**INTERIM MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**2015-09-30**

**MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**2015-09-30**

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**INTERIM MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE DEPARTMENT OF PUBLIC WORKS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

**INTRODUCTION**

1. Our responsibility is to:

* express an opinion on the financial statements
* express a conclusion in the management report on the usefulness and reliability of the reported performance information for selected programmes, and report the material findings in the auditor’s report
* report on material findings relating to compliance with specific requirements in key applicable legislation, as set out in the general notice issued in terms of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

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

1. This management report is provided to make it easier for the auditee to consider and correct the audit findings arising from the audit of the financial statements, reporting on predetermined objectives and compliance with legislation that have come to our attention to date. We will provide a final management report after the completion of the audit after year-end.
2. The audit work performed to date includes the following:

Financial statements

* Review of the interim financial statements submitted.

Reporting on predetermined objectives

* Audit of Quarter 2 performance information submitted and review of supporting documentation
* Audit of usefulness of indicators of 2016/17 Annual performance plan

Compliance with legislation

* Supply Chain Management
* Human Resource Management
* Modified Cash Standard

1. The management report consists of an executive summary and annexures containing the detailed audit findings.

**EXECUTIVE SUMMARY**

**SECTION 1: Interactions with stakeholders responsible for oversight and governance**

1. During the audit cycle, we met with the following key stakeholders who are responsible for oversight and governance to communicate matters relating to the audit outcome of the department:

|  |  |
| --- | --- |
| **Stakeholder** | **Number of interactions** |
| Portfolio committee on Public Works | 2 |
| Standing committee on public accounts | 0 |
| Minister of Public Works | 3 |
| Accounting officer | 3 |
| Audit committee | 8 |

1. At these interactions, we shared audit outcomes relating to the 2014-15 audit cycle for the Public Works sector. With respect to the current audit we discussed the terms of the audit engagement (with specific emphasis on the roles and responsibilities of the auditor and management as well as those charged with governance), overall audit strategy including the proposed nature, timing and extent of audit procedures to be performed, risk assessment (including fraud risk assessment) and the effectiveness of internal control. Audit progress and findings were discussed on a continuous basis and the audit outcome for 2015-16 will be discussed prior to the finalisation of the audit report.
2. Some of the stakeholders made commitments to implement initiatives that can improve the audit outcome. The commitments given and the progress of previous commitments are included in part F of section 2, which deals with the assessment of assurance providers.

**SECTION 2: MATTERS RELATING TO THE AUDITOR’S REPORT**

**PART A – MISSTATEMENTS IN THE FINANCIAL STATEMENTS**

1. We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the department’s system of internal control. These material misstatements also constitute non-compliance with section 40(1) of the PFMA.

| **Material misstatements** | | | **Impact**  **R**  current year | **Impact**  **R**  prior year |
| --- | --- | --- | --- | --- |
| **Financial statement item** | **Finding** | **Occurred in prior year**  (Yes / No) |
| **Material misstatements corrected** | | | | |
| Commitments | Commitment for IDT on related party disclosure note not disclosed | No | 8 141 000 | - |
| Irregular expenditure | Transfer payment to agreement south Africa not budgeted for was not disclosed | No | 11 682 000 | - |
|  |  |  |  |  |

**PART B – MATTERS TO BE BROUGHT TO THE ATTENTION OF THE USERS**

**EMPHASIS OF MATTER PARAGRAPHS**

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

**Restatement of corresponding figures**

1. As disclosed in note 44 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of errors discovered during 2016 in the financial statements of the Department of Public Works at, and for the year ended, 31 March 2016.

**Material impairments**

1. As disclosed in note 15.7 to the financial statements, material losses to the amount of R55 708 000 were incurred as a result of impairment of receivables.

**PART C – CONCLUSIONS ON REPORTED INFORMATION RELATING TO THE PERFORMANCE OF THE DEPARTMENT AGAINST PREDETERMINED OBJECTIVES**

1. Included below are our conclusions on the reported performance information for selected programmes presented in the annual performance report.

Introduction

1. We have audited the reported performance information for the following selected programmes presented in the quarterly performance report:
2. Programme 3: Expended Public Works Programme (EPWP) on pages x to x
3. Programme 4: Property and Construction Industry Policy Regulation on pages x to x
4. Programme 5: Prestige Management on pages x to x

**The accounting officer’s responsibilities**

1. The accounting officer is responsible for the preparation and fair presentation of the annual performance report in accordance with the requirements of the applicable laws and regulations, relevant frameworks, circulars and guidance issued by the National Treasury regarding the planning, management, monitoring and reporting of performance against predetermined objectives, and for such internal control as management determines necessary to enable the preparation of an annual performance report that is useful and reliable.

**Auditor-general’s responsibilities**

1. As required by sections 4 and 20 of the Public Audit Act of South Africa, 2004 (Act No.25 of 2004)(PAA), read with *General Notice 839 of 2011 issued in Government Gazette 34783 of 28 November 2011*, my responsibility is to express a conclusion on the annual performance report. The conclusion will be expressed at the culmination of the final audit.

**Findings on predetermined objective**

1. We assessed the information to determine whether the performance indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury’s *Framework for managing programme performance information* (FMPPI)*.*
2. We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete only for EPWP because the department did achieve most of the planned targets for programme 4 and 5.

The material findings in respect of the selected programmes are as follows:

1. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets relating to EPWP were not reliable when compared to the source information or evidence provided.
2. No findings pertaining to the usefulness criteria for the approved 2015/16 annual performance plan (whether performance indicators and targets are measurable (i.e well defined, verifiable, specific, measurable and time bond) and relevant, as required by the National *Treasury Framework for managing programme performance information*).
3. No findings pertaining to the usefulness criteria for the draft 2016/17 annual performance plan (whether performance indicators and targets are measurable (i.e well defined, verifiable, specific, measurable and time bond) and relevant, as required by the National *Treasury Framework for managing programme performance information*).
4. In terms of the “*Appendix 4 of outcome 4: Decent employment through inclusive economic growth*” of the MTSF, the Minister of Public Works is responsible for the indicator “Number of work opportunities” however this indicator was not included in the Draft annual performance plan for 2016/17.

**PART D – FINDINGS ON NON-COMPLIANCE WITH LEGISLATION**

1. Included below are material findings on non-compliance with specific requirements in key applicable legislation.

**Financial statements**

1. The financial statements submitted for auditing were not fully prepared in accordance with the Modified Cash Standard prescribed by the National Treasury as required by section 40(1)(b) of the PFMA and Treasury Regulation 18.2. Material misstatements of disclosure items identified by the auditors in they submitted financial statements were subsequently corrected.

**Expenditure management**

1. Steps taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1, were in certain instances not effective.

**Procurement and contract management**

1. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, are required by Treasury Regulation 16A6.1.
2. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1 Deviations were approved by the accounting officer even though it was not impractical.
3. Invitations for competitive bidding were not always advertised in at least the government tender bulletin, as required by Treasury Regulation 16A6.3(c).
4. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers whose tax matters have been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1 (d) and the Preferential Procurement Regulations.
5. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

**PART E – INTERNAL CONTROL**

**IMPLEMENTATION OF THE DRIVERS OF INTERNAL CONTROL**

1. Below is our assessment of the implementation of the drivers of internal control, based on significant deficiencies identified during our audit of the financial statements, the annual performance report and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented, which either had or could cause the financial statements or the annual performance report to be materially misstated and material instances of non-compliance with legislation to occur.
2. When the required preventative or detective controls are in place, it is assessed with a ; when progress on the implementation of such controls was made but improvement is still required or where actions taken are not sustainable, it is assessed with a ; while

indicates that internal controls are not in place and intervention is required to design and implement appropriate controls. The movement in the status of the drivers from the previous year-end to the current year-end is indicated collectively for each of the three audit dimensions (namely financial statements, performance reporting, and compliance with legislation) under the three fundamentals of internal control (namely leadership, financial and performance management, and governance), with (improved), (unchanged) or (regressed).

|  | **Financial statements** | | **Performance reporting** | | **Compliance with legislation** | |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Current year** | **Prior year** | **Current year** | **Prior year** | **Current year** | **Prior year** |
| **Leadership** | | | | | | |
| **Overall movement from previous assessment** |  | |  | |  | |
| * Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity |  |  |  |  |  |  |
| * Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls |  |  |  |  |  |  |
| * Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored |  |  |  |  |  |  |
| * Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities |  |  |  |  |  |  |
| * Develop and monitor the implementation of action plans to address internal control deficiencies |  |  |  |  |  |  |
| * Establish an information technology governance framework that supports and enables the business, delivers value and improves performance |  |  |  |  |  |  |
| **Financial and performance management** | | | | | | |
| **Overall movement from previous assessment** |  | |  | |  | |
| * 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 |  |  |  |  |  |  |
| * Implement controls over daily and monthly processing and reconciling of transactions |  |  |  |  |  |  |
| * Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information |  |  |  |  |  |  |
| * Review and monitor compliance with applicable legislation |  |  |  |  |  |  |
| * Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information |  |  |  |  |  |  |
| **Governance** | | | | | | |
| **Overall movement from previous assessment** |  | |  | |  | |
| * Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored |  |  |  |  |  |  |
| * Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively |  |  |  |  |  |  |
| * Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation |  |  |  |  |  |  |

1. The table below provides the overall status of the drivers of key controls

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | |  | | | | | | | | | | |  |  |
|  | |  | | **Status of the drivers of internal controls** | | | | | | | | | | |  |
| **Leadership** | | | | | |  |  |  | **Financial and performance management** |  |  |  | **Governance** |  |  |
| Effective leadership culture | | | | | | |  |  | Proper record keeping | |  |  | Risk management | |  |
|  | | | | | | |  |  |  | |  |  |  | |  |
| Oversight responsibility | | | | | | |  |  | Processing and reconciling controls | |  |  | Internal audit | |  |
|  | | | | | | |  |  |  | |  |  |  | |  |
| HR management | | | | | | |  |  | Regular reporting | |  |  | Audit committee | |  |
|  | | | | | | |  |  |  | |  |  |  | |  |
| Policies and procedures | | | | | | |  |  | Compliance monitoring | |  |  |  | |  |
|  | | | | | | |  |  |  | |  |  |  | |  |
| Audit action plans | | | | | | |  |  | IT system controls | |  |  |  | |  |
|  | | | | | | |  |  |  | |  |  |  | |  |
| IT governance | | | | | | |  |  |  | |  |  |  | |  |
|  | | | | | | |  |  |  | |  |  |  | |  |
| Improved | | | | | | |  |  | Unchanged | |  |  | Regressed | |  |
|  | | | | | | |  |  |  | |  |  |  | |  |
| Improved | | | | | | |  |  | Unchanged | |  |  | Regressed | |  |
|  | | | | | | |  |  |  | |  |  |  | |  |
| Good | | | | | | |  |  | Concerning | |  |  | Intervention required | |  |
|  | |  | |  | |  | | | | | | | | | | | |

**LEADERSHIP**

**Effective leadership**

1. During the year under review the implementation of measures aimed at embedding a culture of honesty, ethical behaviour and good governance in the department continued. A formal code of conduct that addresses appropriate ethical and moral behaviour is in place. In the previous financial year disciplinary steps taken against the officials who transgressed against the department.

**Oversight responsibility**

1. Oversight responsibility in terms of financial reporting improved during 2015-16, however we still noted that the interim financial statements submitted for 30 September 2015 had material misstatement and that the department did not have sufficient monitoring controls to ensure the proper implementation of the overall process of reporting on performance against achieved targets.
2. Compliance matters, particularly with regards to supply chain management, have received considerable attention from the department. It has been noted that the department confirmed that all awards are subject to a pre-audit by Inspectorate and Compliance unit across the department since September 2014 in order to prevent any potential irregular and fruitless and wasteful expenditure. To date it has been partially effective given that instances of non-compliance are still being identified by management and through the audit process.
3. There should be an increased level of oversight in the upcoming year over performance reporting against predetermined objectives. This includes the interrogation of reasons why particular targets are not being achieved, but even more importantly putting in place mechanisms of ensuring that all performance reported is accurate, valid and complete and that the required supporting documentation is in place and easily retrievable for audit purposes.

**Human resource management**

1. The department HR plan which was no based on the approved structure and Vote of the department for the current financial year and the department is however still in the process of finalising the updated organisational structure in line with the radical restructuring that took place between the department and PMTE, which amongst others includes the approval of the new programme budget structure.
2. Several pre-consultation meetings have been held with DPSA whilst the structure still needs to be formally submitted to DPSA for analysis and concurrence purposes. Once DPSA indicates that they concur with the new proposed structure it must be approved by the Minister and it must be ensured that sufficient funding is in place. As indicated below the department has a lot of unfunded filled positions, thus it is imperative that this process is concluded as soon as possible. If the updated organisational structure is implemented but not yet approved it could result in overspendings, thus unauthorised expenditure and if National Treasury does not approve the increase in compensation of employee cost the latter will result in irregular expenditure.
3. The vacancy rate at the end of September 2015 amounted to 21.6% based on the old approved structure. It is a concern that the vacancy rate has increased from 18,9% at previous year-end to 21,6% in the current financial year. This could have a negative impact on the core business of the department as there might not be sufficient human resources to fulfil the mandate of the department.
4. The vacancy rate based on the new structure not finalised for DPW is 11.06% while PMTE is 24.6%

**Policies and procedures**

1. Management has completed the process of approving and communicating policies during the year under review, to ensure the sustainability of this process it is suggested that an annual policy review is undertaken going forward. The process of documenting standard operating procedures throughout the business has also commenced. This includes a review of internal controls where relevant to ensure that business processes are imbued with the necessary checks and balances and internal controls.
2. It was however noted during the audit process that even though policies were approved and communicated, policies are not always implemented and compliance with the requirement enforced. Monitoring controls must thus be strengthened.

**Action plans to address internal control deficiencies**

1. The department developed comprehensive action plans to address internal and external audit findings and adherence to the plan is monitored on a regular basis by the appropriate level of management.
2. The action plan does not address the real root cause of EPWP performance findings which is a no adequate regular site visits are performed to the public bodies, to ensure that the proper records which support the reported targets are maintained.

**Information technology governance framework**

1. Over reliance on consultants to perform key IT functions which poses a risk in the event that the contractors/consultants leave the organisation, the IT department might not be able to adequately provide IT support in order to meet the department’s needs. Furthermore the high cost of maintaining contractors/ consultants may not be sustainable in the long run.
2. Without an approved and adequately tested Disaster Recovery Plan the department may be unable to recover critical business functions within an acceptable timeframe in the event of a disruption. This may result in lengthy disruptions which could affect the department’s delivery on its core mandate which includes effectively managing the state’s fixed property.

**FINANCIAL AND PERFORMANCE MANAGEMENT**

**Proper record keeping**

1. The department does not have a proper system of record management that provides for the maintenance of information that supports the reported performance contained in the annual performance report. This includes information that relates to the collection, collation, verification, storage and reporting of actual performance information. This matter should receive priority in the third and fourth quarter of 2015-16 financial year.

**Daily and monthly processing and reconciling of transactions**

1. Challenges were still being experienced with integrity of the migrated data from the old IRS Reporting system to the new EPWP reporting system, as we have noted during the audit that the information on the EPWP reporting was not validated due to the errors noted.
2. During the audit of EPWP, the requested information to support the reported achievement was not submitted within agreed time even though the department was given extensions to the request or findings raised i.e in some cases it took the department more than two months to submit the outstanding information.

**Regular, accurate and complete financial and performance reports**

1. The review of the interim financial statements submitted for auditing has shown significant improvement over the past number of years, however we noted that there are still incomplete disclosure note which might results in material misstatement been reported in the audit report if misstatement are not addressed by management annual financial statements.
2. Although the Monitoring and Evaluation Unit (M&E) met with branches/units to clarify the information required and advised on the type of POEs (portfolio of evidence) that should support the information in the performance reports there is still a significant shortcoming in the verification of evidence supporting reported performance to ensure that what is getting reported in quarterly reports is valid in all instances.

**Compliance monitoring**

1. Compliance monitoring has improved evidenced by the reduction of non-compliance reported but is not successfully preventing non-compliance from occurring yet. The detection controls surrounding irregular as well as fruitless and wasteful expenditure have improved, although certain instances that were not identified are still being identified through the audit process.

**Information technology systems**

1. The process of developing and testing the Disaster Recovery Plan (DRP) has been delayed due to the changes being implemented within the IT environment. These changes are related to the turnaround strategy. The changes include new server infrastructure, new backup infrastructure, new disaster recovery site and upgrades to the Microsoft suite of product.
2. With regards to performance information, the Integrated Reporting System (IRS) which was used during 2014-15 to report on EPWP achievements was replaced with a new EPWP Reporting system during 2015-16; however we noted that the department did not verify the integrity of migrated data into to the new EPWP Reporting system, therefore we could not confirm whether the new system address the validity of the ID documents captured on the EPWP Reporting as we still noted the findings which were previously raised.

**GOVERNANCE**

**Risk management activities and risk strategy**

1. A risk assessment was conducted as required by Treasury Regulation 3.2.27 and a risk management strategy, including a fraud prevention plan, was drafted. Risks are being more actively managed than in the past however buy-in must still be obtained from all role-players in the department to ensure dynamic participation by all (including regional offices).
2. The risk management unit remains short staffed, considering the scope and nature of activities in the department and PMTE and the number of regional offices which must form an integral part of the risk management process. Appointing additional capacity with the requisite skills must continue.

**Internal audit**

1. The internal audit function was still short staffed during the year under review considering the size of and risk relating to the department and the PMTE, the mitigation of this risk by means of insourcing of private companies is noted however the department must devise a sustainable strategy to ensure adequate in-house capacity.
2. With respect to normal internal audits, some valuable reports have been issued; however it remains a concern that high risk audits are only scheduled for completion in the last quarter as this does not afford management with the opportunity to implement the recommendations prior to year-end.
3. It remains a concern that certain important scheduled internal audits, such as the review of the performance information, including EPWP information, are audited by external sources and we noted that for audit EPWP the internal auditors focused on incentive grants not the entire EPWP work opportunities created and reported to the department.

**Audit committee**

1. The audit committee functions throughout the year, the committee approved the internal audit plan and also considered the internal reports, monitored the implementation of recommendations by the department.

**SUMMARY**

1. The matters above are summarised as follows:

**Leadership**

1. Leadership was not successful in reducing the high vacancy rate in the department, the human resource plan was not aligned to the department organisational structure and the Vote of the department as approved by Parliament.

**Financial and performance management**

1. Proper record keeping was not always implemented in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support performance reporting.
2. Regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information were not prepared throughout the financial year.
3. The review and monitoring of compliance with applicable laws and regulations were ineffective in certain instances.

**Governance**

1. Leadership must continue to focus on expanding capacity in the risk management and internal audit units to ensure optimal functioning in terms of addressing of risks and internal control deficiencies across all locations within the department.

**PART F – ASSESSMENT OF ASSURANCE PROVIDERS**

1. The annual report is used to report on the financial position of auditees, their performance against predetermined objectives and overall governance, and one of the important oversight functions of legislatures is to consider auditees’ annual reports. To perform their oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report also includes our auditor’s report, which provides assurance on the credibility of the financial statements and the annual performance report as well as on the auditee’s compliance with legislation.
2. Our reporting and the oversight processes reflect on past events, as it takes place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.

We assess the level of assurance provided by these assurance providers based on the status of internal controls (as reported in part E of section 2) and the impact of the different role players on these controls. We provide our assessment for this audit cycle below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Assurance levels** | | |  |
|  | | |
| Senior management |  | ***Provides some assurance*** |
|  |  |
| Accounting officer | ***Provides assurance*** |
|  |  |
| Executive authority | ***Provides assurance*** |
|  |  |
| Internal audit | ***Provides some assurance*** |
|  |  |
| Audit committee | ***Provides assurance*** |
|  |  |
|  |  |

**Senior management**

1. As discussed in part F, concerns over the lack of certainty in leadership positions has resulted in only limited assurance being provided by senior management of the entity. We noted that for the entire period under review, the position of head of finance for the trading entity remained vacant.

**Accounting officer**

1. The accounting officer has put initiatives in place to provide assurance. These initiatives are monitored regularly and management is held accountable where weaknesses are identified.

