the participant list:

- Angeline Mtambeka (8107010740087) was reported by the end of Quarter 3 of 2021/22 as participating in Waste collection in Cofimvaba and Tsomo 21/22 (115235-EPWP3M);
- Yonelani Fefkazi (9309070490087) was reported by the end of Quarter 3 of 2021/22 as participating in EPWP Refuse Collection/Food for Waste (96686-EPWP3M);
- Yanela Dunjwa (9103106114088) was reported by the end of Quarter 3 of 2021/22 as participating in ADM IDutywa Low Flush (104830-EPWP3M);
- Vuyani Mdlazi (6410065896081) was reported by the end of Quarter 3 of 2021/22 as participating in PSJALIEN Plant 21/22 (118875-EPWP3P).

Letter to Accounting Officer from ADG: DPWI / DDG: EPWP that states the finding and ask for intervention to assure that it does not repeat. Public bodies to supply records.

DPWI EPWP Branch is the coordinator, not an implementer. The MTSF indicator was changed from “Number of work opportunities reported through other public employment programmes” to “Number of validated EPWP work opportunities reported by public bodies into the EPWP-RS”. This indicator now reflects that EPWP work opportunities are created by various public bodies and not solely by DPWI.

Furthermore the lead and contributing departments, as reflected in the above MTSF indicator was changed from being solely DPWI to reflecting that the following public bodies also contribute to the EPWP:

- EPWP Lead Sector Departments;
- Provincial Departments; and
- Municipalities.

The public bodies did not follow the EPWP reporting guidelines.

PFMA/MFMA accountability is for the Accounting Officers of the public bodies.

DPWI EPWP branch has formulated and formalised minimum standards for records management for EPWP in line with the approved EPWP Standard Operating Procedure (SOP).

The Accounting Officers of the implementing public bodies takes ultimate responsibility for the management of the records (i.e. filing, archiving and disposal) as S12 of the Ministerial Determination and the PFMA 40 and 41.

The Accounting Officers of the implementing public bodies must also ensure that records management is compliant with legislation in terms of compliance and safeguarding of records.

### **Auditor's conclusion**

Management responses noted, the below outlines findings which were verified to be resolved as per the management response:

**Finding one: EPWP – Eastern Cape Province – EPWP participants incorrectly reported on the EPWP Q3 data per indicator**

Participants reported on the system but had no supporting documents

Name & Surname	ID no	Public Body	Comment on whether the finding is resolved
Lunga Mate	7 801 016 614 087	Mnquma	<b>Resolved</b> - Contract, Identity Document, Proof of Payment and Attendance Register were attached
Khwezi Dila	7 801 016 614 087	Mnquma	<b>Resolved</b> - Contract, Identity Document, Proof of Payment and Attendance Register
Zolani Carol Mquqwana	7 801 016 614 087	Intsika Yethu	<b>Resolved</b> - Contract and Identity Document Attached
Mzuvukile William Kosa	7 801 016 614 087	Intsika Yethu	<b>Resolved</b> - Contract and Identity Document Attached
Thulani Klaas	7 801 016 614 087	Amathole	<b>Not resolved</b> - The nature of the supporting documents attached is not acceptable as the participants were included in the POP and attendance register which is separate to the rest of the participants for the project
Zwelethemba Khonzani	7 801 016 614 087	Amathole	

Disabled participants reported on the system but had no supporting documents

No response provided and or supporting documents attached – therefore all the findings remain unresolved.

Female participants reported on the system but had no supporting documents

Name	ID no	Public Body	Comment on whether the finding is resolved
Aphiwe Mgwebi	9 408 030 728 089	Mnquma	<b>Resolved</b> - Contract and Identity Document attached
Luniko Ngeyake	001240634087	Mnquma	<b>Resolved</b> - Contract and Identity Document attached
Nomsa Mtambeka	8701011397085	Intsika Yethu	<b>Not Resolved</b> - No response/documents provided
Mandisa Duku	850605137 081	Intsika Yethu	<b>Not resolved</b> - Contract submitted, however the ID attached is not for Mandisa Duku and ID Numbers are different. The ID is for Nkcitha Nontembeko.

Youth participants reported on the system but had no supporting documents

Name	ID no	Public Body	Comment on whether the finding is resolved
Zusiphe Ndzimande	9209145950083	Mnquma	<b>Resolved</b> - Contract and Identity documents attached

Name	ID no	Public Body	Comment on whether the finding is resolved
Khwezi	9108035963083	Mnquma	<b>Not Resolved</b> - No response and /or documents provided
Sikhosonke Siyasanga Ntiyantiya	950301137108	Intsika Yethu	<b>Resolved</b> - Contract, Identity document and proof of payment attached
Nwabisa Soyekwa	8711230878088	Intsika Yethu	Resolved – POP attached
Nandipha Mfeku	9510290376085	Amathole	Not resolved - Attached POP not acceptable as the POP is separate from the rest of the participants for the project.

**Finding two: EPWP – Eastern Cape Province – EPWP participants not reported on the EPWP Q3 data per indicator.**

Female participants not reported on the quarter 3 but had valid contracts ID and supporting documents

No response provided therefore finding remains unresolved

Youth participants not reported on the quarter 3 but had valid contracts ID and supporting documents

Only the following was resolved for the youth participants which were indicated as not reported:

Name	ID no	Public Body	Comment on whether the finding is resolved
Yonelani Fefekazi	9309070490087	Mhlontlo	Resolved - Verified to be included in the Q3 listing
Yanela Dunjwa	9103106114088	Amathole	Resolved - Verified to be included in the Q3 listing

The rest of the participants remain unresolved

Job opportunity for participants not reported on the quarter 3 but had valid contracts ID and supporting documents

No response provided therefore finding remains unresolved

In light of the above, all the remaining unresolved findings will be reported as such in the management report.



## AUDIT OF COMPLIANCE WITH LEGISLATION

### COAF 7 - Procurement of goods and services through quotations: Local content

#### Requirements:

Section 38(1)(a)(l) 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) 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...”*

According to National Treasury Instruction No.11 of 2020/21 Procurement in response to national state of disaster COVID-19 pandemic paragraph 3.1 and 3.4 with effective date of 01 September 2020 states the follow:

*“3.1 From the effective date of this instruction, procurement of all goods, services and works, must be conducted in a accordance with existing procurement procedures in terms of the Public Finance Management Act, 1999, its regulations and instructions made thereunder, the Preferential Procurement Policy Framework Act, 2000 and regulations made thereunder as well as institutional supply chain management polices*

*3.4 The procurement referred to in paragraph 3.1, as far as it relates to PPE items and fabric masks, must comply with the following conditions*

*(d) the items must meet the stipulated threshold for designated local content and production as required by the Preferential Procurement Regulations, 2017 (PPR 2017) (Refer to Annexure C1 for PPE Commodities requiring adherence to the local content & Production Thresholds); the designated local content requirements must be adhered to – deviation will only be allowed when and if the request for exemption is approved by the DTIC”*

#### Nature

During the audit of procurement of goods and services through quotations at Head Office, we noted that the quotation stated below was issued for the procurement of Face shields, hand sanitizers and empty bottles through RFQ number 4419, however the RFQ did not stipulate that local content for face shields and its related threshold was applicable nor was awarded quotation assessed for the applicable local content of PPE item:.

Supplier	Description	RFQ:	Amount (R)
Moetswadi Trading (Pty) Ltd	PPE: Face shields, hand sanitizers and empty bottles	4419	25 280

#### Impact of the finding

The above may result in the following:

- Possible misstatement of irregular expenditure of R25 280
- Non-compliance with section 38 of the PFMA

### **Internal control deficiency**

#### *Leadership*

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

Management did not ensure that the request for quotations stipulates the applicable local content for the procurement of goods and services that should comply with local content. Furthermore, the awarded supplier was not assessed for the applicable local content.

#### *Financial and Performance Management*

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

Management did not implement procurement processes in a timely manner to ensure that SCM regulations are adhered to

### **Recommendation**

It is recommended that management should ensure that the entity complies with all applicable laws and regulations.

RFQs should be reviewed regularly to identify goods/services that should comply and be assessed for local content regulations.

The Compliance officer or any delegated official should check National Treasury Website for Instruction note on a regular basis to keep updated with changes made

### **Management response**

Management agrees with the finding. As part of corrective measure to address the non-compliance indicated on par 3.4 (d), On Tuesday the 08.03.2022, The SCM Practitioner managed to send the PA-36 Form with its Annexure C, D and E to the winning service provide to verify whether the delivered goods (Face Shields) were compliant in terms of Local Content and Production Regulation.