**Executive authority**

1. The minister assisted in improving the audit outcomes through implementation of the ‘turnaround’ strategy being a key focus area during his term in office

**STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS**

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

| **No.** | **Commitment** | **Made by** | **Date** | **Status** |
| --- | --- | --- | --- | --- |
| 1 | All quotations packs are submitted to Compliance Unit for sign off prior to capturing of purchase requisitions and orders | DDG: SCM AND FINANCE | Implemented from 01 April 2015 | **In progress**  Zero tolerant approach to deviations adopted. Re-invitations conducted until three quotations are obtained except in instances where delivery is of critical importance due to unforeseen circumstances. |
| 2 | Review and perform a compliance check of all Procurement Strategies for Bids >R500k by Compliance Unit and recommended to the authorizing body for approval prior to advertisement. | DDG: SCM AND FINANCE | Implemented from 01 July 2015 | **In progress**  Zero tolerant approach to deviations adopted. Re-invitations conducted until three quotations are obtained except in instances where delivery is of critical importance due to unforeseen circumstances. |
| 3 | All advertisement notices are signed off by the supervisor prior to publication  Full implementation of the Milestone Monitoring Tool (MMT) – Supervisors and Managers to sign off compliance to the requisite process steps and availability of supporting documents at every Gateway of the SCM process | DDG: SCM AND FINANCE | Implemented from 01 July 2015  01 October 2015 | **Completed**  Implemented from 01 July 2015 at Head Office level |
| 4 | All SCM Managers will be trained on Local content | DDG: SCM AND FINANCE | 31 March 2015 | **Completed**  Training was conducted on the 1st October 2015. |
| 5 | Asset register audit to identify discrepancies for corrections | DDG: SCM AND FINANCE | Quarterly | **In progress**  Spot checks have been conducted for the 1st, 2nd & 3rd quarter.  Asset Register audit conducted during the 1st & 2nd Quarter to identify discrepancies.  A meeting with National Treasury (NT) was held on 26/10/2015(see the attached emails). Awaiting response from NT. |
| 6 | Implementation of the electronic invoice tracking system  The appointment of officials to manage the system. The system will assist with identifying the areas where controls will need to be improved to ensure compliance with the applicable laws and regulations. | DDG: SCM AND FINANCE | 31/03/2016 | **Completed**  Implemented from 1st December 2015 |
| 7 | Obtain approval to appoint additional contract workers that will assist with the investigations  Appointment of contract workers  Training of contract workers  Start with the Investigation of reported transactions | DDG: SCM AND FINANCE | 30 Sept 15  30 Nov 15  4 Dec 15  7 Dec 15 | **In progress**  Approval to appoint contract workers granted by the DDG:CS  Interviews will be done in February 2016  Training to be conducted at Head Office after all the appointments have been confirmed and assumption of duty taken place. |
| 8 | Conduct external quality assurance review for the Unit. | CD: Internal Audit | 30 Sept 2015 | **Completed**  External Quality Assurance Review has been conducted and report presented to ExCo and Audit Committee (28 September 2015). |
| 9 | Conduct audit on EPWP | CD: Internal Audit | 31 March 2016 | **In progress**  Phase 1 of audit on EPWP has been finalized and report presented to ExCo and Audit Committee (28 September 2015). Phase 2 is underway and it is anticipated to be completed by March 2016. |
| 10 | Data reported in the EPWP new reporting system will be validated quarterly with Home Affairs to ensure identity numbers captured are valid.  The EPWP branch of the DPW will develop a Standard Operating Procedure (SOP) for audits to outline processes that should be followed by all EPWP stakeholders when dealing with audits. | DDG: EPWP | Quarterly  31 December 2015 | **In progress**  The validation of identity documents with Home Affairs was last undertaken on 17 November 2015 for the Q2 reporting.  The EPWP EXCO will meet on the 21 January 2016 to consider the latest draft of the SOP. A Directive and Checklist have been developed as part of the SOP. |
| 11 | Public bodies will be assisted by NDPW to register their EPWP Integrated Grant projects on the EPWP reporting system.  Public bodies will not be paid their last tranche of the EPWP Integrated grant if their projects are not registered on the system | DDG: EPWP | On- going | **In progress**  Public bodies have been assisted in registering projects on the system. 263 out of 402 infrastructure projects funded by the EPWP integrated grant to municipalities have been registered on the system. Process of assisting public bodies to register and update projects is on-going.  The programme has not implemented the withholding of payments for non-reporting for this financial year. It is planned to start in the new financial year that Public Bodies will be required to submit their list of projects with the system reference number when reporting expenditure. |
| 12 | Performance information reports on a quarterly basis will be assessed based on the POE and assist the units to respond on reasonable variances | DDG: GRC | Quarterly | **In progress**  This is done quarterly. Already M&E is reviewing the previous quarters with various units to ensure that the reporting template is complete, accurate and valid |
| 13 | Performance information reports on a quarterly basis will be assessed based on the POE and assist the units to respond on reasonable variances  M&E unit is already in the process of Training and Development and all the regions and parts of the DPW and PMMTE have been trained | DDG: GRC | Quarterly  July 2015  October 2015  February 2016 | **In progress**  Done for July 2015  This is done quarterly. Already M&E is reviewing the previous quarters with various units to ensure that the reporting template is complete, accurate and valid |
| 14 | Performance information reports on a quarterly basis will be assessed and validated based on the POE.  The M&E unit encourages on the spot POEs so that sufficient time is given to assess the POEs so as to accurately reflect performance | DDG: GRC | September 2015  January 2016  April 2016 | **In progress**  This is done quarterly. Already M&E is reviewing the previous quarters with various units to ensure that the reporting template is complete, accurate and valid |
| 15 | The M&E unit will as part of training and development advise and assist in the efficient use of the monitoring system and tested every 6 months | DDG: GRC | Bi-Annually  October 2016  May 2016 | **In progress**  M&E is reviewing the previous quarters to point out areas for improvement and the efficient use of the reporting tool/system. This is done through the quarter meetings |
| 16 | Approve the abolishment of unfunded positions which have been vacant for more than 36 months on the PERSAL establishment | DDG: Corporate Services | 31 October 2015 | **In progress**  Approval for the abolishment of unfunded vacancies which have been vacant for more than 24 months was granted by the DG. Abolishment processes underway. |
| 17 | Alignment of the activation of positions at the implementation of the new structure to available budget on compensation of employees. | DDG: Corporate Services | 30 April 2016 | **In progress**  The Minister has approved the newly configured structures for DPW & PMTE on 27 November 2015. Both structures have been submitted to DPSA for consultation and concurrence. Once finalized the Minister will finally approve the structures to be implemented accordingly. |
| 18 | Facilitate approval for advertising and filling of critical funded vacancies | DDG: Corporate Services | 31 August 2015 | **In progress**  Some critical positions are still vacant. |
| 19 | Review of the organisational structure | DDG: Corporate Services | 30 April 2016 | **In progress**  The Minister has approved the newly configured structures for DPW & PMTE on 27 November 2015. Both structures have been submitted to DPSA for consultation and concurrence and these processes are underway. |
| 20 | Communique with clear guidelines to be sent to all SMS to ensure that signed performance agreements are submitted timeously.  Continuous reminders to be sent to all SMS  Members and supervisors  Disciplinary action to be instituted against employees who do not sign and / or signed their performance agreements after the due date. | DDG: Corporate Services | Already implemented for the 2014-2015 PMDS cycle as well as the 2015-2016 PMDS cycle for SMS Members | **Completed**  The human resource section did exercise  oversight responsibility in ensuring that  performance Agreements are submitted and  Signed timeously by all SMS members.  Reminders were sent to all SMS  Members and specific reminders were  also sent to their supervisors in this  regard  92% of SMS Members submitted PA’s for the 2015-2016 PMDS cycle and Disciplinary action was taken against 15 employees who do not sign and / or signed their performance agreements after the due date. |
| 21 | Issue a circular emphasizing the need to conduct criminal record and financial/asset verification on all appointments. | DDG: Corporate Services | 30  October 2015 | **Completed**  Circular signed and circulated to all Recruitment Practitioners, Regional HR Heads and the Regional Managers |
| 22 | Submission to be compiled detailing new delegations for approval of incapacity leave  Amend HR Delegations | DDG: Corporate Services | 15 September 2015  31 March 2016 | In progress  Submission compiled and submitted on route for approval  Draft new delegations amended and aligned |
| 23 | SMS are reminded to declare their financial interest annually through emails | DDG: Corporate Services | 31 March annually | **Completed**  100% compliance in the declaration of financial interests by SMS members for 2015/2016 |
| 24 | Recruitment policy to be reviewed to address the secondment of people to the department | DDG: Corporate Services | 31 March 2016 | **In progress** |

**PART G – OTHER REPORTS**

1. The following audits that relate to the department are in progress or have been completed.

**INVESTIGATIONS**

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

**SECTION 3: SPECIFIC FOCUS AREAS**

**SIGNIFICANT FINDINGS FROM THE AUDIT OF PROCUREMENT AND CONTRACT MANAGEMENT**

1. The audit included an assessment of procurement processes, contract management and the related controls in place. To ensure a fair, equitable, transparent, competitive and cost-effective SCM system, the processes and controls need to comply with legislation and minimise the likelihood of fraud, corruption, favouritism as well as unfair and irregular practices. A summary of the findings from the audit are as follows:

**Procurement processes**

The following findings on procurement processes result from the testing of twelve contracts with a total value of  R48 183 438 and seven price quotations with a total value of R1 383 261*.*

Procurement processes – General

* Three contracts and/or quotations to the total value of  R20 665 786 were procured from suppliers whose tax matters had not been declared by the South African Revenue Services to be in order.
* Two contracts with the total value of R4 665 890 were procured without inviting competitive bids, and the deviations were approved even though it was practical to invite competitive bids.
* Invitations for competitive bids for the procurement of one contract with a total value of  R8 327 700 were not advertised in the government tender bulletin.
* Two contract and/or quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

**Internal control deficiencies**

1. The following internal control deficiencies should be addressed to improve procurement and contract management at the trading entity:

* Lack of proper procurement planning which resulted in numerous deviations from the procurement process.
* Internal investigations were not being started and finalised within the prescribed time frames. This was mostly due to large volume of allegations and lack of capacity. This has a negative impact on being able to enforce appropriate disciplinary action in a timeous manner.
* The accounting officer did not in some instances exercise oversight responsibility of reporting and compliance with laws and regulations and internal control.
* Reviewing and monitoring of compliance with applicable laws and regulations was insufficient and not properly monitored.

**SECTION 4: EMERGING RISKS**

**Accounting, performance management / reporting and compliance matters**

**New legislation**

**National Treasury instruction note 05 of 2014-15**

1. The National Treasury prescribed month-end closure procedures for 2015-16 applicable to accounting officers of departments which are effective from 1 April 2015.

**Treasury Regulations**

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

**Procurement and contract management**

1. Government has plans in place to implement a central supplier database by 01 April 2016. This will have a significant impact on the audits for the next PFMA audit cycle. As a result, the audit approach for the 2016-17 PFMA cycle will provide for auditing of the central supplier database.

**Inventory**

1. Departments are only required to include inventory in the disclosure notes to the financial statements from 1 April 2016; consequently, we have not included any findings in the management’s report in this regard. However, we will include a summary of findings from our review of the inventory management processes for your attention, to ensure that they are addressed in readiness for the eventual inclusion of inventory in the financial statement disclosures in the final audit.

**SECTION 6: RATINGS OF DETAILED AUDIT FINDINGS**

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

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

**SECTION 7: CONCLUSION**

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

Yours faithfully

Corne Myburgh

Business Executive: National A

15 March 2016

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**Distribution:**

Accounting Officer

CFO

Audit committee

Head of internal audit unit

**SECTION 8: SUMMARY OF DETAILED AUDIT FINDINGS**

| **Page. no.** | **Finding** | **Classification** | | | | | **Rating** | | | **Number of times reported in previous three years** | **Status of implementation of previous year(s) recommendation** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Misstatements in financial statements** | **Misstatements in annual performance report** | **Non-compliance with regulation** | **Internal control deficiency** | **Service delivery** | **Matters affecting the auditor’s report** | **Other important matters** | **Administrative matters** |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Predetermined objectives** | | | | | | | | | | | |
| 24 | EPWP projects not reported on the EPWP reporting systems |  | **✓** |  | **✓** | **✓** | **✓** |  |  | 0 | New finding |
| 27 | EPWP beneficiaries were not reported on the EPWP second quarter data. |  | **✓** |  | **✓** | **✓** | **✓** |  |  | 0 | New finding |
| 30 | Knysna Planning and Development Housing IHS/Knysna Vision 2020(T20/14) –Project included under the 2015/16 financial Period whilst it relates to 2014/15 financial Period. |  | **✓** |  | **✓** | **✓** | **✓** |  |  | 0 | New finding |
| 33 | The supporting documentation for work opportunities created not submitted for audit purposes. |  | **✓** |  | **✓** | **✓** | **✓** |  |  | 3 | Not addressed |
| 37 | Non submission of ID copies, attendance registers and beneficiaries not listed on the beneficiary list of the project |  | **✓** |  | **✓** | **✓** | **✓** |  |  | 3 | Not addressed |
| **Commitments** | | | | | | | | | | | |
| 44 | Commitment for IDT on related party disclosure note not disclosed |  |  | **✓** | **✓** |  | **✓** |  |  | 0 | New finding |
| **Transfers and Subsidies** | | | | | | | | | | | |
| 47 | Transfers and Subsidies: Agreement South Africa not budgeted for |  |  | **✓** | **✓** |  | **✓** |  |  | 0 | New finding |
| **Procurement and Contract Management:** | | | | | | | | | | | |
|  | Procurement: quotations (R30 000 to R500 000) – Glorina General Traders |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
|  | Procurement: competitive bidding – Crocia Events |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 50 | Procurement: competitive bidding – Technology Corporate Management (Head Office) |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 53 | Procurement: competitive bidding – LA Consulting Engineers (Pty) Ltd (Head Office) |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 57 | Procurement: competitive bidding – Kredietinform Experian (Head Office) |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 60 | Procurement: quotations (R30 000 to R500 000) – J Kekana Interiors CC (Head Office) |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 63 | Procurement: quotations (R30 000 to R500 000) – Lesedi Corporate Technology (Pty) Ltd (Head Office) |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 66 | Procurement: competitive bidding – NVT Communications (Head Office) |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 69 | Procurement: competitive bidding – Side Production CC (Head Office) |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 72 | Procurement: competitive bidding (Head Office) |  |  | **✓** |  |  |  | **✓** |  | 3 | In progress |
| 75 | Procurement: Testing R10 000 to R30 000 – final decision of acceptance of quotation (Pretoria) |  |  | **✓** |  |  |  | **✓** |  | 3 | In progress |
| 77 | Procurement: Quotations R30 000 – R500 000 tax clearance certificate (Durban) |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 79 | Procurement and Contract Management: eLan Lifestyle and Communications (Durban) |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 80 | Procurement: Limitation of Scope Ilula Trading CC (Mthatha) |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| **Predetermined objectives** | | | | | | | | | | | |
| 81 | Errors on beneficiary reported on EPWP Reporting systems for quarter 2 – ending 30 September 2015. |  |  |  | **✓** |  |  | **✓** |  | 3 | In progress |
| **Fruitless and Wasteful Expenditure** | | | | | | | | | | | |
| 85 | Prior period error not disclosed in terms of the Modified Cash Standards and Accounting Manual for Departments. |  |  |  | **✓** |  |  | **✓** |  | 0 | New finding |
| **Key Personnel Management:** | | | | | | | | | | | |
| 88 | Key Personnel Management was incorrectly calculated |  |  |  | **✓** |  |  | **✓** |  | 3 | In progress |
| **Human Resource Management: Management of vacancy rates** | | | | | | | | | | | |
| 92 | High Vacancy Rate |  |  |  | **✓** |  |  | **✓** |  | 3 | In progress |
| 95 | Post vacant for more than 12 months |  |  |  | **✓** |  |  | **✓** |  | 3 | In progress |
| 103 | Posts not advertised within six months of being vacant |  |  |  | **✓** |  |  | **✓** |  | 3 | In progress |
| 111 | Payroll requested was not received |  |  |  | **✓** |  |  | **✓** |  | 3 | Not included in the action plan |
| 114 | Physical verification of employees- Limitation of scope of information requested |  |  |  | **✓** |  |  | **✓** |  | 3 | Not included in the action plan |
| **Information systems audit** | | | | | | | | | | | |
| 119 | Information Technology Service Continuity: Disaster Recovery Plan not approved |  |  |  | **✓** |  |  | **✓** |  | 3 | In progress |
| 120 | Information Technology Governance: Over reliance on consultants to perform key IT functions |  |  |  | **✓** |  |  | **✓** |  | 3 | In progress |
| **Human Resource Management: Management of vacancy rates** | | | | | | | | | | | |
| 122 | Payroll certificates not certificate and returned timeously. |  |  |  | **✓** |  |  |  | **✓** | 3 | Not included in the action plan |
| 123 | No alignment between the MTSF and the APP |  |  |  | **✓** |  |  |  | **✓** | 0 | New finding |

**DETAILED AUDIT FINDINGS**

**ANNEXURE A: MATTERS AFFECTING THE AUDITOR’S REPORT**

1. **Predetermined objectives: EPWP projects not reported on the EPWP reporting systems**

Laws, rules and regulations

a) In terms of technical indicator description – method of calculation states that:

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

In terms of Public Finance Management Act (PFMA)

Section 40(1)(a) states that:

b) *“The accounting officer for a department, trading entity or constitutional institution-*

*(a)   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;*

Section 40(3)(a) states that :

c) *“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;”*

During the audit of visit of Public bodies we noted that the following EPWP projects were not reported to the department.

| **No** | **Name of Public Bodies** | **Name of the Project** | **Project Number** | **Work Opportunities Created** |
| --- | --- | --- | --- | --- |
| 1 | Mbhashe Municipality (EC) | Dutywa, Elliotdale and willowvale Street sweeping, Grass Cutting and Beautification | Not Provided | 160 |
| 2 | Mbhashe Municipality (EC) | Govern Mbheki Waste Papers | Not Provided | 20 |
| 3 | Mbhashe Municipality (EC) | Zone 14 Waste Pickers | Not Provided | 20 |
| 4 | Mbhashe Municipality (EC) | Rehabilitation of Land | Not Provided | 120 |
| 5 | Mbhashe Municipality (EC) | Waste off loaders | Not Provided | 26 |
| 6 | Naledi Local Municipality (NW) | Cemetory Collection for Phase 3 | Not Provided | 9 |
| 7 | Naledi Local Municipality (NW) | Parks Phase 3 data capturing | Not Provided | 36 |
| 8 | Naledi Local Municipality (NW) | Stella Capturing Phase Tool | Not Provided | 25 |
| 9 | Naledi Local Municipality (NW) | Waste Collection for phase 3 | Not Provided | 51 |
| 10 | Naledi Local Municipality (NW) | Roads Phase 3 Capturing | Not Provided | 89 |
| 11 | Taung Local Municipality (NW) | Taung CBD | Not Provided | 12 |
| 12 | Taung Local Municipality (NW) | Malhako II | Not Provided | 9 |
| 13 | Taung Local Municipality (NW) | Taung Ext. 6 | Not Provided | 14 |
| 14 | Taung Local Municipality (NW) | Pudumong | Not Provided | 11 |
| 15 | Taung Local Municipality (NW) | Vergenoeg | Not Provided | 9 |
| 16 | Buffalo City (EC) | IG - Rural & Urban Roads Maintenance | Not provided | 268 |
| 17 | Buffalo City (EC) | IG – Ablution Blocks | Not provided | 312 |
| 18 | Buffalo City (EC) | Provision of VIP Toilets in Potsdam | Not provided | 48 |
| 19 | Buffalo City (EC) | Sanitation Backlog Eradication in Ward 40 | Not provided | 60 |
| 20 | Buffalo City (EC) | Provision of VIP Toilets in Tyutyu | Not provided | 80 |
| 21 | Nelson Mandela Metro (EC) | Sufacing of Gravel Roads and Stormwater Reticulation in Cluster A,C,D&H | 28377 | 45 |
| 22 | Nelson Mandela Metro (EC) | Installation of Bulk StormWater & Civil Services at Motherwell NU30 Phase 2 | 27563 | 45 |
| 23 | Nelson Mandela Metro (EC) | Pilot | Not provided | 796 |
| 24 | Nelson Mandela Metro (EC) | Metro Security | Not provided | 630 |
| 25 | Nelson Mandela Metro (EC) | Fidelity Security | Not provided | 301 |
| **TOTAL** | | | | **3 206** |

Impact of the finding:

1. Non-compliance with Section 40(3) of the PFMA

b) Understatement of work opportunities created.

**Internal control deficiency**

Reason for the deviation:

The information that is submitted as portfolio of evidence for performance information is only for the projects that have passed the validation test therefore municipalities might have reported on projects that did not pass the validation test which resulted in them not being included in the EPWP quarter.

The above matter is as a result of the following internal control deficiency:

**Financial and performance management**

a) The department did not review and monitor compliance with applicable laws and regulations

b) The Department did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

**Recommendation**

a) In cases where the project did no pass the validation test the public bodies should be informed timeously for correction.

b) For all selected public bodies the department should be provide the auditors with the rejected project list for site and reason the rejection of the projects.