Upon submission by the winning service provider on the same day, it was noted that only PA-36 Form was completed and Annexure C was not included with the response. SCM will ensuring compliance by following up with the service provider.

SCM will immediately ensure compliance by reporting the transaction to the DTI once the Annexure C is received from the service provider. (See the attached proof of sent email and completed PA-36.)

### **Auditors Conclusion**

Management agrees to the finding and therefore, the finding will be included in the management report.

**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.”*

**Audit finding**

1. During the audit of Goods and services: Agency and support, it was identified that 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/ Settlement Date	Time taken to pay the invoice.
2442329	R1 006 328,00	ALTMAN ADVISORY	DPWI0001 DPWI0002	2021/06/14	2021/07/19	34

2. During the audit of Goods and services: remaining balance, it was identified that 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/ Settlement Date	Time taken to pay the invoice.
2442305	R32 349,91	VODACOM	4010139121	2021/05/28	2021/07/02	35

**Impact of the finding**

The above may result to 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.

**Recommendation**

It is recommended that payments must be made within the 30 days from the receipt of the invoice and when there are unforeseen circumstances that may results in payments not being made timeously, this must be communicated to the affected suppliers to renegotiate payment terms and correspondence kept for audit purposes.

### **Management response**

Management is in agreement with the Finding.

Altman Advisory invoice – A misunderstanding by Infrastructure SA on DPW payment process.

Management do not agree with the internal control deficiency. The Department monitors and reviews compliance with applicable laws and regulations. The Department identified the non-compliance and reported to National Treasury and the relevant officials were requested to provide representations.

Vodacom invoice processed outside the regulated 30 days due to the responsible unit working with 30% staff rotation due to COVID19 lockdown.

Failure to process the invoices within 30 days. Altman Advisory invoice – A misunderstanding by Infrastructure SA on DPW payment process.

The Department will continue to send reminders to responsible officials for invoices reaching 30 days and continue with consequence management for failure to pay invoices within 30 days.

Altman Advisory – Representation was requested from the responsible official, response was not received and as a result, the matter was referred to Labour Relations for further handling (see attached annexures C and D).

Vodacom - The responsible official was requested to provide representations, and the representation was received. (see attached annexures A and B).

### **Auditor's conclusion**

Managements response has been evaluated and confirmed that they concur with the finding. The communication of audit finding will therefore be included in the interim management report.

## FINDINGS RELATING TO THE INFORMATION SYSTEMS AUDIT

### 1. IT General Controls finding

#### INFORMATION TECHNOLOGY GOVERNANCE

#### 1.1 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. However, the following critical positions listed in the structure were still vacant:

- Chief Information Officer (CIO).
- Deputy Project Manager (ICT)

This issue was reported in the 2019-2020 and 2020-21 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 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.

#### Recommendation

The Human Resource management and Director General Corporate Services should expedite the process of finalizing the appointment of the above-mentioned critical posts within the IT department.

#### Management response

Management does not agree with the finding.

Both posts of Chief Information Officer and Deputy Director Project Manager were advertised, shortlisting were done, interviews conducted and both submissions are on route for approval

**Auditor's conclusion**

Management comments are noted and acknowledged. However, both posts of Chief Information Officer and Deputy Director Project Manager are still vacant. Therefore, the finding will remain. The action plans will be followed up during the 2022/23 audit and the outcome of the assessment will be communicated at completion of the audit.

## 1.2 Information Communication Technology projects for 2020/21 were not achieved

### Audit finding

As previously reported, 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 2021/22 financial year.

Project Description and Value of Contract	Status	Target achieved (Yes/No)	Challenges
1. 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>Tender was closed on 08 June 2021.</li> <li>Evaluation process took place on 07th July 2021 and completed on the 13th of August 2021 due to a Risk Assessment Report required by NBAC.</li> <li>Re-evaluation of the tender was done on the 27th of October 2021 and submitted to the NBAC.</li> </ul>	No	<ul style="list-style-type: none"> <li>Tender advertising was delayed due to system issues at National Treasury.</li> <li>BEC expected to draft a Risk Assessment report.</li> <li>Legal Services requested that the BEC re-evaluate the bids.</li> </ul>
2. Renewal of the Microsoft Enterprise Agreement (R42m).	<ul style="list-style-type: none"> <li>Letter of Appointment was issued to FirstTech.</li> <li>Microsoft appointed a service provider (BUI) to assist.</li> <li>Microsoft Teams configuration and testing are completed.</li> <li>All ICT technicians have been trained.</li> <li>Processes rolling out MS Teams to the users is underway.</li> </ul>	No	<ul style="list-style-type: none"> <li>Negotiation between the Department and Microsoft in terms of product offering took a bit longer.</li> <li>Change of implementing service provider.</li> <li>SITA involvement for verification.</li> <li>Invoice not paid because of outstanding documents.</li> </ul>
3. Procurement of SAS licensing, maintenance, and support services (R9.5m)	<ul style="list-style-type: none"> <li>Advert has been closed and bid evaluation happened on 26th &amp; 27th August 2021.</li> <li>Price negotiations with recommended bidder was finalised.</li> <li>CSD came back online on Friday 12th November 2021.</li> <li>New price offer documentation has been submitted to the NBAC.</li> </ul>	No	Restarted the whole procurement process because of expired validity.
4. 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 “Negotiated” route.</li> <li>A task letter has been issued for SITA to start the procurement process on behalf of the Department.</li> <li>SITA recommend that we meet with ESRI to address the over pricing. Meeting scheduled for today 09 November 2021.</li> <li>Meeting with ESRI took place and a new letter to SITA was sent.</li> </ul>	No	

5. Appointment of a service provider to supply resources for WCS & PMIS support services (R8m).	<ul style="list-style-type: none"> <li>▪ BEC has completed the evaluating process.</li> <li>▪ Letter of Appointment was issued to Nambiti.</li> <li>▪ SLA sent to Legal Services for their opinion.</li> </ul>	No	Procurement process delays.
6. Procurement of SAGE system development, licensing, maintenance, and support services (R50m)	<ul style="list-style-type: none"> <li>▪ Concerns from the NBAC were addressed and the procurement strategy resubmitted.</li> </ul>	No	In progress.
7. ICT Application Resources (R28m)	<ul style="list-style-type: none"> <li>▪ Procurement Strategy &amp; ToR submitted to the NBAC.</li> <li>▪ Tender was advertised and was closed.</li> <li>▪ Bid evaluation was held on 25th August 2021 and recommendation was submitted to the NBAC for consideration.</li> <li>▪ Legal Services has issued a letter of award to the recommended bidder.</li> <li>▪ Awaiting for the SLA to be finalised.</li> </ul>	No	In progress.
8. ICT Technical Resources	<ul style="list-style-type: none"> <li>▪ Procurement Strategy has been submitted to the NBAC.</li> </ul>	No	Procurement process delays.
9. 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.
10. Appointment of a service provider for SAGE ERP system development, licensing, maintenance, and support services (R50m).	<ul style="list-style-type: none"> <li>▪ TOR and Procurement Strategy documents are completed.</li> </ul>	No	Procurement process delays.
11. Appointment of a service provider supply and upgrade server infrastructure with maintenance and support services (R7m).	<ul style="list-style-type: none"> <li>▪ Procurement Strategy has been submitted to the NBAC.</li> </ul>	No	Procurement process delays.
12. Appointment of a service provider to supply and install Audio Visual equipment, access points and security features with maintenance and support services (R24m)	<ul style="list-style-type: none"> <li>▪ Procurement Strategy has been submitted to the NBAC.</li> </ul>	No	In progress.



13. Appointment of service provider for all network equipment license renewal with maintenance and support (R26m).	<ul style="list-style-type: none"> <li>Procurement Strategy has been submitted to the NBAC.</li> <li>Procurement Strategy was approved by the NBAC.</li> <li>Tender was advertised and bids were evaluation.</li> <li>Legal Services has issued a letter of award to the recommended bidder.</li> </ul>	No	In progress.
14. Business Automation	<p><b>Leave system:</b></p> <p>A special meeting with Unions was held on the 10 June 2021 and the Unions have suggested that e-leave be put on hold until the Leave policy is updated with the current changes.</p> <p>Project still on-hold pending the outcome from HR and Unions.</p> <p>DPWI DG has approved a letter to National Treasury.</p> <p><b>Fleet booking system</b></p> <p>A special meeting with Unions was held on the 10 June 2021 and the Unions have suggested that e-fleet booking be put on hold until the Fleet policy is updated to include the current changes.</p> <p>Development for issues raised by business is underway. Testing will be done when the developer is ready.</p> <p>IT Application has allocated Mr. Raja Gangavarapu as the new developer for the projects.</p> <p><b>S&amp;T claims</b></p> <p>The development will resume when the developer is done with development of Fleet system.</p>	No	

This issue was reported in the 2019-2020 and 2020-21 financial years.