**Management response**

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

1. No management response was provided for Naledi on projects not recorded.
2. For taung local municipality the highlighted project names could be traced in the system, though it is difficult to verify them as the full project names are not provided. Management also acknowledges that the municipality did not bring some of the projects to the attention of EPWP for reporting purposes.
3. The list of projects submitted to the AG was for the period April 2015 to September 2015 (Q1 & Q2 of the 2015/16 financial year. Noting that the Mbhashe Municipality only started to capture information on the EPWPRS on October 2015, the above mentioned projects under Table B were not captured at the time the list of projects for Q1 and Q2 2015/16 financial year was submitted to the AG.
4. The 7 projects for buffalo city listed above were not captured in the reporting system when the Q2 list of projects was submitted to the AGSA as there was insufficient information to register the projects. However, upon receipt of the information, the projects were registered and captured on the system in October 2016.
5. The thirty five projects for nelson Mandela metro were not reported in Q2 at the time the list of projects was submitted to the AGSA, due to a lack of supporting information and documentation. The unit responsible for the EPWP coordination in the municipality was in a process of verifying the existence of the projects with the departments responsible for the implementation of these projects.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | | |
| Position of official responsible to take corrective actions | N/A | | |
| Estimated completion date for corrective action | N/A | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | Due to the changeover to an improved reporting system, capturing on the new system began in October 2015, after the list of projects for April to September 2015 were submitted to the AG. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | The validation requirements institutionalized through the new EPWPRS is to ensure the Department prepares regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. | |

*Name:* Stanley Henderson

*Position: DDG: EPWP*

*Date: 03 February 2016*

**Auditor’s Response**

The finding remains unresolved as the projects are not captured on the EPWP reporting system which resulted in understatement of Work opportunities reported.

1. **Predetermined objectives: EPWP beneficiaries were not reported on the EPWP second quarter data.**

Laws, rules and regulations

a) In terms of technical indicator description – method of calculation states that:

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

In terms of Public Finance Management Act (PFMA)

Section 40(1)(a) states that:

b) *“The accounting officer for a department, trading entity or constitutional institution-*

*(a)   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;*

Section 40(3)(a) states that:

c) *“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;”*

During the audit of visit of Public bodies we noted that the following beneficiaries noted on the attendance registers were not included on the EPWP data provided and reported for the selected projects.

| **No.** | **Name of Public Bodies** | **Project name** | **Attendance Register** | **Number of beneficiaries not included in the project list** |
| --- | --- | --- | --- | --- |
| 1 | Mbhashe Municipality | Pound Assistance; | May 2015 | 4 |
| 2 | Merafong Municipality | Khutsong South construction of road over rail bridge | September 2015 | 11 |
| 3 | Amajuba District Municipality | Buffalo flats sanitation project | September 2015 | 12 |
| 4 | Naledi Local Municipality | Litter Picking & Cleaning of All Illegal Dumping Sites | September 2015 | 4 |
| 5 | Naledi Local Municipality | Community Anti-Crime Prevention | September 2015 | 7 |
| 6 | Khayelitsha | Baphumelele Waldorf Association at | September 2015 | 52 |
| 7 | OR-Tambo Municipality | Project Cleaning and Greening | June 2016 | 6 |
| 8 | Mbombela Municipality | project widening of R40 from Dr. Enos Mabuza | September 2015 | 33 |
| 9 | Taung Local Municipality | Horticulture pudimoe | September 2015 | 1 |
| 10 | Buffalo City | Berlin Lingilitsha Sewer Extension Phase 2 | September 2015 | 1 |
| 11 | Ugu District Municipality | Harding waste treatment | September 2015 | 6 |
| 12 | Nkomazi Municipality | project IG/Waste management | September 2015 | 41 |
| 13 | Ratlou Municipality | Municipal Facilities Caretakers | September 2015 | 173 |
| 14 | Chris Hani | Cluster 4 Waterbacklog Ncora Scheme Primary Steel Pipeline | September 2015 | 2 |
| 15 | Nkangala District Municipality | EPWP project Steve Tshwete Local Municipality: New 10ML Reservoir | September 2015 | 11 |
| 16 | Nelson Mandela Metro Municipality | KwaNobuhle Area 11 Phase | September 2015 | 16 |
| 17 | Sol Plaatje municipality | Zone Metering in Sol Plaatje | September 2015 | 25 |
| 18 | National Department of Public Works (NC) | Moshaweng Centre of Hope | September 2015 | 7 |
| 19 | Namakwa District Municipality | Kamieskroon: Kroonsig Road | September 2015 | 16 |
| **TOTAL** | | | | **428** |

Impact of the finding:

a) Non-compliance with Section 40(3) of the PFMA

b) Understatement of work opportunities created.

**Internal control deficiency**

Reason for the deviation:

The information that is submitted as portfolio of evidence for performance information is only for the projects that have passed the validation test therefore municipalities might have reported on projects that did not pass the validation test which resulted in them not being included in the EPWP quarter.

The above matter is as a result of the following internal control deficiency:

**Financial and performance management**

a) The department did not review and monitor compliance with applicable laws and regulations

b) The Department did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

**Recommendation**

a) In cases where the project did no pass the validation test the public bodies should be informed timeously for correction.

b) For all selected public bodies the department should be provide the auditors with the rejected project list for site and reason the rejection of the projects.

**Management response**

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

The affected beneficiaries were reported on the EPWP Reporting System but remained on the pending when the list of beneficiaries was submitted to the AG.

Subsequently affected beneficiaries, after meeting the validation requirements, moved from the pending list to validated list (Master File) in Q3 of 2015/16.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | See Above | | |
| Position of official responsible to take corrective actions | N/A | | |
| Estimated completion date for corrective action | N/A | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
| X |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Noting the site visits undertaken by EPWP, there is insufficient follow through, after the site visit, with public bodies to ensure non-compliant projects comply with the Ministerial Determination.  The list of beneficiaries submitted to the AG (for the quarter 1 and quarter 2 of the 2015/16 financial year) was those on the validated list, that is, beneficiaries who meet the EPWP Reporting System (EPWP RS) validation requirements. The validation requirements have been institutionalized to ensure the Department prepares regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. | |

*Name:* Mr S. Henderson

*Position:* DDG: EPWP

*Date:* 26 February 2016

**Auditor’s conclusion**

Management response is acknowledged, however the finding remains unresolved the department has not captured the beneficiaries at the end of quarter which was submitted for audit.

1. **Predetermined objectives – Knysna Planning and Development Housing IHS/Knysna Vision 2020(T20/14) –Project included under the 2015/16 financial Period whilst it belong to 2014/15 financial Period.**

Laws, rules and regulations

In terms of Public Finance Management Act

a) Section 40(1)(a) and (b):

*“The accounting officer for a department, trading entity or constitutional institution-*

*(a)   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;*

*(b)   must prepare financial statements for each financial year in accordance with generally recognized accounting practice”*

b) Section 40(3)(a) states:

*“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;”*

No information was provided for Knysna Planning and Development Housing IHS/Knysna Vision 2020(T20/14) to support the work opportunities reported on quarter 2 data.

Impact of the finding:

1. Non-compliance with section 40(1) and (3) of the Public Finance Management Act
2. The work opportunities created are overstated.

**Internal control deficiency**

Reason for the deviation:

No proper review EPWP data transferred from the old EPWP systems was performed for accuracy and validity of the reported information to ensure that the projects reported relate to the current financial year.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

*Financial and Performance Management*

The department did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

**Recommendation**

a) The department should regularly review the projects captured on EPWP information systems to ensure that they are valid, accurate and complete.

b) Frequent reviews should be performed by management and internal audit to ensure that information reported in the quarterly reports and ultimately the annual report is reliable.

**Management response**

I am in agreement with the finding for the following reasons

The implementation of the project ended at the end of the 2014/15 financial year. However, the municipality did not close off the project on the system to show that the project is no longer active.

In the migration of data from the old reporting systems to the new system, if a project remained active, it was migrated as such to the new system.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | To address this issue, the department has requested all public bodies with inactive projects in the system to submit signed request to indicate projects which should be deleted in the system. | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions |  | | |
| Estimated completion date for corrective action |  | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | Review was done and municipalities were requested to identify inactive projects that were migrated onto the new system for removal. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Validation requirements have been institutionalized in the new system to ensure the department prepares regular, accurate and complete financial performance reports that are supported and evidence by reliable information. | |

*Name:* S Henderson

*Position: DDG: EPWP*

*Date: 2016/03/04*

**Auditor’s conclusion**

The finding remains unresolved. Management has not provided reasons why the prior year projects created work opportunities in the current financial year; and if the error was due to migration of the projects to the new system as the status of the projects had been active. The projects should not have had any work opportunities created, as the work opportunities created do not relate to the current financial year.

Management has not indicated whether they will review all the projects captured on the new EPWP reporting systems to ensure that all the projects and work opportunities created relate to the new financial year.

1. **Predetermined objectives – The supporting documentation for work opportunities created not submitted for audit purposes.**

Laws, rules and legislation:

In terms of Public Finance Management Act (PFMA)

Section 40(1)(a) states that:

*a) “The accounting officer for a department, trading entity or constitutional institution-*

*(a)   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;*

Section 40(3)(a) states that:

*b) “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;”*

The following selected projects supporting documentation were not provided.

a) Request for information number 15 was issued on 05 February 2016, no information was provided for the auditing of the selected EPWP Project- Provision of water reticulation BLM (15157-EPWP3M) under the Bushbuckridge Public Body during the project site visit on 10 February 2016.

b) EPWP –Hlabisa Municipality (Mdletshe Rural Housing Project 7560) – 2014/15 project included in the 2015/16 financial Period.

Impact of the finding:

a) Non-compliance with Section 40(1) and Section 40(3) of the PFMA.

b) Non submission of the above information is a limitation of scope, and will have a negative impact on the audit outcome.

**Internal control deficiency**

Reason for the deviation:

No regular sites are performed at the public bodies by the department to ensure that the supporting documentation is maintained by the public bodies.

The above matter is as a result of the following internal control deficiency:

**Financial and performance management**

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

**Recommendation**

The regular site should be performed by the department to the public bodies to ensure that they are made aware that the supporting documentation for work opportunities created should be maintained and made available when required at all the times.

**Management response**

I am in [not] agreement with the finding:

**Bushbuckridge**

NDPW has established that the records for the project are with the implementing agent which was appointed by the Mpumalanga premier to manage the records keeping of, amongst others, the above mentioned project. The implementing agent is not willing to release the records unless instructed to do so by the premier.

The municipality has communicated with the Premier’s office to source the relevant documents from the implementing agent.

**Hlabisa**

The project **Mdletshe Rural Housing Project 7560** was reported in the 2014/2015 financial year by Hlabisa Local Municipality. The project construction ended during the financial year 2014/2015. However with the introduction of the new reporting system public bodies were requested to confirm the migration list of projects. Many public bodies did not responded, Subsequently municipal projects that did not reflect its status as “closed/completed” on the system were migrated by end of June 2015. This is one such project.

The contractor for the project was appointed by Human Settlement and the municipality has established that the human settlement department did not receive the supporting documentation from the contractor. Thus far they have been unsuccessful in their attempts to contact the contractor.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | A letter was sent to the Bushbuckridge municipal manager requesting the political intervention on the matter as well as to acknowledge the impact of not adhering to the Ministerial Determination.  As control measure, the KZN regional office compliance issues as a standing item on its agenda of the Provincial Steering Committee meeting which is attended by all municipalities and provincial departments. | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | n/a | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | n/a | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | n/a | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | n/a | | |
| Position of official responsible to take corrective actions | Programme Manager | | |
| Estimated completion date for corrective action | 31 March 2016 | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | Noting the site visits undertaken by EPWP, there is insufficient follow through, after the site visit, with public bodies to ensure non-compliant projects comply with the Ministerial Determination.  The public body failed to meet EPWP’s request to confirm projects to be migrated to the new system. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | All EPWP implementing public bodies were informed of the Ministerial Determination requirements through the Protocol agreements signed with them. The technical support provide to the municipality also informed them on the document keeping requirements of the programme for implementing public bodies. In terms of the Ministerial Determination it is public body that it is required to keep of the project.  Validation requirements have been institutionalized in the new system to ensure the department prepares regular, accurate and complete financial performance reports that are supported and evidence by reliable information. | |

Name: S Henderson

Position: DDG EPWP

Date: 2016/03/04

**Auditor’s conclusion**

Management response is acknowledged, however the finding remains unresolved the department does not follow up on the validation of the supporting documentation on a regular basis.

1. **Predetermined Objectives: Non submission of ID copies, attendance registers (limitation of scope) and beneficiaries not listed on the beneficiary list of the project**

Laws, rules and regulations

In terms of Public Finance Management Act (PFMA)

Section 40(1) (a) states that:

*a) “The accounting officer for a department, trading entity or constitutional institution-*

*(a)   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;*

Section 40(3) (a) states that:

*b) “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;”*

c) In terms of section 12 of the basic conditions of employment ministerial determination 4: expanded public works programmes:

*“12.1 Every employer must keep a written record of at least the following –*

*(a) The worker's name and position;*

*(b) Copy of an acceptable worker identification*

*(c) in the case of a task-rated worker, the number of tasks completed by the worker;*

*(d) in the case of a time-rated worker, the time worked by the worker;*

*(e) payments made to each worker.*

*12.2 The employer must keep this record for a period of at least three years after the completion of the EPWP.”*

The following deviations were noted on EPWP project widening of R40 from Dr. Enos Mabuza (15049-EPWP3M) at Mbombela Municipality

1. No ID copies were submitted for the undermentioned beneficiaries to the EPWP project.

| **No** | **Public Body** | **Project Name** | **Beneficiary** | **ID Number** |
| --- | --- | --- | --- | --- |
| 1 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Thabang Isaack Thekiso | 8904156343084 |
| 2 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Goodness Zodwa Ngomane | 7809210255086 |
| 3 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nyalungu Mbodi Albert | 6705285238083 |
| 4 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Zuzumuzi Sidwel | 9501035459088 |
| 5 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Marabe Elias | 7804185565080 |
| 6 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Tsebe Frans | 6301225700083 |
| 7 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Masango David Thomas | 6004305470086 |
| 8 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Masilela Sikhumbuzo Sanele | 9112196117083 |
| 9 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Lubisi Velaphi Surprise | 8602106038081 |
| 10 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Sikritshi Siphezile Percy | 8003125906087 |
| 11 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Khoza David Gcina | 8208235675080 |
| 12 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Hector Mboneni | 8703155408082 |
| 13 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Jiane Aaron Vezi | 7307046055085 |
| 14 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Mandlango Bernard | 8605035995081 |
| 15 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Bongani Johannes | 8212055914082 |
| 16 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mandhlazi John Mahashi | 6712145655084 |
| 17 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mbambo Leanard | 8503046208083 |
| 18 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Ndhlovu Joyce | 7405100666084 |
| 19 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Makamu Galaza Aaron | 7001175755082 |
| 20 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Lubambo Nkosinathi Jimmy | 9308295906083 |
| 21 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Bongane Sinkie | 8812205229081 |
| 22 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Motloutsi Masilo William | 8110285671086 |
| 23 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Selby Themba | 8508255236089 |
| 24 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Manzini Wonderboy Goodenough | 8407205277089 |
| 25 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Makana Sias | 5004125691086 |
| 26 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mabila Botsotso Aaron | 7806105739083 |
| 27 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mapanga Happy Jabulani | 7801017447081 |
| 28 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Phindile Prudence | 8210160654080 |
| 29 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Matumba Ndwamato John | 8101016052084 |
| 30 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Maphanga Mabandla Alfred | 7607015711083 |
| 31 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mhlanga Nandi Thandi | 7601060898085 |
| 32 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mahlatsi Sibisibi Jacob | 7611085548086 |
| 33 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Makamole Simon Polokoe | 8202255651089 |
| 34 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mdaka Amos Hezekeil | 8704045029088 |
| 35 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Thwala Richard Happy | 8903155706085 |
| 36 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Ngwenya Elvis Manzolwandile | 8507276170087 |
| 37 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mdhlovu Stirch Wonder | 8212166117088 |
| 38 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Ntiwane Zakhele Patrick | 8203146101086 |
| 39 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mzimba Sifiso | 9312086244084 |
| 40 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mbatha Christopher | 7506266178085 |
| 41 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Matsane Tj | 9206135436081 |
| 42 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Tlou M | 7709046038088 |
| 43 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mashaba Nkateko Prince | 9102216257084 |
| 44 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Lukhele Thulani Reuben | 8812105321087 |
| 45 | Nkomazi Municipality | Project IG/Waste management | Mashele Thembi | 7202040520087 |
| 46 | Nkomazi Municipality | Project IG/Waste management | Phangsa Thobile | 8403010818084 |
| 47 | Nkomazi Municipality | Project IG/Waste management | DLAMINI Lahliwe | 5603180727089 |
| 48 | Nkomazi Municipality | Project IG/Waste management | Ndlovu Sontoe | 6212310390088 |
| 49 | Nkomazi Municipality | Project IG/Waste management | Maseko Thandi | 6611140376086 |
| 50 | Nkomazi Municipality | Project IG/Waste management | Nkomo Mnukwa | 5510195265080 |
| 51 | Nkomazi Municipality | Project IG/Waste management | Mashele S | 8106050466082 |
| 52 | Nkomazi Municipality | Project IG/Waste management | Tibane Thandi | 8407020917083 |
| 53 | Nkomazi Municipality | Project IG/Waste management | Mkhatshwa Nelisiwe | 7807300523082 |
| 54 | Nkomazi Municipality | Project IG/Waste management | Ndhlovu Agnes | 8804011366082 |
| 55 | Nkomazi Municipality | Project IG/Waste management | Mkhatshwa Thabile Nester | 8108201091082 |
| 56 | Nkomazi Municipality | Project IG/Waste management | Nkambule Antonette | 7902230796088 |
| 57 | Nkomazi Municipality | Project IG/Waste management | Shabangu Prudene | 6510030447082 |
| 58 | Nkomazi Municipality | Project IG/Waste management | Magujwa Ruth | 8609041176082 |
| 59 | Nkomazi Municipality | Project IG/Waste management | Mbokazi Sophia | 6306040375086 |
| 60 | Nkomazi Municipality | Project IG/Waste management | Mkatshwa Alfred | 7806016071089 |

1. No attendance registers were obtained for the undermentioned beneficiaries to the EPWP project.

| **No** | **Public Body** | **Project Name** | **Beneficiary** | **Months** |
| --- | --- | --- | --- | --- |
| 1 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Chauke Mlungisi Samson | April to September |
| 2 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Ncebakazi Manda | April to September |
| 3 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Khoza December Pollen | April to September |
| 4 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Chauke Rebecca | April to September |
| 5 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Thekiso Thabang Isaack | April to September |
| 6 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nyalungu Mbodi Albert | April to September |
| 7 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Zuzumuzi Sidwel | April to September |
| 8 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Marabe Elias | April to September |
| 9 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Tsebe Frans | April to September |
| 10 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Masango David Thomas | April to September |
| 11 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Masilela Sikhumbuzo Sanele | April to September |
| 12 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Lubisi Velaphi Surprise | April to September |
| 13 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Sikritshi Siphezile Percy | April to September |
| 14 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Khoza David Gcina | April to September |
| 15 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Hector Mboneni | April to September |
| 16 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Jiane Aaron Vezi | April to September |
| 17 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Mandlango Bernard | April to September |
| 18 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Bongani Johannes | April to September |
| 19 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mandhlazi John Mahashi | April to September |
| 20 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mbambo Leanard | April to September |
| 21 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Ndhlovu Joyce | April to September |
| 22 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Makamu Galaza Aaron | April to September |
| 23 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Lubambo Nkosinathi Jimmy | April to September |
| 24 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Bongane Sinkie | April to September |
| 25 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Motloutsi Masilo William | April to September |
| 26 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Selby Themba | April to September |
| 27 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Manzini Wonderboy Goodenough | April to September |
| 28 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Makana Sias | April to September |
| 29 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mabila Botsotso Aaron | April to September |
| 30 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mapanga Happy Jabulani | April to September |
| 31 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Nkosi Phindile Prudence | April to September |
| 32 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Ndhlovu Eddie Ramsy | April to September |
| 33 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Matumba Ndwamato John | April to September |
| 34 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Maphanga Mabandla Alfred | April to September |
| 35 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mhlanga Nandi Thandi | April to September |
| 36 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mahlatsi Sibisibi Jacob | April to September |
| 37 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Makamole Simon Polokoe | April to September |
| 38 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mdaka Amos Hezekeil | April to September |
| 39 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Thwala Richard Happy | April to September |
| 40 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Ngwenya Elvis Manzolwandile | April to September |
| 41 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Adams Neaganrabeen | April to September |
| 42 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mdhlovu Stirch Wonder | April to September |
| 43 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Ntiwane Zakhele Patrick | April to September |
| 44 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mzimba Sifiso | April to September |
| 45 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mbatha Christopher | April to September |
| 46 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Matsane Tj | April to September |
| 47 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Tlou M | April to September |
| 48 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Mashaba Nkateko Prince | April to September |
| 49 | Mbombela Municipality | Project widening of R40 from Dr. Enos Mabuza | Lukhele Thulani Reuben | April to September |
| 50 | Nkomazi Municipality | Project IG/Waste management | Mkatshwa Afred | April to september |
| 51 | Nkomazi Municipality | Project IG/Waste management | Mbokazi Sophia | April to september |
| 52 | Nkomazi Municipality | Project IG/Waste management | Magujwa Ruth | April to september |
| 53 | Nkomazi Municipality | Project IG/Waste management | Biya Sipho | April to september |
| 54 | Nkomazi Municipality | Project IG/Waste management | Shabangu Prudene | April to september |
| 55 | Nkomazi Municipality | Project IG/Waste management | Nkambule Antonette | April to september |
| 56 | Nkomazi Municipality | Project IG/Waste management | Mkhatshwa Thabile Nester | April to september |
| 57 | Nkomazi Municipality | Project IG/Waste management | Mkhatshwa Nelisiwe | April to september |
| 58 | Nkomazi Municipality | Project IG/Waste management | Tibane Thandi | April to september |
| 59 | Nkomazi Municipality | Project IG/Waste management | Masoka Siphelelinkhosi | April to september |
| 60 | Nkomazi Municipality | Project IG/Waste management | Chauge Sebendzile | April to september |
| 61 | Nkomazi Municipality | Project IG/Waste management | Nkomo Mnukwa | April to september |
| 62 | Nkomazi Municipality | Project IG/Waste management | Maseko Thandi | April to september |
| 63 | Nkomazi Municipality | Project IG/Waste management | Ndlovu Sontoe | April to september |
| 64 | Nkomazi Municipality | Project IG/Waste management | DLAMINI Lahliwe | April to september |
| 65 | Nkomazi Municipality | Project IG/Waste management | Phangsa Thobile | April to september |

Impact of the finding:

a) Non-compliance with section 12 of the basic conditions of employment ministerial determination 4: Expanded Public Works Programme.

b) Non-compliance with section 40(1) and 40(3) of the Public Finance Management Act

c) The job opportunities reported for this project might not be valid and accurate due to non-submission of attendance registers and ID copies.