### Risk

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:

- Dependencies on other parties which were not initially considered when committing to the KPIs.
- Delays in procurement by the department.

### **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 to be achieved.
- He continues to monitor implementation of all KPIs monthly and reasons or root causes for failure to implement should be clearly documented.

### **Management response**

Management does not agree with the finding. The ICT Chief Directorate does not have any control on issues arise during procurement process, only Supply Chain Management (SCM), Bid Specification Committee (BSC), Bid Evaluation Committee (BEC) and/or Legal Services control the process.

The following projects are still within the procurement process:

- Enterprise ICT security solution
- SAS licensing
- ESRI GIS licensing
- SAGE
- ARCHIBUS ERP
- Audio Visual equipment
- ICT Technical Resources

Proof of Evidence (POEs) will be forwarded to AG.

The following projects were awarded:

- WCS & PMIS support services
- ICT Application Resources
- Renewal of the Microsoft Enterprise Agreement
- Network equipment license renewal

Proof of Evidence (POEs) will be forwarded to AG.

- Business Automation, project is developed in-house, it takes longer to get approvals from relevant stakeholder such as Human Resources, Unions, National Treasury etc. The ICT team is waiting for approval by the Unions in order roll-out the Leave Management. Fleet Booking and S&T are still under development, the delay is because the ICT is using one Developer to assist with development of all systems.

### **Auditor's conclusions**

Management comments are noted and acknowledged. However, the following ICT projects were still not achieved:

- Enterprise ICT security solution
- SAS licensing
- ESRI GIS licensing
- SAGE
- ARCHIBUS ERP
- Audio Visual equipment
- ICT Technical Resources

Therefore, the finding will remain. The action plans will be followed up during the 2022/23 audit and the outcome of the assessment will be communicated at completion of the audit.

## USER ACCESS MANAGEMENT

### 2.1. 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 system administrator review 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 reviewed reports did not detail administrator activities performed such as user creation, user ID maintenance, allocation of functions and deletion of user accounts.

This issue was reported in 2020-2021 financial year.

#### **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**

Management does not agree with the finding.

**Auditor's conclusions**

The management comments are noted and acknowledged. However, the finding relating to the user profile reviews not being adequately performed will remain as the evidence provided was assessed and was found to be insufficient/ inadequate to address the finding.

**2.2. 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**

As previously reported in 2020/21 financial year, it was noted that 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.

**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.

**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.

**Recommendation**

Management should 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 response**

Management does not agree with the finding. Management as per the ICT User Access Management policy and procedure sends out periodic communication to all managers requesting submission of user access reviewed. POE of the communication is attached.

**Auditor's conclusions**

The management comments are noted and acknowledged. However, the finding relating to the user profile reviews not being adequately performed will remain as the evidence provided was assessed and was found to be insufficient/ inadequate to address the finding and risk identified.

### **2.3. 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**

As previously reported in 2020/21 financial year, the following deficiencies were noted with regards to the administration of user access controls on the EPWP system:

- Although EPWP user access review communication was sent to all EPWP coordinating departments, lead sector departments and system users 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 users' access rights were 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

- 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 actions performed by the system controller, furthermore; reviews should be performed and signed off as evidence of review.  
Consider updating the systems to include information on changes to user access rights.

## **Management response**

Management does not agree. EPWP RS system users are reviewed as per ICT Policy. POEs attached.

## **Auditor's conclusions**

The management comments are noted and acknowledged. However, all the findings on the EPWP system will remain as the evidence provided is still the same and not sufficient. The management comments are noted and acknowledged. However, all the findings relating to the EPWP will remain as the evidence provided was assessed and was found to be insufficient/ inadequate to address the risk identified.

## SECURITY MANAGEMENT

### 1.1 Inadequate Security Management controls

Security management ensures that security controls are implemented to prevent unauthorized 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 for example, unauthorised attempt to access the AD.

These matters were reported in 2019-20 to 2020-21 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.

#### 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.

#### Management response

Management does agree with the findings and have attached the POE.

- Archibus password configurations are attached.  
Sage password settings are aligned with the ICT policy password configurations. POE attached.

#### Auditor's conclusions

The management comments are noted and acknowledged and the finding relating to Archibus and Sage password settings was resolved based on the evidence provided subsequent to the issue being raised. However, the finding of AD activity logs not being reviewed will remain as there was no evidence provided to confirm that this control was adequately implemented.



## INFORMATION TECHNOLOGY SERVICE CONTINUITY

### 4.1. Inadequate IT service continuity controls

According to COBIT management practice DSS04.02 (Maintain a continuity strategy) and DSS04.04 (Exercise, test and review the BCP): Senior management should evaluate business continuity management options and choose a cost-effective and viable continuity strategy that will ensure enterprise recovery and continuity in the face of a disaster or other major incident or disruption. The continuity arrangements should be tested on a regular basis to exercise the recovery plans against predetermined outcomes and to allow innovative solutions to be developed and help to verify over time that the plan will work as anticipated.

#### Audit finding

As previously reported, the following deficiencies were noted with regards 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.
- Evidence that shows backup restoration tests performed for EPWP and Reapatala systems were not adequate, as they did not include the logs and the system names.

These issues were reported in 2018-19 to 2020-2021 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. Moreover, the recovery process may possible not be, 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 have a negative impact on service delivery, should a disaster occur.

#### Internal control deficiency

*Financial and performance management: Formal controls over IT Systems*

- There were challenges with replication at CGO, Cape Town and SITA to DR because of bandwidth limitations.
- Also, ICT has not managed to get a new backup and recovery solution that will address the issue on testing.

#### Recommendation

Management should ensure:

- That restoration tests logs are performed for all applications.
- Furthermore, they should ensure that logs for restoration tests are kept for monitoring and audit purposes.

- The DRP is periodically tested to ensure that the plan is practical regarding its execution.
- Management should consider the feasibility of increasing the network bandwidth.

### **Management response**

Management partially agrees with the finding

Management agrees with the below:  
that the DR testing is not yet done

Management does not agree with the below:  
That backup of the information is not adequate.  
That backups are not being moved offsite

Management agrees with the recommendations.

A new backup and recovery solution has been implemented and will address the issue of testing

### **Auditor's conclusions**

The management comments are noted and acknowledged. The evidence of backups taken offsite was received and therefore found sufficient and as such the finding was removed. However, the findings of the DRP not being tested and backup restoration testing not being performed will remain as the evidence provided was assessed and was found to be insufficient to address the finding as such this finding is not addressed.

## ADMINISTRATIVE MATTERS

### COAF 01 – Internal Control Deficiency

#### Requirements

The Public Finance Management Act (PFMA) Section 38 (1) states that *“The accounting officer for a department, trading entity or constitutional institution*

*a) must ensure that that department, trading entity or constitutional institution has and maintains*

*i) effective, efficient and transparent systems of financial and risk management and internal control;”*

#### Nature

During the planning for the 2021/22 for the Department of Public Works and Infrastructure (DPWI) audit, we noted the following:

- Paragraph 9 of the Terms of Reference (ToRs) for the Executive Committee states the following: *“The Chair of the committee should undertake annual reviews of the ToRs. It is the responsibility of the Chair of the committee to ensure the reviews happen on time and that review is approved with signature recorded in compliance with MPAT requirements on governance”*
- However, the ToR was last reviewed and approved on 29 April 2014.
- Therefore the Department is using an outdated ToR for the establishment and execution of The Executive Committee (EXCO)

#### Impact of the finding

The resultant impact of the finding leads to an internal control deficiency.

The above is due to:

Inadequate reviews, by management, of Policies, Procedures and the related Terms of Reference that are applicable to enable committees

#### Internal control deficiency

##### *Leadership*

Develop and monitor the implementation of action plans to address internal control deficiencies.

#### Recommendation

Management should ensure that:

All Policies, Procedures and Related Terms of References' are to be reviewed annually and approved in accordance with applicable legislation and internal controls highlighted above.