**Internal control deficiency**

Reason for the deviation:

a) The department does not adequately monitor the public bodies to ensure that the EPWP project files are properly filed and maintained.

b) A general lack of monitoring and reviewing the information captured on the EPWP systems for accuracy.

c) The absence of adequate controls on the information systems to facilitate accurate, complete and valid reporting on predetermined objectives i.e. validating the ID’s before capturing on the information systems.

1. Similar findings were raised in the prior year audit and the recurrence in the current year indicates that management has not appropriately addressed the matter.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

*Financial and Performance Management*

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

**Recommendation**

a) The department should visit the public bodies on a regular basis to ensure that it has implemented a proper system of collation and retention of evidence supporting actual achievements reported.

b) Frequent reviews should be performed by management and internal audit to ensure that information reported in the quarterly reports and ultimately the annual report is reliable.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  |  | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions |  | | |
| Estimated completion date for corrective action |  | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | |

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

Management comments outstanding

1. **Commitments: Understatement of commitments disclosed in the interim financial statements**

**Audit finding**

Laws, rules and regulations

a) In terms of PFMA Section 40(1)(a) and (b):

“The accounting officer for a department, trading entity or constitutional institution-

(a)   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;

(b)   must prepare financial statements for each financial year in accordance with generally recognized accounting practice”

b) Generally Recognised Accounting Practice for National and Provincial Departments Modified Cash Standard - Introduction to and authority of the Modified Cash Standard – paragraph 3 requires:

“*Departments and any other entity that claims compliance with the modified cash basis of accounting must adhere fully with the principles, presentation and disclosure requirements contained in this Standard in order to achieve fair presentation, and compliance with the PFMA and its regulations.”*

c) *In terms of the accounting manual for departments, Chapter 14 Provisions and Contingent paragraph 8"Commitments" states that,*

*“Items are classified as commitments where the department commits itself to future transactions that will normally result in the outflow of resources. With tenders, a commitment exists when the award has been formally communicated to the service provider that won the tender since a legitimate expectation of appointment has been created at year end.*

*Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the notes to the financial statements”.*

It was noted that the commitment amount of R 8 141 000,00 disclosed in note 34 – related party was not included in the commitment note no 26.

Impact of the finding:

a) Non-compliance with Modified Cash Basis, PFMA section 40(1) (a) and (b) and Chapter 14 Provisions and Contingent

b) The commitments note in the interim financial statements has been understated.

**Internal control deficiency**

Reason for the deviation:

The commitments schedules used for the interim financial statements were not adequately reviewed to ensure that all the commitment are included in the note.

Based on the aforementioned the matter is as a result of the following internal control deficiencies:

**Financial and Performance Management**

The department did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

**Recommendation**

a) The interim financial statements should be adequately reviewed to ensure that they are accurate and complete.

b) The department should adequately review the other financial statement notes to ensure that all the commitment amounts are disclosed.

**Management response**

I am in agreement with the finding for the following reasons; the Department did not disclose the IDT commitments relating to the EPWP projects, this was an oversight by management. Attached adjusted note (Annexure A)

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
| X |  | |
| If yes, what corrections will be made to the population | The financials have be updated accordingly | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions | Acting Director | | |
| Estimated completion date for corrective action | 02/03/2016 | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | |

*Name:* Lesiba Ledwaba

*Position: Acting Director*

*Date: 02/03/2016*

**Auditor’s conclusion**

The finding is resolved, management amended the note, however management should ensure the note to the annual financial statements are adequately reviewed to avoid misstated in the financial statements submitted for audit.

This finding will be followed up again during the audit of the annual financial statements at year end.

1. **Transfers and Subsidies: Agreement South Africa not budgeted for**

**Audit Finding**

Laws, rules and legislation:

a)         In terms of the PFMA section 43(1)

*“Virement between main divisions within votes.—(1) An accounting officer for a department may utilise a saving in the amount appropriated under a main division within a vote towards the defrayment of excess expenditure under another main division within the same vote, unless the relevant treasury directs otherwise”.*

b)         In terms of Treasury Regulation chapter 6.3 Virement [Sections 43 and 76 (3) of the PFMA] 6.3.1 for purposes of section 43 (1) of the Act—

*(a)      compensations of employees and transfers and subsidies to other institutions, excluding transfers and subsidies to other levels of government for purposes of paying levies and taxes imposed by legislation, may not be increased without approval of the relevant treasury;*

*(b)      new transfers and subsidies to other institutions may not be introduced without the approval of the relevant treasury;*

*(c)      allocations earmarked by the relevant treasury for a specific purpose (excluding compensation of employees) may not be used for other purposes, except with its approval; and*

*(d)      Virement of funds from compensation of employees to transfers and subsidies for the payment of severance/exit packages are excluded from the provisions of (a) and (b).*

c)         In terms of PFMA section 38. General responsibilities of accounting officers.—(1) the accounting officer for a department, trading entity or constitutional institution—

*c)         must take effective and appropriate steps to—*

*i) collect all money due to the department, trading entity or constitutional*

*ii) institution; prevent unauthorised, irregular and fruitless and wasteful*

*iii) expenditure and losses resulting from criminal conduct; and*

The following deviations were noted:

During the audit we noted that there was no budgeted amount for Agreement South Africa, but a transfer of R11 682 000 was made on the 18 May 2015 and this amount was not included in the irregular expenditure note in the interim financial statements.

Impact of the finding:

a) Non-compliance with Treasury Regulation chapter 6.3 Virement [Sections 43 and 76 (3) of the PFMA] 6.3.1

b) Completeness of irregular expenditure

**Internal control deficiency**

Reason for the deviation:

a)         The accounting officer did not take reasonable steps to prevent unauthorized expenditure and irregular expenditure as required by sections 38(1) (c) (ii) of the PFMA.

b)         The department has not obtained approval for National Treasury for Agreement South Africa to operate as public entity under DPW.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

Leadership

The leadership of the department did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

**Recommendation**

a) The department should arrange a meeting with National Treasury and emphasis the impact of non-approval of Agreement of South Africa on their annual financial statements as irregular expenditure every year in order to obtain the approval of Agreement South Africa to operate as a Public Entity under DPW.

b) The department should disclose the irregular expenditure amount in the disclosure note of irregular expenditure.

**Management response**

I am in not agreement with the finding, a transfer payment of R11 682 000 made to Agrément South Africa was disclosed in the interim disclosure note as at 31 December 2015 and reported to the National treasury See the attached Irregular Expenditure Schedule signed by the National Treasury.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | See response above | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions |  | | |
| Estimated completion date for corrective action |  | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated |  | |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | |

*Name:* *L Toona*

*Position: Director: Inspectorate and Compliance*

*Date: 23 February 2015*

**Auditor’s Response**

The findings refers to the interim financial statement for September 2015 which were submitted for audit however cognizance is taken that the irregular expenditure was subsequently included in the December 2015 financial statements.

The finding is resolved, management amended the note, however management should ensure the note to the annual financial statements are adequately reviewed to avoid misstated in the financial statements submitted for audit.

**Procurement and contract management**

1. **Procurement: quotations (R30 000 to R500 000) – Glorina General Traders**

**Audit finding**

Treasury Regulations 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

Practice Note 8 of 2007/08 paragraph 3.3 states that an accounting officer should invite and accept written price quotations for requirements up to an estimated value of R500 000 from as many suppliers as possible, that are registered on the list of prospective suppliers. Where no suitable suppliers are available from the list of prospective suppliers, written price quotations may be obtained from other possible suppliers. If it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the accounting officer or his / her delegate.

Paragraph 2.5 of Practice Note 6 of 2007/08 emphasized that a lack of proper planning does not constitute a reason for dispensing with prescribed procurement processes.

Treasury regulation 8.2.1 and 8.2.2 states that an official of an institution may not spend or commit public money except with the approval (either in writing or by duly authorised electronic means) of the accounting officer or a properly delegated or authorised officer.

Practice Note 8 of 2007 paragraph6.1 states that the accounting officer must be in possession of an original valid tax clearance certificate for all price quotations and competitive bids exceeding the value of R30 000 (VAT included). Paragraph 6.2 further states that if an accounting officer is in possession of a supplier’s original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate that is in the accounting officer’s possession. Whenever this ruling is applied, cross-reference must be made to the original tax certificate for audit purposes

The following discrepancy was identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **Contractor** | **FANO number** | **Order number** | **Amount** |
| Glorina General Traders | 146065 | 057803 | 197 592 |

Three quotations not obtained:

Three price quotations were not obtained from different prospective suppliers. The reasons don’t appear reasonable/ justified on the basis that it was impossible/ impractical to obtain 3 written quotations. Furthermore the reasons were not recorded and approved by the delegated official:

Tax clearance certificate:

The supplier didn’t submit an original tax clearance certificate from SARS certifying that the tax affairs are in order.

Evaluation criteria

We are unable to determine if the evaluation criteria applied in evaluating the quotations are the same as those indicated in the original request for quotations as no evaluation criteria were stipulated in the request / invitation for quotations.

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

## Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

No management comments received as yet

**Auditor’s conclusion**

No management comments received as yet

1. **Procurement: competitive bidding – Crocia Events**

**Audit finding**

Practice Note 8 of 2007/08 states that the accounting officer should invite competitive bids for all procurement above R 500 000. Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier, the accounting officer may procure the required goods or services by other means, such as price quotations or negotiations in accordance with Treasury Regulation 16A6.4. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer are required to report within ten (10) working days to the relevant treasury and the Auditor-General all cases where goods and services above the value of R1 million (VAT inclusive) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the prescribed competitive bidding process

Treasury Regulations 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

Treasury regulation16A6.4  states that if in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 states that in instances where it would be impractical to invite competitive bids, Treasury Regulation 16A6.4 provides for such instances where accounting officers are allowed to dispense with competitive bidding processes to procure goods and services by other means. This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole service providers. The reasons for such action must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 further states that an effective system of supply chain demand management requires an accounting officer or accounting authority to ensure that the resources required to support the strategic and operational commitments of an institution are properly budgeted for and procured at the correct time. Planning for the procurement of such resources must take into account the period required for competitive bidding processes. It must therefore be emphasized that a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes.

Practice Note 6 of 2007 states that the accounting officer must report within ten (10) working days to the relevant treasury and Auditor-General, all cases where goods and services above the value of R1 million (Vat Included) which were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the names of the suppliers, the amounts involved and the reasons for dispensing with the prescribed competitive bidding processes.

The following discrepancy was identified:

|  |  |  |
| --- | --- | --- |
| **Contractor** | **Tender No** | **Award** |
| Crocia Events | HP15/040 | 1 981 244.82 |

Deviation from competitive bidding:

Service above R500 000 was procured without inviting competitive bids. These instances didn’t relate to cases of emergency where immediate action was necessary or where the goods and services required were procured from sole service providers and a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes. The department was notified of the summit on 7 May 2015 which will take place from 11 -17 June 2015.

Reporting:

The tender was awarded based on a deviation from tender process, however National Treasury and the AGSA was not notified within 10 working days.

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Management doesn’t agree with the findings:

The department received the letter from International relations & cooperation on 10/05/2015 not on the date (07/05/2015) signed by the DG of international relations & cooperation. From the date the department received the letter department had only 19 days to appoint the service provider which was impossible to go out on tender.

The attached deviation report was forwarded to AGSA on 18 June 2015. Please find copies of a deviation report, e-mail to AGSA and National Treasury officials.

Name: Raymond Naidoo

Position: CD: SCM

Date: 17/03/2016

**Auditor’s conclusion**

Deviation from competitive bidding:

Management comment noted, however the audit finding remains. If the letter from International relations & cooperation was received on 10/05/2015 the department still had 32 days to follow a competitive bidding process.

Reporting:

Management comment noted and the finding is resolved.

1. **Procurement: competitive bidding – Technology Corporate Management**

**Audit finding**

Treasury Regulations 16A.6.2 states that a supply chain management system must, in the case of procurement through a bidding process, provide for

* the adjudication of bids through a bid adjudication committee;
* the establishment, composition and functioning of bid specification, evaluation and adjudication committees;
* the selection of bid adjudication committee members;
* bidding procedures; and
* approval of bid evaluation and/or adjudication committee recommendations.

Treasury Regulations 16A.6.2 states that a supply chain management system must be fair, equitable, transparent, competitive and cost effective.

Treasury Regulation section 16A.6.3 (c) states that bids must be advertised in at least the Government Tender Bulletin for a minimum period of 21 days before closure, except in urgent cases when bids may be advertised for such shorter period as the accounting officer or accounting authority may determine.

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

Practice Note 8 of 2007 paragraph6.1 states that the accounting officer must be in possession of an original valid tax clearance certificate for all price quotations and competitive bids exceeding the value of R30 000 (VAT included). Paragraph 6.2 further states that if an accounting officer is in possession of a supplier’s original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate that is in the accounting officer’s possession. Whenever this ruling is applied, cross-reference must be made to the original tax certificate for audit purposes

Practice note 5 of 2009/10 paragraph 4.1.2 (c), (e) and (h) state that accounting officer must appoint a designated official to administer the contract. The official will be responsible for preparing the business case, obtaining approval from the accounting officer for the business case, compilation of specifications, obtaining approval for the bid documents and appointing officials for the bid evaluation committee. . SITA must compile the required bid documentation subject to the prescribed legislation, Preferential Procurement Regulation and National Treasury requirements relating to tax clearance certificates and submit the final bid to the accounting officer for approval. The accounting officer must appoint an official from the institution as the chairperson of the bid evaluation committee and appoint other officials of the institution to serve as members of the bid evaluation committee (BEC). The designated official may not serve on the BEC. SITA must also appoint officials to serve on the BEC to provide administrative support to the committee.

The following discrepancy was identified:

|  |  |  |
| --- | --- | --- |
| **Contractor** | **Tender No** | **Award** |
| Technology Corporate Management | HS14/005 | 1 938 000 |

Bid Specification and Evaluation Committee:

No supporting documentation was provided to substantiate who the SCM official is that serves on the bid specification and evaluation committee. We were therefore unable to determine whether the committees were constituted in accordance with the requirements of the SCM policy which states that the committees must consist of at least four members of which one must be a supply chain management official (SCM).

Advertisement:

The tender was not advertised for the required minimum period of 21 days. It was advertised for 17 days from 18 June 2014 to 04 July 2014. No reason was recorded for deviating from 21 days. Early delivery of the above services is not of critical importance or life threatening and would not have made it impractical or impossible to advertise for 21 days. Furthermore no proof could be obtained in file that the tender was advertised in the Government Tender Bulletin.

Publication of bidders on website

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days. Furthermore no evidence could be obtained that the details of the winning bidder was published in the government tender bulleting.

Tax clearance certificate

The supplier didn’t submit an original tax clearance certificate from SARS certifying that the tax affairs are in order on the day of the closing of the bid.

IT related goods

No evidence could be found on file to confirm that:

* A designated official was appointed within the institution to administer the contract.
* The designated official prepared the business case.
* The business case was approved in accordance with the delegations and/ or auditee's SCM policies and procedures.
* The designated official compiled the specifications in accordance with the requirements of the auditee's SCM policies and procedures.
* The final bid documentation was approved by the auditee in accordance with the auditee's delegations and/ or SCM policies and procedures.
* The chairperson of the bid evaluation committee was an employee of the department appointed by the accounting officer/ authority.
* The designated official was not a member of the bid evaluation committee.

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

By the time PA25.1 and 25.2 was approved an SCM practitioner was not allocated. However please find attached minutes and PA18 of 13 & 15 August 2014 which shows who the SCM practitioner was allocated to the project.

The department followed nominated procedure (which is a closed competitive process in itself as there are a number of competing service providers who have been pre – qualified) to appoint the service provider. SITA contract number 153/2007 was used to acquire the services of Technology Corporate Management.

The details of the winning bidder were not published in the government tender bulletin and departmental website as the tender was not advertised in the government tender bulletin and departmental website. A nominated procedure was followed to procure the services.

Please find attached verified tax clearance certificate

Name: Raymond Naidoo

Position: CD: SCM

Date: 16/03/2016

**Auditor’s conclusion**

Bid Specification and Evaluation Committee:

Management comments noted and the audit finding is resolved.

Advertisement:

Management comments noted and the audit finding is resolved.

Publication of bidders on website

Management comments noted and the audit finding is resolved.

Tax clearance certificate

The original tax clearance certificate from SARS certifying that the tax affairs are in order was not submitted and therefore the finding remains.

IT related goods

No evidence could be found on file or were subsequently provided to confirm the following and therefore the finding remains:

* A designated official was appointed within the institution to administer the contract.
* The designated official prepared the business case.
* The business case was approved in accordance with the delegations and/ or auditee's SCM policies and procedures.
* The designated official compiled the specifications in accordance with the requirements of the auditee's SCM policies and procedures.
* The final bid documentation was approved by the auditee in accordance with the auditee's delegations and/ or SCM policies and procedures.
* The chairperson of the bid evaluation committee was an employee of the department appointed by the accounting officer/ authority.
* The designated official was not a member of the bid evaluation committee.

1. **Procurement: competitive bidding – LA Consulting Engineers (Pty) Ltd**

**Audit finding**

Treasury Regulations 16A.6.2 states that a supply chain management system must, in the case of procurement through a bidding process, provide for

* the adjudication of bids through a bid adjudication committee;
* the establishment, composition and functioning of bid specification, evaluation and adjudication committees;
* the selection of bid adjudication committee members;
* bidding procedures; and
* approval of bid evaluation and/or adjudication committee recommendations.

Treasury Regulations 16A.6.2 states that a supply chain management system must be fair, equitable, transparent, competitive and cost effective.

Treasury Regulation section 16A.6.3 (c) states that bids must be advertised in at least the Government Tender Bulletin for a minimum period of 21 days before closure, except in urgent cases when bids may be advertised for such shorter period as the accounting officer or accounting authority may determine.

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

PPR 6 (2) states that points must be awarded to a tenderer for attaining the B-BBEE status level of contributor for procurement equal or above R1 million as follows:

|  |  |
| --- | --- |
| B-BBEE Level | Points |
| 1 | 10 |
| 2 | 9 |
| 3 | 8 |
| 4 | 5 |
| 5 | 4 |
| 6 | 3 |
| 7 | 2 |
| 8 | 1 |

PPR 6 (3) states that a maximum of 10 points may be allocated in accordance with PPR 6 (2)

Preferential Procurement Regulation paragraph 6 (1) states that the 90/10 preference point system for acquisition of services, works or goods with a Rand value above R1 million. The following formula must be used to calculate the points for price in respect of tenders with a Rand value above R1 000 000 (all applicable taxes included):

|  |  |
| --- | --- |
| |  | | --- | | Ps= 90  1-  Pt – Pmin | |
| Pmin |

Ps     = Points scored for comparative price of tender or offer under consideration;

Pt      = Comparative price of tender or offer under consideration; and

Pmin = Comparative price of lowest acceptable tender or offer.

PPR 4 states that the points scored by a tenderer in respect of the level of B-BBEE contribution must be added to the points scored for price

The following discrepancy was identified:

|  |  |  |
| --- | --- | --- |
| **Contractor** | **Tender No** | **Award** |
| LA Consulting Engineers (Pty) Ltd | HP14/134 | 8 327 700 |

Bid Specification and Evaluation Committee:

No supporting documentation was provided to substantiate who the SCM official is that serves on the bid specification and evaluation committee. We were therefore unable to determine whether the committees were constituted in accordance with the requirements of the SCM policy which states that the committees must consist of at least four members of which one must be a supply chain management official (SCM).

Advertisement:

The tender was not advertised in the Government Tender Bulletin.

Publication of bidders on website

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days.

B-BBEE certificate

The supplier didn’t submit an original B-BBEE Status Level Verification Certificates or certified copies; therefore no points should be awarded for B-BBEE status level. However eight points were incorrectly awarded to the supplier. This didn’t result in the incorrect supplier being awarded the contract

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

Reason for deviation

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Management doesn’t agree with AGSA findings based on the following reasons:

Bid Specification and Evaluation Committee:

By the time PA25.1 and 25.2 was approved an SCM practitioner was not allocated. However please find attached minutes and PA18 of 25/11/2014 which shows who the SCM practitioner was allocated to the project.

Advertisement:

The department followed nominated procedure (which is a closed competitive process in itself as there are a number of competing service providers) to appoint the service provider. Twelve (12) companies were invited. Find attached NBAC approval (PA12) for nominated procedure.

Publication of bidders on website:

The details of the winning bidder were not published in the government tender bulletin and departmental website as the tender was not advertised in the government tender bulletin and departmental website. A nominated procedure was followed to procure the services.

B-BBEE certificate:

A copy of a certified B-BBBEE certificate is herewith attached.

Name: Raymond Naidoo

Position: CD: SCM

Date: 07/03/2015

**Auditor’s conclusion**

Bid Specification and Evaluation Committee:

Management comment noted, however the audit finding remains. When the specification were compiled and approved the member didn’t form part of the committee as yet. Furthermore no evidence could be obtained except for the declaration of interest provided that the member formed part of the evaluation of the tender.

Advertisement and publication of bidders on website:

Management comment noted, however the audit finding remains. Although the tender was advertised, it was not advertised in the Government Tender Bulletin.

B-BBEE certificate

The B-BBEE certificate was provided which expires on 5 December 2014. This is prior to this award and therefore the finding remains

1. **Procurement: competitive bidding – Kredietinform Experian**

**Audit finding**

Practice Note 8 of 2007/08 states that the accounting officer should invite competitive bids for all procurement above R 500 000. Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier, the accounting officer may procure the required goods or services by other means, such as price quotations or negotiations in accordance with Treasury Regulation 16A6.4. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer are required to report within ten (10) working days to the relevant treasury and the Auditor-General all cases where goods and services above the value of R1 million (VAT inclusive) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the prescribed competitive bidding process

Treasury Regulations 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

Treasury regulation16A6.4  states that if in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 states that in instances where it would be impractical to invite competitive bids, Treasury Regulation 16A6.4 provides for such instances where accounting officers are allowed to dispense with competitive bidding processes to procure goods and services by other means. This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole service providers. The reasons for such action must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 further states that an effective system of supply chain demand management requires an accounting officer or accounting authority to ensure that the resources required to support the strategic and operational commitments of an institution are properly budgeted for and procured at the correct time. Planning for the procurement of such resources must take into account the period required for competitive bidding processes. It must therefore be emphasized that a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes.

Preferential Procurement Regulations 3(b) states that prior to making an invitation to tender the appropriate preference point system must be determined and stipulated

Treasury Regulation 16A6.3 (b) states that bid documentation must include evaluation and adjudication criteria, including the criteria prescribed in Preferential Procurement Policy Framework Act, 2000.

The following discrepancy was identified:

|  |  |  |
| --- | --- | --- |
| **Contractor** | **Tender No** | **Award** |
| Kreditinform Experian | HP14/152 | 2 684 745 |

Deviation from competitive bidding:

Service above R500 000 was procured without inviting competitive bids. These instances didn’t relate to cases of emergency where immediate action was necessary or where the goods and services required were procured from sole service providers and a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes.

Preference point system:

Bid documentation (PA01) specified the 80/20 preference point system to be used. This is not as prescribed in terms of the PPPFA whereas the 90/10 system must be used and this procurement is above R1 million.

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

Reason for deviation

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

No management response received.

**Auditor’s conclusion**

No management response received, therefore the finding remains.

1. **Procurement: quotations (R30 000 to R500 000) – J Kekana Interiors CC**

**Audit finding**

Practice Note 8 of 2007 paragraph6.1 states that the accounting officer must be in possession of an original valid tax clearance certificate for all price quotations and competitive bids exceeding the value of R30 000 (VAT included). Paragraph 6.2 further states that if an accounting officer is in possession of a supplier’s original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate that is in the accounting officer’s possession. Whenever this ruling is applied, cross-reference must be made to the original tax certificate for audit purposes

PPR 5 (2) states that points must be awarded to a tenderer for attaining the B-BBEE status level of contributor for procurement equal or below R1 million as follows.

|  |  |
| --- | --- |
| **B-BBEE Level** | **Points** |
| 1 | 20 |
| 2 | 18 |
| 3 | 16 |
| 4 | 12 |
| 5 | 8 |
| 6 | 6 |
| 7 | 4 |
| 8 | 2 |

PPR 5 (3) states that a maximum of 20 points may be allocated in accordance with PPR 5 (2).

PPR 5 (4) states that the points scored by a tenderer in respect of B-BBEE contribution must be added to the points scored for price.

PPR 5 (5) states that the contract must be awarded to the tenderer who scores the highest total number of points.

PPR 11(4) states that points scored must be rounded off to the nearest 2 decimal places.

The following discrepancy was identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **Contractor** | **FANO number** | **Order number** | **Amount** |
| J Kekana Interiors CC | 1401859 | 057986 | 64 834 |

Tax clearance certificate:

The supplier didn’t submit an original tax clearance certificate from SARS certifying that the tax affairs are in order.

Preference points:

Sixteen (16) points were awarded (level 3 contributor) for attaining a BBBEE status level contribution (level 1 contributor as per the copy of the certificate), instead of 0 points because the supplier did not submit an original or certified B-BBEE certificate. Consequently the incorrect points scored in respect of the level of B-BBEE contribution were added to the points scored for price. This would not have resulted in the incorrect bidder being awarded

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

Reason for deviation

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Tax clearance certificate:

Management is not in agreement with the finding for the following reasons: the Supply Chain Management practitioner complied with Practice Note 8 of 2007 Paragraph 6.2 copy of tax clearance certificate with a date stamp indicating that original with sub directorate: Supplier Register dated 21 July 2015 which shows that the department was in possession of a supplier’s original valid tax clearance certificate within its database records. Find attached tax clearance certificate for your ease of reference

Name: Maria Lekota

Position: D DAM

Date: 09 March 2016

Preference points:

Management is not in agreement with the finding for the following reasons: upon closing, quotations were checked for administrative responsiveness and only J Kekana Interiors was found to be responsive. In situation like this calculation of points for price and BEE was immaterial as it had no bearing to the outcome of the evaluation. Awarding of bid to J Kekana did not disadvantage any supplier.

Name: Maria Lekota

Position: D DAM

Date: 09 March 2016

**Auditor’s conclusion**

Tax clearance certificate:

The original tax clearance certificate was subsequently provided and the finding is resolved.

Preference points:

Management comment noted, however the finding remains. Points were awarded, instead of no points because the supplier did not submit an original or certified B-BBEE certificate and the non-compliance thereof is reported.

1. **Procurement: quotations (R30 000 to R500 000) – Lesedi Corporate Technology (Pty) Ltd**

**Audit finding**

Practice Note 8 of 2007 paragraph6.1 states that the accounting officer must be in possession of an original valid tax clearance certificate for all price quotations and competitive bids exceeding the value of R30 000 (VAT included). Paragraph 6.2 further states that if an accounting officer is in possession of a supplier’s original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate that is in the accounting officer’s possession. Whenever this ruling is applied, cross-reference must be made to the original tax certificate for audit purposes

PPR 5 (2) states that points must be awarded to a tenderer for attaining the B-BBEE status level of contributor for procurement equal or below R1 million as follows.

|  |  |
| --- | --- |
| **B-BBEE Level** | **Points** |
| 1 | 20 |
| 2 | 18 |
| 3 | 16 |
| 4 | 12 |
| 5 | 8 |
| 6 | 6 |
| 7 | 4 |
| 8 | 2 |

PPR 5 (3) states that a maximum of 20 points may be allocated in accordance with PPR 5 (2).

PPR 5 (4) states that the points scored by a tenderer in respect of B-BBEE contribution must be added to the points scored for price.

PPR 5 (5) states that the contract must be awarded to the tenderer who scores the highest total number of points.

PPR 11(4) states that points scored must be rounded off to the nearest 2 decimal places.

The following discrepancy was identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **Contractor** | **FANO number** | **Order number** | **Amount** |
| Lesedi Corporate Technology (Pty) Ltd | 1398879 | 057855 | 478 274 |

Tax clearance certificate:

The supplier didn’t submit an original tax clearance certificate from SARS certifying that the tax affairs are in order.

Preference points:

The supplier submitted an uncertified copy of the B-BBEE certificate and not an original or certified copy. The PA20 was not on file to enable us to ensure that no points were awarded as the supplier did not submit an original or certified B-BBEE certificate. Furthermore we are unable to determine the points awarded to the unsuccessful bidders

Price points:

The PA20 was not on file to enable us to ensure that points for price were correctly calculated and whether the preference points were correctly added to the price points. Furthermore we noted some suppliers were disqualified and their quotations disregarded but could not find appropriate supporting documentation to determine the reason or substantiate the correctness for disregarding certain quotations. Consequently we were unable to determine if the award was made to the highest scoring.

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

Reason for deviation

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Tax clearance certificate

Management is not in agreement with the finding for the following reasons: the Supply Chain Management practitioner complied with Practice Note 8 of 2007 Paragraph 6.2 copy of tax clearance certificate with a date stamp indicating that original with sub directorate: Supplier Register dated 25 June 2015 which shows that the department was in possession of a supplier’s original valid tax clearance certificate within its database records. Find attached tax clearance certificate for your ease of reference.

Name: Maria Lekota

Position: D DAM

Date: 09 March 2016

Preference points:

Management is not in agreement with the finding for the following reasons: the PA 20 is included in the Procurement file / batch and no B-BBEE points were allocated to the service provider. Upon closing, administrative responsiveness checks of quotations was done and only Lesedi Corporate Technology (Pty) Ltd was found to be administratively responsive. Non-responsive quotations are not considered for price and preference evaluation and as such only Lesedi Corporate Technology (Pty) Ltd reflects on the PA 20. Find attached copy of PA 20 for your ease of reference.

Name: Maria Lekota

Position: D DAM

Date: 09 March 2016

Price points

Management is not in agreement with the finding for the following reasons: scoring Model – PA 20.5 is attached in this file as well as the non-responsive supplier’s quotations date stamped with quotation received stamp on the 22 June 2015. Reasons for disqualifying other bidders are reflected on the PA 02 and paragraph 2.2 of memorandum dated 26 June 2015 contained in the Procurement file / batch. Attached for your ease of reference.

Name: Maria Lekota

Position: D DAM

Date: 09 March 2016

**Auditor’s conclusion**

Management comment noted, however the audit finding remains:

Tax clearance certificate:

The original tax clearance certificate was subsequently provided and the finding is resolved.

Preference points:

Management comment noted. The PA20 was subsequently submitted which was not on the tender file, and the finding is resolved

Price points:

The PA20 was subsequently submitted which was not on the tender file, however the audit finding remains as some suppliers were disqualified and their quotations disregarded but appropriate supporting documentation was not submitted to substantiate this. According to the memo the other bidders were disqualified based on the following reasons:

* Sibuzanzi – didn’t quote according to specification. We are satisfied with this reason and could confirm it with the quotation.
* Neo Technologies – above QU threshold: no supporting evidence provided to substantiate this
* Agonthati Solution – above QU threshold and didn’t quote according to specification: no supporting evidence provided to substantiate this and the quotation is also according to the required specifications

1. **Procurement: competitive bidding – NVT Communications**

**Audit finding**

Practice Note 6 of 2007 states that the accounting officer must report within ten (10) working days to the relevant treasury and Auditor-General, all cases where goods and services above the value of R1 million (Vat Included) which were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the names of the suppliers, the amounts involved and the reasons for dispensing with the prescribed competitive bidding processes.

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

PPR 6 (2) states that points must be awarded to a tenderer for attaining the B-BBEE status level of contributor for procurement equal or above R1 million as follows:

|  |  |
| --- | --- |
| B-BBEE Level | Points |
| 1 | 10 |
| 2 | 9 |
| 3 | 8 |
| 4 | 5 |
| 5 | 4 |
| 6 | 3 |
| 7 | 2 |
| 8 | 1 |

PPR 6 (3) states that a maximum of 10 points may be allocated in accordance with PPR 6 (2)

Preferential Procurement Regulation paragraph 6 (1) states that the 90/10 preference point system for acquisition of services, works or goods with a Rand value above R1 million. The following formula must be used to calculate the points for price in respect of tenders with a Rand value above R1 000 000 (all applicable taxes included):

|  |  |
| --- | --- |
| |  | | --- | | Ps= 90  1-  Pt – Pmin | |
| Pmin |

Ps     = Points scored for comparative price of tender or offer under consideration;

Pt      = Comparative price of tender or offer under consideration; and

Pmin = Comparative price of lowest acceptable tender or offer.

PPR 4 states that the points scored by a tenderer in respect of the level of B-BBEE contribution must be added to the points scored for price

The following discrepancy was identified:

|  |  |  |
| --- | --- | --- |
| **Contractor** | **Tender No** | **Award** |
| NVT Communications | HP15/001 | 865 587.29 |

Reporting:

The tender was awarded based on a deviation from tender process, however National Treasury and the AGSA was not notified within 10 working days.

Publication of bidders on website

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days.

Unsuccessful bidders

The unsuccessful bidder’s documentation was not provided and therefore we are unable to determine if the preference points and price points were correctly calculated for the unsuccessful bidder. We are consequently further unable to determine if the bid was awarded to the bidder with the highest points

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

## Reason for deviation

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

No management comments received

**Auditor’s conclusion**

No management comments received

1. **Procurement: competitive bidding – Side Production CC**

**Audit finding**

Treasury Regulations 16A.6.2 states that a supply chain management system must, in the case of procurement through a bidding process, provide for

* the adjudication of bids through a bid adjudication committee;
* the establishment, composition and functioning of bid specification, evaluation and adjudication committees;
* the selection of bid adjudication committee members;
* bidding procedures; and
* approval of bid evaluation and/or adjudication committee recommendations.

Treasury Regulation section 16A.6.3 (c) states that bids must be advertised in at least the Government Tender Bulletin for a minimum period of 21 days before closure, except in urgent cases when bids may be advertised for such shorter period as the accounting officer or accounting authority may determine.

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

Preferential Procurement Regulations (PPR) 4(4) states that no tender must be regarded as an acceptable tender if it fails to achieve the minimum qualifying score for functionality as indicated in the tender invitation. No

PPR 4(5) states that tender that achieve the minimum qualification score for functionality must be evaluated further in terms of preference point systems prescribed in regulation 5 and 6.

The following discrepancy was identified:

|  |  |  |
| --- | --- | --- |
| **Contractor** | **Tender No** | **Award** |
| Side Production CC | HP14/180 | 2 720 013 |

Bid Specification Committee:

The bid specification committee was not composed in accordance with the policy as there was no SCM official that served on the specification committee.

Advertisement:

The tender was not advertised in the Government Tender Bulletin.

Publication of bidders on website

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days. Furthermore no evidence was provided that the details of the winning bidder were published in the government tender bulleting or website of the department.

Functionality

No reasons / basis for scoring were provided in terms of the scores allocated for functionality. This lead to 16 suppliers disqualified in terms of functionality and only one supplier being further evaluated for preference points. We are therefore unable to determine if the valuation was correctly performed and all suppliers were considered to be further evaluated in terms of preference points.

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

Reason for deviation

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Management doesn’t agree with the findings:

Bid Specification Committee if appointed by Chief Director: SCM by signing PA 25.1 with the names of the members who will be committee members. Please find attached copy of PA 25.1

The tender was advertised on Government Tender Bulletin: please find attached copy of advert.

The tender was published on the departmental website: please find attached copy

Please find attached scoring sheet

**Auditor’s conclusion**

Bid Specification Committee:

Management comment noted however the audit finding remains. The declaration of interest was provided however no supporting documentation was provided to substantiate that the SCM official served on the bid specification committee

Advertisement:

Management comment noted and the finding is resolved

Publication of bidders on website

* No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days and the finding remains
* No evidence was provided that the details of the winning bidder were published in the government tender bulleting or website of the department – the supporting documentation provided is not readable and we can also not find it on the website

Functionality

Only one member’s scoring sheets were provided and no basis was provided for reasons provided on the scoring sheet. No reasons / basis for scoring were provided for any other members in terms of the scores allocated for functionality. Therefore the finding remains.

1. **Procurement: Quotations R30 000 – R500 000 tax clearance certificate**

**Audit finding**

Practice Note 8 of 2007 paragraph6.1 states that the accounting officer must be in possession of an original valid tax clearance certificate for all price quotations and competitive bids exceeding the value of R30 000 (VAT included). Paragraph 6.2 further states that if an accounting officer is in possession of a supplier’s original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate that is in the accounting officer’s possession. Whenever this ruling is applied, cross-reference must be made to the original tax certificate for audit purposes

The following discrepancies were identified:

The supplier didn’t submit an original tax clearance certificate from SARS certifying that the tax affairs are in order.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Supplier name** | **Order Number** | **Quotation value** | **Expenditure to date** | **Current year expenditure** |
| eLan Lifestyle and Communications | DR014368 | R 393 983.00 | R 393 983.00 | R 393 983.00 |
| Catering Supreme and Cuisine | OR 14372 | R 83 334.00 | R 83 334.00 | R 83 334.00 |

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

Reason for deviation

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations

Based on the aforementioned the matter is as a result of the following internal control deficiency:

Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

a) Management should ensure that the entity complies with all applicable laws and regulations.

b) Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

c) A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

d) Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  |  | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions |  | | |
| Estimated completion date for corrective action |  | | |
|  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

No management comments received

1. **Procurement and Contract Management: eLan Lifestyle and Communications**

**Audit finding**

PPPFA section 10(2) states that tenderers other than Exempted Micro-Enterprises (EMEs) must submit their original and valid B-BBEE status levels verification certificate or a certified copy thereof, substantiating their B-BBEE rating.

PPR 5 (2) states that points must be awarded to a tenderer for attaining the B-BBEE status level of contributor for procurement equal or below R1 million as follows.

|  |  |
| --- | --- |
| B-BBEE Level | Points |
| 1 | 20 |
| 2 | 18 |
| 3 | 16 |
| 4 | 12 |
| 5 | 8 |
| 6 | 6 |
| 7 | 4 |
| 8 | 2 |

The following discrepancies were identified:

Preference points:

Supplier did not submit an original or certified B-BBEE certificate but was awarded preference points on calculation of the preference and price points. Points were awarded for attaining a BBBEE status level contribution instead of 0 points. Consequently the incorrect points scored with regards to the supplier:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Supplier name** | **Order Number** | **Quotation value** | **Expenditure to date** | **Current year expenditure** |
| eLan Lifestyle and Communications | DR014368 | R 393 983.00 | R 393 983.00 | R 393 983.00 |

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

Reason for deviation

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

a) Management should ensure that the entity complies with all applicable laws and regulations.

b) Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

c) A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

d) Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  |  | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions |  | | |
| Estimated completion date for corrective action |  | | |
|  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

No management comments received

1. **Procurement: Limitation of Scope Ilula Trading CC**

**Audit Finding**

Laws, rules and regulations

a) Public Finance Management Act sections 38, 40 and 41:

(i)            Section 38(1)(c)(ii)

*“The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct”*

(ii)           Section 40(1)(a)

*“The accounting officer for a department, trading entity or constitutional institution 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;”*

(iii)          Section 41

*“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”*

b) Treasury Regulation 17.2.1:

*“Accounting officers of institutions must, subject to the provisions of the relevant national or provincial legislation, retain all financial information in its original form, as follows-*

Request for information 1PU was issued on 01 March 2016   requested amongst others as information of the unsuccessful bidders for Tender,B-BBEE certificate of unsuccessful bidders,PA-01,Pa-20,PA-12, Information should have been provided by 07 March 2016.To date the information has not been provided.