**Management response**

Management response has not been received.

**Auditors Conclusion:**

No auditors conclusion provided since the management response was not received. The finding remains.

**COAF 2: Limitation of Scope: Requested information not provided****Requirements**

Section 41 of the PFMA requires that *'An accounting officer for a department, trading entity or constitutional institution must submit to the relevant treasury or the Auditor-General, such information, returns, documents, explanations and motivations as may be prescribed or as the relevant treasury or the Auditor-General may require.'*

**Nature**

During the planning for the 2021/22 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		Fraud Questionnaire for the following officials: - Deputy Director: Accounts Payables - Director: Human Resource Administration	24 January 2022

**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:

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:

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 the Deputy Director: Accounts Payable is on leave and out of the country until the 7<sup>th</sup> of March 2022 and a request for extension was sent.

### **Auditors Conclusion**

Management subsequently provided the fraud questionnaire fro Director: Human Resource Admistration. The fraud questionnaire is still outstanding for Payables Director.

## SECURITY MANAGEMENT

### 1. NETWORK SECURITY: INTERNAL VULNERABILITY ASSESSMENT

An internal vulnerability assessment was performed on the Department of Public Works Infrastructure' (DPWI) network.

During the audit, it was noted that management did not address the following findings which are reoccurring in three (3) audit cycles in succession 2019/20, 2021 and 2021/22 financial years:

An excess of six hundred and seven (607) internal systems were detected and scanned for vulnerabilities. The systems included servers, switches, client machines and hosts amongst others. Eighty-three (83) of the identified hosts contained reportable vulnerabilities i.e., forty-two (42) had missing patches or were running unsupported software, and sixty-four (64) contained weak/vulnerable configurations. To exploit the identified vulnerabilities, an attacker would require access to the LAN, i.e., be inside a DPW and plugged into a network point via Ethernet cable or have access to a Wireless Access Point.

With this access, an attacker may exploit one of the identified vulnerabilities (note: exploits available freely online) that would primarily disrupt services provided by the affected hosts. Information disclosure exploits and default access vulnerabilities were also available, providing attackers with opportunities to attempt privileged access exploits. In certain cases, an attacker may be able to access one or more of the affected hosts without the need for credentials.

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

##### Audit finding

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

Forty-two (42) internal were either running unsupported software, operating systems and/or databases, or missing critical and/or high-risk security updates with exploits available.

The issues detected included:

- a) Missing security updates on operating systems
- b) Unsupported operating system software
- c) Missing security updates on internetworking operating systems
- d) Unsupported or missing security updates on web enabling software
- e) Missing security updates on virtual software
- f) Missing security updates on remote server management software
- g) Unsupported or missing security updates on file sharing software

##### Risk

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

Exploits (note: exploits available freely online) would primarily disrupt services provided by the affected systems. Information disclosure exploits and default access vulnerabilities were also detected. If used, attackers may successfully conduct privileged access attacks.

The following section details the vulnerabilities and their prevalence:

### **Internal control deficiency**

Inadequate patch management could be attributed to lack of regular system monitoring and non-compliance to patch management processes.

### **Recommendation**

Management should ensure that organisation comply with patch management processes and monitoring controls be implemented to ensure compliance to the policy. The roles and responsibilities to ensure that the ICT environment patch management is up-to-date, ICT vulnerability monitoring and detection tools that will allow enumeration of vulnerabilities within the environment are in-place and the ICT infrastructure is up-to-date with minimum security requirements to meet the business objectives, should be allocated to an Information Security Officer (ISO) to promote accountability and custodianship of Information Security programs undertaken by the entity.

ICT management should consider the following remedial actions:

- Ensure all systems are patched in accordance to the respective policies;
- Ensure the ICT risk register is updated with the acceptable patch related risks and the reasons for not patching specific systems.
- Should the decision be taken not to apply a particular security update, approval should be sought at a strategic level to accept the risk.
- Ensure all systems are patched in accordance with the respective policies.
- Developing a vulnerability management process to assess critical technologies on a continuous basis for vulnerabilities. Vulnerabilities that are identified should be prioritised based on system criticality and remediated in a timely manner (normally within 30 days). Compensating controls should be identified, that adequately protect the system against known exploits until the corresponding security patch can be loaded.
- End of life software should be placed in a secure environment isolated from other systems. Additional controls should be implemented to safeguard against potential exploits, as the vendor may no longer provide security patches for these technologies.

### **Management response**

Management response was not provided.

### **Auditor's conclusion**

No auditors conclusion provided since the management response was not received. The finding remains.



## 1.2 Insecure configurations on internal networked systems

### Audit finding

Sixty-four (64) internal systems (e.g., production servers, switches, routers, etc.) were vulnerable because of weak configuration settings.

- a) Open unencrypted ports
- b) Inadequately configured encryption
- c) Inadequately configured database
- d) Simple Network Management Protocol vulnerabilities
- e) Privilege passwords, password disclosure and unauthenticated access
- f) Inadequately configured file sharing software

### Risk

An attacker may be able to use these vulnerabilities to access the affected systems, disrupt services provided by the affected systems or gather sensitive/ confidential information generated by the entity. In addition, an attacker may use the enumerated issues to conduct unapproved/ malicious activities in the confines of the network.

### Management response

Management response was not provided.

### Auditor's conclusion

No auditors conclusion provided since the management response was not received. The finding remains.

## 2. NETWORK SECURITY: OPERATING SYSTEM AND DATABASE

### 2.1. Inadequately configured Windows operating system for SAGE

#### Audit finding

The security and configuration settings of the Windows operating system server for SAGE were either inadequate or not configured, which gave rise to the following weaknesses:

#### a) **The built-in administrator account has not been changed / renamed**

It was found that the default administrator account has not been renamed / changed. The built-in administrator account is a well-known account subject to attack.

#### Risk

Since the Administrator account has not been configured to be locked out, regardless of how many times an attacker might use a bad password, this capability makes the Administrator account a popular target for brute force attacks that attempt to guess passwords. Renaming this account to an unidentified name improves the protection of this account and the system.

#### Internal control deficiency

#### Financial and performance management

Inadequate implementation or configuration of the Windows operating system could be attributed to the non-compliance to, or lack therefore of, the Configuration Standard for Operating System Security.

#### Recommendation

Management should ensure that the Information security hardening standards for operating system are updated, approved, and implemented. In addition, monitoring controls should be implemented to ensure compliance to the standards.

Management should consider adopting the following measures in order to ensure that the weaknesses identified are addressed:

- a) Rename "administrator" account to another name other than "Administrator",

#### Management response

Management response was not provided.

#### Auditor's conclusion

No auditors conclusion provided since the management response was not received. The finding remains.

### 2.2. Inadequately configured SQL database for SAGE

#### Audit finding

SQL Server can provide a wide range of features and services. Some of the features and services, provided by default, may not be necessary to support essential operations, and

enabling them could adversely affect the security of the system. It is detrimental for SQL server to provide, or install by default, functionality exceeding requirements or mission objectives. SQL servers must adhere to the principles of least functionality by providing only essential capabilities.

The following issues on SAGE SQL database server at DPW were identified:

- a) The built-in default accounts have not been changed / renamed
- b) Inadequate password policies configuration
- c) Insecure remote access configuration was enabled on the database
- d) Insecure authentication mode was enabled on the database
- e) Insecure CRL was enabled on the database

### **Internal control deficiency**

#### **Financial and performance management:**

Weaknesses identified on SAGE SQL database server could be attributed to non-conformance to, or lack therefore of, the Configuration Standard for Database Security.

### **Recommendation**

Management should ensure that the Information security hardening standards for database are updated, approved, and implemented. In addition, monitoring controls should be implemented to ensure compliance to the database standards.

Management should consider adopting the following measures to ensure that the weaknesses identified are addressed:

- a) Rename "Administrator", SA, and Guest account to a name other than "Administrator".
- b) Set 'CHECK\_POLICY' and CHECK\_EXPIRATION' options to 'ON' or '1' for All SQL Authenticated Logins,
- c) Restrict 'Remote Access' to authorized users / accounts or disable it when not required - unless specifically required and approved (i.e., there is a valid business reason for this feature),
- d) Disable Mixed authentication mode and use instead Windows authentication mode,
- e) Disable or restrict CRL code to only the SAFE or EXTERNAL\_ACCESS permissions, preferably the SAFE permission.

### **Management response**

Management response was not provided.

### **Auditor's conclusion**

No auditors conclusion provided since the management response was not received. The finding remains

---