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Supplier name** | **Quotation Description** | **Award** |
| 1 | Ilula Trading CC | Delivery of protective clothing Mthatha | R 93 957.31 |

**Impact**

a)        Non-compliance with sections 40 and 41 of the PFMA.

b)        Non-compliance with TR 17.2.1.

c)        Non-compliance with Directive: Records Management, Paragraph 6.2, of DPW.

d) The department was not able to provide sufficient appropriate evidence for awards amounting to R93 957.resulting in a limitation of scope in determining whether these award was made in line with supply chain management prescripts and whether or not the resultant payments were regular.

**Internal control deficiency**

**Reason for deviation**

The department indicated that the information of unsuccessful bidders is in PE.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

*Financial and Performance Management*

The department has not yet implemented 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.

**Recommendations**

It is recommended that all information requested be provided to the AGSA within three days from the date of request.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  |  | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions |  | | |
| Estimated completion date for corrective action |  | | |
|  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

*Name:*

*Position:*

*Date:*

**ANNEXURE B: OTHER IMPORTANT MATTERS**

**Procurement and contract management**

1. **Procurement: competitive bidding**

**Audit finding**

Practice Note 8 of 2007/08 states that the accounting officer should invite competitive bids for all procurement above R 500 000. Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier, the accounting officer may procure the required goods or services by other means, such as price quotations or negotiations in accordance with Treasury Regulation 16A6.4. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer are required to report within ten (10) working days to the relevant treasury and the Auditor-General all cases where goods and services above the value of R1 million (VAT inclusive) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the prescribed competitive bidding process

Treasury Regulations 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

Treasury regulation16A6.4  states that if in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 states that in instances where it would be impractical to invite competitive bids, Treasury Regulation 16A6.4 provides for such instances where accounting officers are allowed to dispense with competitive bidding processes to procure goods and services by other means. This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole service providers. The reasons for such action must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 further states that an effective system of supply chain demand management requires an accounting officer or accounting authority to ensure that the resources required to support the strategic and operational commitments of an institution are properly budgeted for and procured at the correct time. Planning for the procurement of such resources must take into account the period required for competitive bidding processes. It must therefore be emphasized that a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes.

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

The following discrepancies were identified:

|  |  |  |
| --- | --- | --- |
| **Contractor** | **Tender No** | **Award** |
| Euro International Suppliers | HP15/010 | 2 728 362 |
| Crocia Events | HP15/011 | 1 076 810 |
| Gearhouse SA | HP15/006 | 5 226 548 |

Uneconomical use of resources

A nominated procedure was followed and not a competitive bidding process. We are in agreement that it was not practicable to follow a competitive bidding process as this was a funeral. However, we are unable to determine if the procurement was economical.

|  |  |  |
| --- | --- | --- |
| **Contractor** | **Tender No** | **Award** |
| Euro International Suppliers | HP15/010 | 2 728 362 |

Publication of bidders on website

No evidence was provided that the details of the winning bidder were published in the government tender bulleting or website of the department.

**Risk**

Non-compliance with laws and regulations resulting in possible fruitless and wasteful expenditure

**Internal control deficiency**

Reason for deviation

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

**Management response**

Management doesn’t agree with the findings:

Procurement of the following tenders was economical:

* HP15/010 – marquee was procured from Euro international Suppliers for VVIP and family dining.
* HP15/011 – marquee was procured from Crocia Events for kitchens and EMS
* HP15/006 - Euro international Suppliers was responsible for collection, erect and removal of the Dome marquee

The details of the winning bidder were not published in the government tender bulletin and departmental website as the tender was not advertised in the government tender bulletin and departmental website. A nomination and negotiations procedure was followed to procure the services.

Name: Raymond Naidoo

Position: CD: SCM

Date: 16/03/2016

**Auditor’s conclusion**

Uneconomical use of resources:

Management comment noted, however the audit finding remains:

* Gearhouse SA: HP 15/006: The dome marque was purchased by the department during the 2013/14 financial year. One of the conditions of approval to purchase the dome marque in the prior years was that a term agreement be entered into with the service provider to offer training to a departmental team who in the future would be able to manage the assembly and demobilisation of the dome marquee. Therefore the expenditure incurred to pay another service provider erect and remove the dome marque is fruitless and wasteful expenditure.
* Euro International Suppliers (HP15/010) and Crocia Events (HP15/011): No evidence was provided to substantiate as to why the procurement is considered economical by management.

Publication of bidders on website

Management comment noted however the audit finding remains. More than one bidder (three bidders) were invited, and therefore the details of the winning bidder must be published

1. **Procurement: Testing R10 000 to R30 000 – final decision of acceptance of quotation**

**Audit finding**

Treasury regulation 8.2.1 and 8.2.2 states that an official of an institution may not spend or commit public money except with the approval (either in writing or by duly authorised electronic means) of the accounting officer or a properly delegated or authorised officer.

The following discrepancies were identified:

Appointment:

The final decision on which quotation to accept was not made by an appropriately delegated official or committee.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Supplier** | **Order number** | **Award**  **R** | **Expenditure to date** | **Expenditure current year** |
| 1 | Refhumudze Trading (Pty) Ltd | 1389039 | 11 850.00 | 11 850.00 | 11 850.00 |

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure

**Internal control deficiency**

Reason for deviation

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Management is in agreement with the finding.

This was an oversight. All our procurements are approved by a delegated authority.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | Investigation will be conducted to determine who caused the irregular expenditure in line with PFMA | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions |  | | |
| Estimated completion date for corrective action |  | | |
|  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
| X |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

Name: M Dondashe

Position: Regional manager

Date: 15/03/2016

**Auditor’s conclusion**

Management is in agreement with the finding and the finding remains

1. **Predetermined objectives: Errors on beneficiary reported on EPWP systems for quarter 2 – ending 30 September 2015.**

**Audit Finding**

Laws, rules and regulations

Public Finance Management Act section 40 states the following:

Section 40(3) (a) states:

*“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;”*

The following exceptions were noted while validating EPWP beneficiaries on the systems.

|  |  |
| --- | --- |
| **Test** | **Number of records** |
| Beneficiaries have valid ID numbers | 610 |
| All beneficiaries have a valid date of birth and verify the ID number where possible | 19 078 |
| Beneficiaries wages not less than R75,00 per day | 0 |
| The maximum of 25 days worked, per month | Outstanding |
| Beneficiaries gender were processed correctly and validated where possible to their respective ID Number | 570 |
| Beneficiary age does not exceed 100 years or is less than 16 years. | 0 |
| Beneficiaries with the Persal number | 37 497 |
| Beneficiaries with the Persal number and not indicated as additional to the establishment | 536 |
| Deceased beneficiaries in the current year worked more than available days | 96 |
| Deceased beneficiaries in the prior year appearing in the current year beneficiary list | 299 |
| Deceased beneficiaries | 1 590 |
| Beneficiaries indicated as youth while they are not | 16 |
| Beneficiaries appearing in the multiple projects in the current year | 8 057 |
| Duplicate beneficiaries on different sectors/subprogramme i.e ( community work programme and infrastructure or non-state sector) | Outstanding |
| Beneficiaries on the municipal payroll and their ranks. | Outstanding |

Impact of the finding:

a) Non-compliance with Section 40(3) of the PFMA

b) The information reported on annual performance report might not be valid, accurate and complete.

The matter was reported in the prior year and it is included in the department’s action plan. The action plan stated that the validation rules and system are being enhanced.

**Internal control deficiency**

Reason for the deviation:

a) Failure by the department to adequately monitor and review information captured on the EPWP systems for accuracy and validity.

b) Absence of adequate controls on the information systems to facilitate accurate, complete and valid reporting on predetermined objectives, for example validation testing on identity documents.

c) Lack of involvement from internal audit to verify actual results reported throughout the year.

The above matter is as a result of the following internal control deficiency:

**Financial and performance management**

The Department did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

**Recommendation**

a) The department must run test on of all beneficiaries on MIS and WBS regularly and also provide evidence to the auditors that the above findings were resolved.

b) Frequent reviews should be performed by internal audit to ensure that information reported in quarterly reports and eventually the annual report is reliable.

c) Matters reported on during the AGSA interim audit should receive the necessary attention to avoid re-occurrence at year-end.

**Management Response**

I am not agreement with the general findings of the report for the following reasons [see attached information in support of this]:

From July 2015, the department introduced the new EPWP Reporting System with built-in validation rules to verify the information captured by Public Bodies and to ensure such information is accurate and valid. Furthermore, ddata reported on the new EPWP Reporting System is validated with Home Affairs to ensure identity numbers captured are valid.

Notwithstanding, the above municipal and multi-year projects which were reported in the previous reporting systems (MIS and WBS) were migrated into the new system to allow for continuous reporting which is in line with the accumulative reporting of EPWP. As the migrated data was not subjected to the same validation rules as the new EPWP Reporting System, the department since the migration of the data been engaging the reporting Public Bodies to correct the data in the system to ensure it is compliant to the new rules before the current financial year ends.

**Beneficiaries have invalid ID numbers**

* + 1. The EPWP branch agrees with the AG’s findings that there are beneficiaries with invalid ID numbers in the EPWP report as their data was migrated into the new Reporting System and not subjected to the validation rules currently built-in the system.
    2. Furthermore, there are participants whose ID numbers reflect as invalid in the spreadsheet because the details of the participants were not captured in full on the system as it appears on the id number hence the mismatch.
    3. To respond to the finding, 190 records have been updated with valid ID numbers **(see attached Annexures).**

**Beneficiaries with the PERSAL number (All employment categories)**

* + 1. The EPWP branch agrees with the AG’s findings that there are participants with PERSAL numbers. There are programmes in EPWP that uses the PERSAL system as a method of payment to participants in order to assist the implementers to manage and monitor the expenditure of the programme effectively.
    2. It should also be noted all participants paid on PERSAL captured as “Operational and Additional to Establishment” should have been captured as “Abnormal to Establishment” and Public Bodies have been notified to correct the employment description on the PERSAL.
    3. However, for participants who are appearing on PERSAL on higher salary levels, it is possible that the ID numbers provided is incorrect hence it picks up a wrong participant who has never been part of the EPWP.

**Deceased beneficiaries**

* + 1. The EPWP branch agrees with the AG’s findings that there are deceased workers according to Home Affairs as there are participants who have been part of the programme in the 2015/16 financial year but have died during the course of the year.
    2. Since the EPWP reports are cumulative, a participant who dies will continue to reflect on the report of the EPWP. However such as participants person days reported in the system will not change from the time they stopped participating in the programme.
    3. In some instances the name of the participant captured in the EPWP reporting system is incorrect information not correctly linked to the ID number captured on the system. When tested with the Department of Home Affairs, due to such capturing errors, deceased persons may be identified although such person may not have participated in EPWP.
    4. Another possibility linked to this finding, is based on the assumption that the new system has automatically migrated data with person-days of work from the previous systems without confirming if participants were still part of the migrated projects.
    5. Though the above are correct, there are several participants who are still alive yet they are identified as deceased according to Home Affairs. Affidavits and certified ID copies to confirm this information are attached in **(See attached Annexures).**

**Beneficiaries indicated as youth while they are not**

* + 1. The EPWP branch agrees with the AG’s findings that there are participants who are indicated as youth while they are not, the system allows for manual capturing of gender and date of birth which may result due to human error.

**Beneficiaries appearing in the multiple projects in the current year**

* + 1. The EPWP branch agrees with the AG’s findings that there are participants appearing in multiple projects in the current year as the EPWP allows for participants to work in more than one project at a time as long it does not exceed a maximum of 25 days in a month. It should be noted that many projects in EPWP are short term in nature. e.g. a participant may work 8 days in one project and 15days in another project in the same month.

**ID number not match DOB**

* + 1. The EPWP branch agrees with the AG’s findings that ID number did not match DOB, the system allows for manual capturing of gender and date of birth which may result due to human error.

**Incorrect gender captured**

* + 1. The EPWP branch agrees with the AG’s findings that there are incorrect gender captured, as the system allows for manual capturing of gender and date of birth which

may result due to human error.

**Conclusion**

Even though the EPWP agrees with the general findings of the audit – the number of sampled records based on the information given by AGSA is not significant to conclude that the actual achievements for the EPWP are not valid and accurate as the report is not based on a statistical representative sample from the work opportunities reported.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | n/a | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | x |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions |  | | |
| Estimated completion date for corrective action |  | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | |

*Name:* Mr S. Henderson

*Position:* DDG: EPWP

*Date:* 26 February 2016

**Auditor’s conclusion**

The Caats testing will be performed again during the final audit to follow up whether management has EPWP Reporting System built-in validation rules are working and that interim audit findings have been resolved.

1. **Fruitless and Wasteful Expenditure: Prior period error not disclosed in terms of the Modified Cash Standards and Accounting Manual for Departments.**

**Audit Finding**

Laws, rules and regulations

a) In terms of the PFMA Section 40(3) (a) which states:

*“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;”*

b) In terms of Accounting Manual for Departments chapter 18 - Unauthorised, Irregular, Fruitless and Wasteful Expenditure page 19 which states that:

*“If the department discovered fruitless and wasteful expenditure in the current year resulting from prior period transaction the following must be presented and disclosed in the notes to the financial statements*

* *Show the fruitless and wasteful expenditure amount in the current year column on the line item " fruitless and wasteful expenditure - relating to prior year"*
* *No adjustment to prior year disclosure notes or opening balance for the current year is required*
* *Include narrative information concerning the period of time over which the expenditure occurred and what gave rise to it along with the investigation process and progress in resolving the fruitless and wasteful expenditure”.*

It was noted that in the interim financial statements, fruitless and wasteful expenditure for the amount of R67 000,00 was identified in the current financial year which pertains to the prior year however it was disclosed in the prior year column which resulted in the fruitless and wasteful expenditure opening balance for the current year being adjusted.

Impact of the finding:

Non-compliance with Section 40(3) of the PFMA and Accounting Manual for Department chapter

18 page 19 - Unauthorised, Irregular, Fruitless and Wasteful

**Internal control deficiency**

Reason for the deviation:

The department could not include the amount in the fruitless and wasteful - relating to prior year or prior year error line items in the interim financial statements since the items were not accessible to capture the amount.

Based on the aforementioned the matter is as a result of the following internal control deficiencies:

**Financial and performance management**

The Department did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

**Recommendation**

In cases where the department does not have access to the certain column of the interim financial statements to capture the amounts National treasury should be informed of such cases in order to obtain to be given access as in order to avoid noncompliance.

**Management Response**

The finding is acknowledged; the interim disclosure note has since been updated and corrected. The Department used the template that was applicable in the previous financial year which did not allow adjustments of irregular expenditure for prior year in the current year. Necessary adjustments have since been made to the disclosure note. A comprehensive review will be conducted on all the irregular and fruitless & wasteful expenditure disclosure notes to ensure that they comply in all material respect before they are submitted with the annual financial statements.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | See response above | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
| X |  | |
| If yes, what corrections will be made to the population | Only the disclosure note is affected and corrected. | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | n/a | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | n/a | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
| n/a | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | n/a | | |
| Position of official responsible to take corrective actions | n/a | | |
| Estimated completion date for corrective action | n/a | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
| x |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
| x |  |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | |

Name: L Toona

Rank: Director

Date: 09 February 2016

**Auditor’s conclusion**

The finding is resolved, management amended the note, however management should ensure the note to the annual financial statements are adequately reviewed to avoid misstated in the financial statements submitted for audit.

1. **Key Management Personnel: Incorrectly calculated**

Laws, rules and legislation:

In terms of Accounting Manual for Departments Chapter 15: Related party disclosures - disclosures of key management personnel paragraph 6

*(1)  The following remuneration needs to be disclosed of* ***key management personnel*** *and   their close family members:*

*(a)  Compensation paid to key management personnel including their family members where relevant;*

*(b) Short-term employee benefits such as salaries, unemployment insurance and workmen’s compensation funds (where applicable), paid annual leave and paid sick leave, profit sharing and bonuses and non-monetary benefits such as medical benefits, housing, cars and free or subsidised goods and services;*

*(c)  Post-employment benefits (social benefits) such as pensions, other retirement benefits, post-employment life insurance and medical care;*

*(d)  Other long-term employee benefits, including long-service leave or sabbatical leave, long term disability benefits; and*

*(e)  Termination benefits.*

*(2) The aggregate compensation of the senior management of the department and the number of individuals determined on full time equivalent basis received remuneration within this category, showing separately major levels of senior management must be disclosed.*

*(3) All officials from level 14 and above are deemed to be key management personnel.*

*Remuneration of employees on level 13 or below acting for key management of level 14 and above during the financial year must be included in this note. The amount that must be disclosed is the acting employee’s full remuneration including his or her acting allowance during the acting period. The full month’s or months’ remuneration during the acting period must be disclosed and not pro-rated. Remuneration of family members of the acting employee must also be included in this note.*

The following deviations were noted:

Remuneration paid to the below mentioned employees was incorrectly calculated resulting in an understatement of the key management disclosure note.

| **No.** | **Persal Number** | **Employee** | **Amount per auditee calculation** | **Amount per auditors recalculation** | **Differences** |
| --- | --- | --- | --- | --- | --- |
| 1 | 22443223 | NXESI TW | 1 105 968,42 | 1 113 118,00 | (7149.59) |
| 2 | 53469879 | CRONIN JP | 910 788,42 | 911 948,42 | (1160.00) |
| 3 | 18762719 | DLABANTU M | 972005.16 | 1 003 712,30 | (31707.16) |
| 4 | 53472560 | MATUTLE MI | 389 215,38 | 776 741,69 | (387 526,31) |
| 5 | 23058943 | LEWIS JP | 672843.48 | 560 702,90 | 112140.58 |
| 6 | 18555373 | HENDERSON SW | 596960.24 | 618 420,31 | (21460.07) |
| 7 | 11621567 | MTSHISA ST | 596960.24 | 598 254,96 | (1294.72) |
| 8 | 90599756 | SETHIBELO KS | 510196.30 | 545 912,57 | (35716.27) |
| 9 | 81917805 | MAZIBUKO AL | 561576.37 | 565 066,16 | (3489.79) |
| 10 | 81803435 | MUSEKENE EN | 502675.32 | 559 423,61 | (54748.29) |
| 11 | 80998488 | MTHOMBENI AN | 529107.33 | 542 188,15 | (13080.82) |
| 12 | 80971181 | HLABANGWANE WB | 264 394,86 | 622 954,93 | (358 560,07) |
| 13 | 80381529 | MUDUMELA KG | 603 360,09 | 611 906,24 | (8 546,15) |
| 14 | 80090419 | HLATSHWAYO TB | 576 959,91 | 500 483,74 | 76 473,17 |
| 15 | 53516117 | MOLEFE PC | 545 100,38 | 560 809,73 | (15 709,35) |
| 16 | 27013006 | MBANJWA L | 170 145,58 | 175 583,67 | (5 437.09) |
| 17 | 26685116 | SAZONA MM | 521 284,85 | 531 013,96 | (9 728,84) |
| 18 | 26195569 | MAHLANGU NL | 551 691,09 | 561 441,13 | (9 750,04) |
| 19 | 23584157 | KGASOANE BD | 284 735,99 | 566 926,21 | (282 190,22) |
| 20 | 22682554 | STEMELA NN | 563 897,50 | 587 354,63 | (23 457,13) |
| 21 | 22681078 | ARIYO I | 555 561,00 | 568 722,69 | (13 161,69) |
| 22 | 22178252 | MOSALO MRR | 521 279,15 | 524 138,27 | (2 859,12) |
| 23 | 21735514 | MONAMA M | 623 304,98 | 628 066,59 | (4 761,61) |
| 24 | 21732566 | NTLOU MB | 428 931,68 | 515 808,52 | (86 876,84) |
| 25 | 19079711 | RAMBAU ZN | 521 284,92 | 565 192,78 | (43 907,86) |
| 26 | 19074425 | MOHWASA MT | 241 800,60 | 243 392,32 | (1 592,26) |
| 27 | 18959784 | PILLAY D | 521 284,85 | 539 841,31 | (18 556,47) |
| 28 | 18822983 | MOCHALIBANE LL | 32 600,92 | 32 704,57 | (103,65) |
| 29 | 18651640 | ABRAHAMS C | 507 685,67 | 577 537,58 | (69 851,91) |
| 30 | 18628192 | MOSEGOMI S | 570 001,83 | 573 201,46 | (3 199,63) |
| 31 | 16675789 | FATYELA-LINDIE MBF | 633 027,20 | 650 402,80 | (17 375,60) |
| 32 | 15637433 | MAKHETHA DPR | 234 703,56 | 242 420,42 | 7 716,86 |
| 33 | 13540866 | HUGO FW | 521 248,78 | 546 947,85 | (25 663,07) |
| 34 | 13514245 | NKWANYANA JJ | 502 653,55 | 504 409,47 | (1 755,92) |
| 35 | 5335396 | TUKISI TF | 533 499,05 | 536 980,21 | (3 481,61) |
|  | **Total** |  |  |  | **(1 452 785,39)** |

Impact of the finding

Understatement of Key Management Personnel disclosure note.

Reason for the deviation:

The schedule used to prepare the annual financial statements is not adequately reviewed to ensure that it is accurate and complete.

Based on the aforementioned the matter is as a result of the following internal control deficiencies:

**Internal control deficiency**

**Financial and Performance Management**

The department did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

**Recommendation**

All supporting schedules used in the preparation of the Key Management Disclosure Note should be adequately reviewed by both Human Resources Directorate and Finance Directorate to ensure that information used in the preparation of the annual financial statements is accurate and complete.

**Management response**

I am in agreement with the finding for the following reasons: the department did not disclose the subsidised goods and services i.e (subsistence travel claims for 30 officials listed on the Coff) which amounts to R 387 500,88. Included on the R 1.4 million is the expenditure of R 1.1 million for 5 officials (Makhetha DPR, Mohwasa MT, Kgasoane BD, and Hlabangwane WB & Matutle MI) whom are in PMTE in terms of the Establishment report. Refer to Annexure A. An adjustment has been made on Key Management Personnel; refer to the attached annexure B.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | A revised working included travel and subsistence claim is prepared ( see attached annexure B) | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
| X |  | |
| If yes, what corrections will be made to the population | A revised working included travel and subsistence claim is prepared ( see attached annexure B) | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | A revised working paper was prepared; the establishment report separating PMTE and DPW officials is issued to split the officials accordingly. | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | Adjusted financial disclosure note see annexure B | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
| N.A | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N.A | | |
| Position of official responsible to take corrective actions |  | | |
| Estimated completion date for corrective action | Done | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | |

*Name:* L Ledwaba

*Position: Acting Director: Finance*

*Date: 18/02/2016*

**Auditor’s conclusion**

The finding is resolved, management amended the note and correct amounts are disclosed however management should ensure the note to the annual financial statements are adequately reviewed to avoid misstated in the financial statements submitted for audit.

This finding will be followed up again during the audit of the annual financial statements.

1. **Human Resource Management: Management of vacancy rates**

**In terms of circular No 08 of 2015 reference no 14/1/1/P to all head of national department, offices of premiers, provincial department, and Government Components – Reducing the recruitment period and the vacancy rate in the public service paragraph 3, 5, 6 which states that:**

*“3. The minister of the Public Service and Administration is responsible for leading the implementation of outcome 12, which seeks to establish “An efficient, effective and development oriented Public Service”. Outcome 12 contains various objectives, of which one entails that the Public Service must reduce –*

*3.1 The average vacancy rate in respect of funded posts to at most10% and*

*3.2 The median period it takes to fill a funded vacancy to 6 months.”*

*5. The DPSA will on a regular basis monitor the position and provide oversight reports to its governance structures. The envisaged reporting will be based on information extracted from PERSAL. Department and Government components must thus ensure that their information is correctly captured on PERSAL. (A separate arrangement will be made in the case of the Departments of Defence and Police that do not utilise the PERSAL system).*

*6. The DPSA will, through FOSAD, request under-achieving national departments and provincial administrations (in respect of their respective provincial departments) to report on the following matters:*

*6.1 Their average vacancy rates and median period to fill posts as determined according to their records*

*6.2 if applicable, reasons for any differences between the departmental figures and that of PERSAL.*

*6.3 Reasons for any shortfalls in respect of the set targets.*

The following deviations were noted:

a)         The overall vacancy rate has increased from the previous year to the current year.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Current year** | | | **Prior year** | | |
|  | **Vacancy rate** | **Total filled posts** | **Total positions** | **Vacancy rate** | **Total filled posts** | **Total positions** |
| Overall | 21.40% | 5 894 | 7 499 | 20.75% | 5 824 | 7 349 |

b) The overall vacancy rate from the department

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Current year** | | | **Prior year** | | |
|  | **Vacancy rate** | **Total filled posts** | **Total positions** | **Vacancy rate** | **Total filled posts** | **Total positions** |
| Overall | 11.06% | 1 416 | 1 592 | n.a | n.a | n.a |

c) The overall vacancy rate from PMTE.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Current year** | | | **Prior year** | | |
|  | **Vacancy rate** | **Total filled posts** | **Total positions** | **Vacancy rate** | **Total filled posts** | **Total positions** |
| Overall | 24.19% | 4 478 | 5 907 | n.a | n.a | n.a |

The impact of the finding

a)        Service delivery might be negatively affected if vacancies are not filled timeously.

b) The department may not be able fulfil its mandate or objective due to staff shortages.

The action plan indicated that the department will deactivate unfunded positions from the PERSAL establishment in the implementation of the new structure (in line with the DPSA circular and subject to internal approval by the delegated authority)

**Internal Control deficiency**

The finding occurred as a result of the following:

1. The total employee cost budget allocated to the department is not sufficient to fill all vacant posts.

b)      The department is currently reviewing their organizational structure.

c) The department’s often restructure and create new posts but do not abolish posts which will no longer be used

d) The department is experiencing difficulty attracting retaining managers and professionals (owing to remuneration and working environment, amongst other factors)

c) Lack of implementation of corrective action on audit findings. In response to the same audit finding during the previous year management responded that *“Development and implementation of the Recruitment Plan and deactivation of unfunded positions from the PERSAL establishment in the implementation of the new structure.”*

Based on the aforementioned, the matter is as a result of the following internal control deficiencies:

**Leadership**

The department did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored

**Recommendation**

a)         The department should as a matter of urgency fill all vacant post which are approved on the structure, as they are funded post.

b) The department should ensure that the information regarding their establishment and vacancies on their establishment are captured properly and on time, this will assist in ensuring that PERSAL operates as closely as possible to real-time information than is currently the case

c) The department should ensure that information on PERSAL is verified and corrected as a matter of urgency, this will assist in improving the integrity of the information in its database and it will also enhance the confidence of its stakeholders who access such information on a day to day basis.

**Management Response**

I am in agreement with the finding. The Department and the PMTE have been sustained high vacancy rates resulting from insufficient allocation under compensation budget to cater for filled and vacant positions, scarcity of critical professional and technical skills and inability to attract and retain same. However over and above the filling of critical vacancies (within budget). The Department has put measures to reduce the vacancy rate, which include the abolishment of positions that have been vacant for more than 24 months (with a few exceptions) and the continuing review of the organisational structure. The Director-General has approved the abolishment. See attached Annexure C. The process for the review of the structure is currently at consultation stages with the DPSA. It is anticipated that on approval of the new structure will result in the activation of funded posts.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | Department has put measures to reduce the vacancy rate, which include the abolishment of positions that have been vacant for more than 24 months (with a few exceptions) and the continuing review of the organisational structure | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | Not applicable | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | Not applicable | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | Not applicable | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
| Not applicable | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions | Chief Director: HRM | | |
| Estimated completion date for corrective action | On going | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
| X |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
| X |  |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | |

*Name: Ms TB Hlatshwayo*

*Position: Chief Director: Human Resource Management*

*Date: 01 March 2016*

**Auditor’s conclusion**

Management response is acknowledged however, the department’s high vacancy rate remains a significant concern and we reiterate our recommendation that posts that are critical to service delivery in the department must be regularised and approved on the organisational structure.

1. **Human Resource Management: Posts vacant for over 12 months**

Laws, Rules and Regulations

In terms of section C.1A of the Public Service Regulation

a) Section C.1A.2

*“A funded vacant post, other than a post referred to in regulation C.1A.1, shall be advertised within six months after becoming vacant and be filled within 12 months after becoming vacant.”*

b) Section C.1A.3

*“If a department does not comply with regulation 1/VII/C.1A.1 or 1/VII/C.1A.2, the reasons for non-compliance shall be recorded in writing.”*

The following deviations were noted:

a) The following PMTE posts have been vacant for more than 12 months

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **NO** | **COMPONENT DESCRIPTION** | **POST SALARY LEVEL** | **POST JOB TITLE DESCRIPTION** | **VACANT DATE** |
| 1 | HO:CHIEF DIRECTORATE KEY ACCOUNTS MANAGEMENT | 7 | PERSONAL ASSISTANT | 20100701 |
| 2 | HO DIR: CORRECTIONAL SERVICES KEY ACCOUNT MANAGEME | 5 | SECRETARY | 20140401 |
| 3 | HO DIR: CORRECTIONAL SERVICES KEY ACCOUNT MANAGEME | 10 | ASSISTANT DIRECTOR: KEY ACCOUNT MANAGEMENT (DCS) | 20120801 |
| 4 | HO DIR: CORRECTIONAL SERVICES KEY ACCOUNT MANAGEME | 12 | DEPUTY DIRECTOR: KEY ACCOUNT MANAGEMENT (DCS) | 20120801 |
| 5 | HO DIR: SAPS KEY ACCOUNT MANAGEMENT | 5 | SECRETARY | 20030901 |
| 6 | HO DIR: SAPS KEY ACCOUNT MANAGEMENT | 8 | SENIOR ADMINISTRATION OFFICER: KAM (SAPS) | 20131104 |
| 7 | HO DIR: DEFENCE/ OTHER KEY ACCOUNT MANAGEMENT | 5 | SECRETARY | 20030901 |
| 8 | HO DIR: JUSTICE & OTHER KEY ACCOUNT MANAGEMENT | 5 | SECRETARY | 20090901 |
| 9 | HO DIR: FOREIGN AFFAIRS | 5 | SECRETARY | 20090901 |
| 10 | HO SUB DIR: KAM FOREIGN AFFAIRS | 8 | SENIOR ADMINISTRATION OFFICER: KAM (FOREIGN AFF.) | 20110516 |
| 11 | HO SUB DIR: KAM NORM & PBA | 8 | SENIOR ADMIN. OFFICER: PROJECT BUDGET ADMIN. | 20140609 |
| 12 | HO DDG: ASSET INVESTMENT MANAGEMENT | 7 | PERSONAL ASSISTANT | 20030901 |
| 13 | HO DDG: ASSET INVESTMENT MANAGEMENT | 15 | DDG:ASSET INVESTMENT MANAGEMENT | 20030901 |
| 14 | HO CD: PORTFOLIO ANALYSIS UNIT | 8 | EXECUTIVE SECRETARY | 20150105 |
| 15 | HO DIR: INDUSTRY RESEARCH | 13 | DIRECTOR: INDUSTRY RESEARCH | 20060917 |
| 16 | HO SUB DIR:INDUSTRY RESEARCH | 12 | DEPUTY DIRECTOR: INDUSTRY RESEARCH | 20140831 |
| 17 | HO SUB DIR:INDUSTRY RESEARCH | 12 | DEPUTY DIRECTOR: INDUSTRY RESEARCH | 20120801 |
| 18 | HO SUB DIR:INDUSTRY RESEARCH | 12 | DEPUTY DIRECTOR: INDUSTRY RESEARCH | 20120801 |
| 19 | HO DIR: INVESTMENT ANALYSIS | 5 | SECRETARY | 20090901 |
| 20 | HO DIR: INVESTMENT ANALYSIS | 7 | ADMINISTRATIVE OFFICER: INVESTMENT ANALYSIS | 20030801 |
| 21 | HO DIR: INVESTMENT ANALYSIS | 12 | ENGINEERING TECHNICIAN CONTROL GRADE B | 20100701 |
| 22 | HO DIR: VALUATION SERVICES | 8 | SENIOR ADMINISTRATIVE OFFICER:VALUATION SERVICES | 20141121 |
| 23 | HO DIR: VALUATION SERVICES | 8 | SENIOR ADMINISTRATIVE OFFICER:VALUATION SERVICES | 20100831 |
| 24 | HO DIR:VALUATION SERVICES 2 | 13 | DIRECTOR: VALUATION SERVICES | 20110701 |
| 25 | HO CD:PROPERTY PORTFOLIO MANAGEMENT | 7 | PERSONAL ASSISTANT | 20090901 |
| 26 | HO CD:PROPERTY PORTFOLIO MANAGEMENT | 14 | CHIEF DIRECTOR PROPERTY PORTFOLIO MANAGEMENT | 20100930 |
| 27 | HO DIR: JUSTICE/OTHER PORTFOLIO PERFORM & MONITOR | 12 | DEPUTY DIRECTOR: PP & M (CORRECTIONAL SERVICES) | 20141130 |
| 28 | HO DIR:FOREIGN AFFAIRS PORTFOLIO PERFORM & MONITOR | 5 | SECRETARY | 20090901 |
| 29 | HO DIR:FOREIGN AFFAIRS PORTFOLIO PERFORM & MONITOR | 13 | DIRECTOR: PP & M (FOREIGN AFFAIRS) | 20081201 |
| 30 | HO DIR: ASSET REGISTERÄMANAGEMENT | 5 | SECRETARY | 20030901 |
| 31 | HO DDG: PROJECTSÄ& PROFESSIONAL SERVICES | 7 | PERSONAL ASSISTANT | 20090901 |
| 32 | HO DDG: PROJECTSÄ& PROFESSIONAL SERVICES | 11 | EXECUTIVE OFFICE MANAGER | 20140101 |
| 33 | HO DDG: PROJECTSÄ& PROFESSIONAL SERVICES | 15 | DEPUTY DIRECTOR GENERAL:SPECIAL PROJECTS | 20130201 |
| 34 | HO DIR: SPECIAL AND MAJOR PROJECTS | 11 | CONSTRUCTION PROJECT MANAGER PRODUCTION GRADE A | 20100701 |
| 35 | HO DIR: SPECIAL AND MAJOR PROJECTS | 11 | CONSTRUCTION PROJECT MANAGER PRODUCTION GRADE A | 20140401 |
| 36 | HO DIR: PROJECTS MANAGEMENT SUPPORT | 5 | SECRETARY | 20090901 |
| 37 | HO CD: PROFESSIONAL SERVICES | 7 | PERSONAL ASSISTANT | 20090901 |
| 38 | HO SUB DIR: PLAN REGISTRATION | 2 | PHOTOCOPIER OPERATOR | 20100701 |
| 39 | HO SUB DIR: PLAN REGISTRATION | 5 | SNR ADMINISTRATIVE ASSISTANT PROFESSIONAL SERVICES | 20090611 |
| 40 | HO SUB DIR: PLAN REGISTRATION | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 41 | HO SUB DIR: HERITAGE | 10 | ASSISTANT DIRECTOR RESEARCH HISTORIAN | 20120801 |
| 42 | HO SUB DIR: QS STANDARD DOCUMENTATION | 12 | QUANTITY SURVEYOR CHIEF GRADE A | 20100701 |
| 43 | HO DIR: CIVIL/STRUCTURAL ENGINEERING SERVICES | 13 | DIRECTOR: CIVIL/STRUCTURAL ENGINEERING SERVICES | 20140531 |
| 44 | HO SUB DIR: CIVIL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 45 | HO SUB DIR: CIVIL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 46 | HO SUB DIR: CIVIL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 47 | HO SUB DIR: WATER MANAGEMENT OFFICE | 8 | ENGINEERING TECHNICIAN PRODUCTION GRADE A | 20140601 |
| 48 | HO SUB DIR: WATER MANAGEMENT OFFICE | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 49 | HO SUB DIR: WATER MANAGEMENT OFFICE | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 50 | HO SUB DIR: STRUCTURAL ENGINEERING SERVICES | 11 | ENGINEERING TECHNOLOGIST CONTROL GRADE A | 20100701 |
| 51 | HO DIV: GEO-LAB | 7 | CHIEF AUXILIARY SERVICES OFFICER | 20141031 |
| 52 | HO DIV: GEO-LAB | 8 | ENGINEERING TECHNICIAN PRODUCTION GRADE A | 20090311 |
| 53 | HO DIV: GEO-LAB | 8 | ENGINEERING TECHNICIAN PRODUCTION GRADE A | 20080201 |
| 54 | HO DIV: GEO-LAB | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 55 | HO DIV: GEO-LAB | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 56 | HO DIR: MECHANICAL ENGINEERING SERVICES | 5 | SECRETARY | 20090901 |
| 57 | HO DIR: MECHANICAL ENGINEERING SERVICES | 13 | DIRECTOR: MECHANICAL ENGINEERING SERVICES | 20101031 |
| 58 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 59 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 60 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 61 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 62 | HO DIR: MECHANICAL ENGINEERING SERVICES | 10 | ENGINEERING TECHNOLOGIST PRODUCTION GRADE C | 20141001 |
| 63 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEERING TECHNICIAN CONTROL GRADE B | 20100701 |
| 64 | HO DIR: ELECTRICAL ENGINEERING | 13 | DIRECTOR: ELECTRICAL ENGINEERING SERVICES | 20070228 |
| 65 | HO DIR: ELECTRICAL ENGINEERING | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 66 | HO DIR: ELECTRICAL ENGINEERING | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 67 | HO DIR: TOWN PLANNING SERVICES | 5 | SECRETARY | 20100701 |
| 68 | HO SUB DIR:NATIONAL SITE DELIVERY PROGRAMME | 8 | SENIOR ADMINISTRATIVE OFFICER SITE IDENTIFICATION | 20131231 |
| 69 | HO DIR:BUDGETS AND PLANNING | 5 | SECRETARY | 20100701 |
| 70 | HO DIR:BUDGETS AND PLANNING | 7 | STATE ACCOUNTANT:BUDGETS & PLANNING | 20141031 |
| 71 | HO DIR:BUDGETS AND PLANNING | 13 | DIRECTOR: BUDGET & PLANNING | 20131001 |
| 72 | HO DIR:BUDGETS AND PLANNING | 8 | SENIOR STATE ACCOUNTANT | 20100701 |
| 73 | HO DIR:ÄFINANCIAL REPORTING | 5 | SECRETARY | 20100701 |
| 74 | HO CD :REVENUE & DEBT MANAGEMENT | 7 | PERSONAL ASSISTANT | 20090901 |
| 75 | HO DIR:PMTE:BILLING & REVENUE 1 | 12 | DEPUTY DIRECTOR: CUSTOMER BILLING/COSTING | 20150331 |
| 76 | HO DIR:PMTE:BILLING & REVENUEÄPORTFOLIO 2 | 5 | SECRETARY | 20090901 |
| 77 | HO DIR:PMTE:BILLING & REVENUEÄPORTFOLIO 2 | 10 | ASSISTANT DIRECTOR:ACCOUNTS RECEIVABLE:FIN STATE | 20120801 |
| 78 | HO SUB DIV: ACCOUNTING | 5 | PROVISIONING ADMINISTRATION CLERK | 20130401 |
| 79 | HO SUB DIV: ACCOUNTING | 5 | PROVISIONING ADMINISTRATION CLERK | 20130401 |
| 80 | HO SUB DIV: ACCOUNTING | 8 | SENIOR PROVISIONING ADMINISTRATIVE OFFICER | 20130101 |
| 81 | HO SUB DIV: SYSTEM ADMINISTRATION LOGIS | 5 | PROVISIONING ADMINISTRATION CLERK | 20130401 |
| 82 | HO SUB DIV: TRAVELLINGÄ& TRANSPORT | 7 | ADMINISTRATION OFFICER: PAYMENTS | 20141231 |
| 83 | HO SUB DIV: TRANSPORT | 4 | SECONDARY DRIVER | 20130401 |
| 84 | HO SUB DIV: TRANSPORT | 7 | ADMINISTRATION OFFICER: TRANSPORT | 20130901 |
| 85 | HO SUB DIV: TRANSPORT | 7 | ADMINISTRATION OFFICER: TRANSPORT | 20150101 |
| 86 | HO SUB DIV: TRANSPORT | 4 | SECONDARY DRIVER | 20130401 |
| 87 | HO SUB DIV: ARCHIVE & OFFICE SERVICES | 7 | ADMINISTRATION OFFICER: OFFICE SERVICES | 20150331 |
| 88 | HO SUB DIV: ARCHIVE & OFFICE SERVICES | 10 | ASSISTANT DIRECTOR: OFFICE SERVICES | 20120801 |
| 89 | HO SUB DIV: REGISTRY | 6 | SENIOR REGISTRY CLERK:REGISTRY | 20030901 |
| 90 | HO SECTION: MACHINE OPERATORS | 4 | MACHINE OPERATOR:REGISTRY | 20100630 |
| 91 | HO SUB SECTION: FOOD SERVICES AID | 2 | FOOD SERVICES AID | 20140101 |
| 92 | HO SUB SECTION: FOOD SERVICES AID | 2 | FOOD SERVICES AID | 20141103 |
| 93 | HO DIR: DEMAND & ACQUISITION MANAGEMENT | 5 | SECRETARY | 20090901 |
| 94 | HO SUB DIR: SUPPLIER REGISTER | 7 | ADMINISTRATION OFFICER: SUPPLIER REGISTER | 20141117 |
| 95 | HO SUB DIR: SUPPLIER REGISTER | 7 | ADMINISTRATION OFFICER: SUPPLIER REGISTER | 20141001 |
| 96 | HO SUB DIR: SUPPLIER REGISTER | 7 | ADMINISTRATION OFFICER: SUPPLIER REGISTER | 20100701 |
| 97 | HO DIR: SUPPLY CHAIN MANAGEMENT | 5 | SECRETARY | 20030901 |
| 98 | HO DIR:MOVABLE ASSET MANAGEMENT | 13 | DIRECTOR MOVABLE ASSET MANAGEMENT | 20140331 |

b) The following DPW posts have been vacant for more than 12 months

| **NO** | **COMPONENT DESCRIPTION** | **POST SALARY LEVEL** | **POST JOB TITLE DESCRIPTION** | **VACANT DATE** |
| --- | --- | --- | --- | --- |
| 1 | HO DIR:OFFICE OF THE DIRECTOR-GENERAL | 5 | SENIOR REGISTRY CLERK:REGISTRY | 20130816 |
| 2 | HO DIR:OFFICE OF THE DIRECTOR-GENERAL | 13 | DIRECTOR: OFFICE OF THE DIRECTOR-GENERAL | 20121001 |
| 3 | HO DIR: COMPUTER AUDITS AND SPECIAL ASSIGNMENTS | 13 | DIRECTOR:COMPUTER AUDITS & SPECIAL ASSIGNMENTS | 20110324 |
| 4 | HO DIR: FRAUD AWARENESS & INVESTIGATIONS | 5 | SECRETARY | 20030901 |
| 5 | HO CD STRATEGIC MANAGEMENT UNIT | 7 | PERSONAL ASSISTANT | 20040701 |
| 6 | HO D:STRATEGIC & KNOWLEDGE MANAGEMENT | 5 | SECRETARY | 20030901 |
| 7 | HO D:BUSINESS ANALYSIS & RISK MANAGEMENT | 5 | SECRETARY | 20050701 |
| 8 | HO SUB DIR: BUSINESS ANALYSIS | 12 | DEPUTY DIRECTOR: BUSINESS ANALYSIS | 20070814 |
| 9 | HO SUB DIR: COMPLIANCE & FINANCIAL ANALYSIS | 9 | ASSISTANT DIRECTOR STRATEGIC BUSINESS PLANNING | 20140814 |
| 10 | HO SUB DIR: COMPLIANCE & FINANCIAL ANALYSIS | 10 | ASSISTANT DIRECTOR:COMPLIANCE & FINANCIAL ANALYSIS | 20120801 |
| 11 | HO DIR:STRATEGIC PLANNING | 5 | SECRETARY | 20040801 |
| 12 | HO DIR: DEVELOPMENT ECONOMIST | 5 | SECRETARY | 20050101 |
| 13 | HO DIR: DEVELOPMENT ECONOMIST | 13 | DIRECTOR: DEVELOPMENT ECONOMIST | 20040801 |
| 14 | HO DIR: MONITORING & EVALUATION:P1 DG | 5 | SECRETARY | 20030901 |
| 15 | HO DIR:MONITORING & EVALUATION P2:DG | 5 | SECRETARY | 20030901 |
| 16 | HO DIR: STAKEHOLDER MANAGEMENT | 5 | SECRETARY | 20140401 |
| 17 | HO DIR: PUBLIC ENTITY | 6 | ASSISTANT ADMINISTRATIVE OFFICER:SECRETARIAT | 20130501 |
| 18 | HO DDG: FINANCE & SUPPLY CHAIN MANAGEMENT | 11 | EXECUTIVE OFFICE MANAGER | 20140801 |
| 19 | HO DDG: FINANCE & SUPPLY CHAIN MANAGEMENT | 15 | DEPUTY DIRECTOR GENERAL:FINANCE & SUPPLY CHAIN MNG | 20120430 |
| 20 | HO SUB DIR: BUDGET ANALYSIS | 7 | STATE ACCOUNTANT | 20140106 |
| 21 | HO SUB DIR: BUDGET ANALYSIS | 10 | ASSISTANT DIRECTOR: MANAGEMENT ACCOUNTING | 20150201 |
| 22 | HO DIR: FINANCIAL ACCOUNTING | 5 | SECRETARY | 20090901 |
| 23 | HO DIR: FINANCIAL ACCOUNTING | 13 | DIRECTOR: FINANCIAL ACCOUNTING | 20131101 |
| 24 | HO SUB DIR: FINANCIAL REPORTING & RECONCILIATION | 4 | ACCOUNTING CLERK | 20080201 |
| 25 | HO SUB DIR: ACCOUNTS RECEIVABLE | 6 | SENIOR ACCOUNTING CLERK | 20030901 |
| 26 | HO SUB DIR: ACCOUNTS RECEIVABLE | 7 | STATE ACCOUNTANT: ACCOUNTS RECEIVABLE | 20140516 |
| 27 | HO SUB DIR: ACCOUNTS RECEIVABLE | 7 | STATE ACCOUNTANT: ACCOUNTS RECEIVABLE | 20150131 |
| 28 | HO SUB DIR: ACCOUNTS PAYABLE | 5 | ACCOUNTING CLERK | 20140331 |
| 29 | HO DIR:INSPECTORATE AND COMPLIANCE | 9 | ASSISTANT DIRECTOR:PAYMENTS:COMPLIANCE | 20140915 |
| 30 | HO DEPUTY DIRECTOR GENERAL: CORPORATE SERVICES | 7 | PERSONAL ASSISTANT | 20090901 |
| 31 | HO CD: LEGAL SERVICES & CONTRACT ADMINISTRATION | 14 | CHIEF DIRECTOR: LEGAL SERVICES | 20121130 |
| 32 | HO DIR: LEGISLATIVE DRAFTING & CONTRACT ADMIN. | 5 | SECRETARY | 20080201 |
| 33 | HO DIR: LEGISLATIVE DRAFTING & CONTRACT ADMIN. | 13 | DIRECTOR:LEGISLATIVE DRAFTING & CONTRACT ADMINISTR | 20130909 |
| 34 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 8 | SENIOR ADMINISTRATIVE OFFICER:LEGISLATION | 20140401 |
| 35 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 12 | SENIOR LEGAL ADMINISTRATION OFFICER | 20120301 |
| 36 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20100601 |
| 37 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 8 | MR4 LEGAL ADMINISTRATION OFFICER GRADE 4 | 20100601 |
| 38 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 12 | MR6 LEGAL ADMINISTRATION OFFICER SENIOR | 20100601 |
| 39 | HO DIR: LITIGATION | 5 | SECRETARY | 20030801 |
| 40 | HO SUB DIR: LITIGATION | 10 | ASSISTANT DIRECTOR:LAND REFORM & PROPERTY RIGHTS | 20120801 |
| 41 | HO SUB DIR: LITIGATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20130601 |
| 42 | HO SUB DIR: LITIGATION | 8 | MR4 LEGAL ADMINISTRATION OFFICER GRADE 4 | 20120301 |
| 43 | HO SUB DIR: LITIGATION | 8 | MR4 LEGAL ADMINISTRATION OFFICER GRADE 4 | 20120521 |
| 44 | HO DIR: HR LABOUR RELATIONS | 5 | SECRETARY | 20100701 |
| 45 | HO DIR INTERNATIONAL RELATIONS: AFRICAN COOPERAT. | 5 | SECRETARY | 20080301 |
| 46 | HO DIR: INT. RELATIONS GLOBAL PARTNERSHIPS | 5 | SECRETARY | 20080301 |
| 47 | HO DIR: INT. RELATIONS GLOBAL PARTNERSHIPS | 12 | DEPUTY DIRECTOR: GLOBAL PARTNERSHIPS | 20120801 |
| 48 | HO CD: INFORMATION SERVICES | 14 | CHIEF DIRECTOR: INFORMATION SERVICES | 20120113 |
| 49 | HO DIR: IT APPLICATIONS MANAGEMENT | 5 | SECRETARY | 20100701 |
| 50 | HO SUB DIR: DATABASE ADMINISTRATION | 12 | DD: DATABASE ADMINISTRATOR | 20120801 |
| 51 | HO SUB DIR: SYSTEM ARCHITECT | 12 | DEPUTY DIRECTOR SYSTEM ARCHITECT | 20120801 |
| 52 | HO DIR: IT SUPPORT | 5 | SECRETARY | 20100701 |
| 53 | HO DIV: CLIENT SUPPORT MANAGEMENT | 4 | HELPDESK ADMINISTRATOR | 20130401 |
| 54 | HO SUB DIV: IT TECHNICIAN | 8 | IT TECHNICIAN | 20140910 |
| 55 | HO DIR:HUMAN RESOURCES PLANNING & RECRUITMENT | 5 | SECRETARY | 20130401 |
| 56 | HO SUB DIR: RECRUITMENT | 10 | ASSISTANT DIRECTOR: RECRUITMENT | 20120801 |
| 57 | HO DIR: HR ADMINISTRATION | 5 | SECRETARY | 20140401 |
| 58 | HO DIV: RECORDS MANAGEMENT | 4 | SECONDARY DRIVER | 20130401 |
| 59 | HO DIR:YOUTH DEVELOPMENT AND CHILDREN'S RIGHTS | 11 | DEPUTY DIRECTOR YOUTH | 20140630 |
| 60 | HO CD: MARKETING & COMMUNICATIONS | 7 | PERSONAL ASSISTANT | 20030901 |
| 61 | HO CD: MARKETING & COMMUNICATIONS | 14 | CHIEF DIRECTOR: COMMUNICATION & MARKETING | 20150305 |
| 62 | HO DIR: INTERNAL COMMUNICATIONS | 5 | SENIOR SECRETARY | 20100401 |
| 63 | HO DIR: INTERNAL COMMUNICATIONS | 13 | DIRECTOR: INTERNAL COMMUNICATIONS & MOBILISATION | 20140901 |
| 64 | HO DIV: INTERNAL COMMUNICATIONS | 5 | RECEPTIONIST | 20130601 |
| 65 | HO DIV: INTERNAL COMMUNICATIONS | 5 | RECEPTIONIST | 20130501 |
| 66 | HO DIV: INTERNAL COMMUNICATIONS | 7 | SENIOR COMMUNICATIONS OFFICER | 20110719 |
| 67 | HO DIR: CLIENT RELATIONS MANAGEMENT | 7 | SENIOR SECRETARY | 20150310 |
| 68 | HO DIR:MEDIA AND STAKEHOLDER MANAGEMENT | 13 | DIRECTOR MEDIA & STAKEHOLDER MANAGEMENT | 20100401 |
| 69 | HO DIV: MINISTERIAL PUBLIC APPEARANCESÄPROGRAMME | 8 | SENIOR COMMUNICATIONS OFFICER | 20140617 |
| 70 | HO: DIR ORGANISATIONAL DEVELOPMENT | 5 | SECRETARY | 20090901 |
| 71 | HO SUB DIR: JOB ANALYSIS & EVALUATION | 12 | DEPUTY DIRECTOR: ORGANISATIONAL DEVELOPMENT | 20140422 |
| 72 | HO SUB DIR: EMPLOYEE HEALTH & WELLNESS | 10 | ASD: EMPLOYEE HEALTH & WELLNESS PROGRAMME | 20120801 |
| 73 | HO DIR: HR DEVELOPMENT | 5 | SECRETARY | 20100701 |
| 74 | HO SUB DIR: TRAINING & DEVELOPMENT | 12 | DEPUTY DIRECTOR: TRAINING & DEVELOPMENT | 20120801 |
| 75 | HO SUB:PERFORMANCE MANAGEMENT DEVELOPMENT SYSTEM | 10 | ASSISTANT DIRECTOR: PERFORMANCE MANAGEMENT | 20120801 |

The impact of the finding:

Service delivery might be negatively affected if vacancies are not filled timeously. The department may not be able fulfil its mandate or objective due to staff shortages.

**Internal control deficiency**

The finding occurred as result of the fact that:

a) The total employee cost budget allocated to the department is not sufficient to fill all vacant posts.

b) Lack of implementation of corrective action on audit findings.

c) In response to the same audit finding during the previous year management responded that *“Development and implementation of the Recruitment Plan and deactivation of unfunded positions from the PERSAL establishment in the implementation of the new structure.”*

Based on the aforementioned, the matter is as a result of the following internal control deficiencies:

**Leadership**

The department did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.

**Recommendation**

a)         The department should as a matter of urgency filled all vacant posts which are approved on the structure, as they are funded post.

b)         Vacant positions should be monitored and filled within reasonable period to ensure cost effective service delivery by the department.

c)         The department should consider abolishing the posts which will not filled on the PERSAL organizational structure.

**Management response**

I am in agreement with the finding. The Department and PMTE have sustained high vacancy rates and not in the position to fill all vacancies resulting from insufficient allocation under compensation budget and scarcity of critical professional and technical skills. The filling of the positions was limited to positions identified and prioritise for filling. The Department has over and above the filling vacancies (within budget), put measures to reduce the vacancy rate, which include the abolishment of the position that have been vacant for more than 24 months (few exception) and continuing review of the organisational structure. The Director-General has approved the abolishment of the position that has been vacant for more than 24 months from the PERSAL establishment. See attached. The process for the review of the structure is currently at consultation stages with the DPSA. It is anticipated that on approval of the new structure will in the activation of funded posts.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | Finalisation of the new structure  Abolishment of unfunded positions vacant for more than twenty four months | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
| N/A |  | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | | |
| Position of official responsible to take corrective actions | Chief Director:HRM | | |
| Estimated completion date for corrective action | Ongoing | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
| X |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | N/A | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
| X |  |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | N/A | |

Name: Ms TB Hlatshwayo

Position: Chief Director: HRM

Date: 03 March 2016

**Auditor’s Response**

Management response is acknowledged, we will follow up during the final audit whether the posts which are vacant for more than 24 months and not critical have abolished from the Persal system as per approved submission by the DG on 13 November 2015 and follow up its impact on the posts vacant more than 12 months.

1. **Human Resource Management: Posts not advertised within six months of being vacant**

Laws, Rules and Regulations

a) In terms of the PSCBC Resolution no 1 of 2007 paragraph 14 Filing of funded vacant posts which states that:

*“14.1 The employer will ensure that:*

*14.1.1 All current funded vacancies are advertised, in terms of existing departmental policies, within 06 months of the date of the date of agreement.*

*14.1.2 All new funded vacancies are advertised, in terms of existing departmental policies, within 6 months of the date of these vacancies arising.*

*14.1.3 As far as possible all vacant and funded posts should be advertised and filled within 12 months of signature or from date of arising.*

*14.1.4 The employer will provide council with regular reports on advertising and filling of posts in the public service. The report to include the number of funded vacancies, number advertised, number filled, number unfilled and the reasons for non-filling. These reports to be submitted every 6 months to council for distribution to trade union parties to council”.*

b) In terms of section C.1A.2 of the Public Sector Regulation

Section C.1A.2

*“A funded vacant post, other than a post referred to in regulation C.1A.1, shall be advertised within six months after becoming vacant and be filled within 12 months after becoming vacant.”*

Section C.1A.3

*“If a department does not comply with regulation 1/VII/C.1A.1 or 1/VII/C.1A.2, the reasons for non-compliance shall be recorded in writing”.*

The following deviations were noted:

a) The vacancy report provided on the Excel spreadsheet and vacancy report provided from PERSAL system do not agree.

b) The following positions for PMTE were not advertised within six months after becoming vacant.

| **No** | **COMPONENT DESCRIPTION** | **POST SALARY LEVEL** | **POST JOB TITLE DESCRIPTION** | **/VACANT DATE** |
| --- | --- | --- | --- | --- |
| 1 | HO:CHIEF DIRECTORATE KEY ACCOUNTS MANAGEMENT | 7 | PERSONAL ASSISTANT | 20100701 |
| 2 | HO DIR: CORRECTIONAL SERVICES KEY ACCOUNT MANAGEME | 5 | SECRETARY | 20140401 |
| 3 | HO DIR: CORRECTIONAL SERVICES KEY ACCOUNT MANAGEME | 10 | ASSISTANT DIRECTOR: KEY ACCOUNT MANAGEMENT (DCS) | 20120801 |
| 4 | HO DIR: CORRECTIONAL SERVICES KEY ACCOUNT MANAGEME | 12 | DEPUTY DIRECTOR: KEY ACCOUNT MANAGEMENT (DCS) | 20120801 |
| 5 | HO DIR: SAPS KEY ACCOUNT MANAGEMENT | 5 | SECRETARY | 20030901 |
| 6 | HO DIR: SAPS KEY ACCOUNT MANAGEMENT | 8 | SENIOR ADMINISTRATION OFFICER: KAM (SAPS) | 20131104 |
| 7 | HO DIR: DEFENCE/ OTHER KEY ACCOUNT MANAGEMENT | 5 | SECRETARY | 20030901 |
| 8 | HO DIR: JUSTICE & OTHER KEY ACCOUNT MANAGEMENT | 5 | SECRETARY | 20090901 |
| 9 | HO DIR: FOREIGN AFFAIRS | 5 | SECRETARY | 20090901 |
| 10 | HO SUB DIR: KAM FOREIGN AFFAIRS | 8 | SENIOR ADMINISTRATION OFFICER: KAM (FOREIGN AFF.) | 20110516 |
| 11 | HO SUB DIR: KAM NORM & PBA | 8 | SENIOR ADMIN. OFFICER: PROJECT BUDGET ADMIN. | 20140609 |
| 12 | HO DDG: ASSET INVESTMENT MANAGEMENT | 7 | PERSONAL ASSISTANT | 20030901 |
| 13 | HO DDG: ASSET INVESTMENT MANAGEMENT | 15 | DDG:ASSET INVESTMENT MANAGEMENT | 20030901 |
| 14 | HO CD: PORTFOLIO ANALYSIS UNIT | 8 | EXECUTIVE SECRETARY | 20150105 |
| 15 | HO DIR: INDUSTRY RESEARCH | 13 | DIRECTOR: INDUSTRY RESEARCH | 20060917 |
| 16 | HO SUB DIR:INDUSTRY RESEARCH | 12 | DEPUTY DIRECTOR: INDUSTRY RESEARCH | 20140831 |
| 17 | HO SUB DIR:INDUSTRY RESEARCH | 12 | DEPUTY DIRECTOR: INDUSTRY RESEARCH | 20120801 |
| 18 | HO SUB DIR:INDUSTRY RESEARCH | 12 | DEPUTY DIRECTOR: INDUSTRY RESEARCH | 20120801 |
| 19 | HO DIR: INVESTMENT ANALYSIS | 5 | SECRETARY | 20090901 |
| 20 | HO DIR: INVESTMENT ANALYSIS | 7 | ADMINISTRATIVE OFFICER: INVESTMENT ANALYSIS | 20030801 |
| 21 | HO DIR: INVESTMENT ANALYSIS | 12 | ENGINEERING TECHNICIAN CONTROL GRADE B | 20100701 |
| 22 | HO DIR: VALUATION SERVICES | 8 | SENIOR ADMINISTRATIVE OFFICER:VALUATION SERVICES | 20141121 |
| 23 | HO DIR: VALUATION SERVICES | 8 | SENIOR ADMINISTRATIVE OFFICER:VALUATION SERVICES | 20100831 |
| 24 | HO DIR:VALUATION SERVICES 2 | 13 | DIRECTOR: VALUATION SERVICES | 20110701 |
| 25 | HO CD:PROPERTY PORTFOLIO MANAGEMENT | 7 | PERSONAL ASSISTANT | 20090901 |
| 26 | HO CD:PROPERTY PORTFOLIO MANAGEMENT | 14 | CHIEF DIRECTOR PROPERTY PORTFOLIO MANAGEMENT | 20100930 |
| 27 | HO DIR: JUSTICE/OTHER PORTFOLIO PERFORM & MONITOR | 12 | DEPUTY DIRECTOR: PP & M (CORRECTIONAL SERVICES) | 20141130 |
| 28 | HO DIR:FOREIGN AFFAIRS PORTFOLIO PERFORM & MONITOR | 5 | SECRETARY | 20090901 |
| 29 | HO DIR:FOREIGN AFFAIRS PORTFOLIO PERFORM & MONITOR | 13 | DIRECTOR: PP & M (FOREIGN AFFAIRS) | 20081201 |
| 30 | HO DIR: ASSET REGISTERÄMANAGEMENT | 5 | SECRETARY | 20030901 |
| 31 | HO DDG: PROJECTSÄ& PROFESSIONAL SERVICES | 7 | PERSONAL ASSISTANT | 20090901 |
| 32 | HO DDG: PROJECTSÄ& PROFESSIONAL SERVICES | 11 | EXECUTIVE OFFICE MANAGER | 20140101 |
| 33 | HO DDG: PROJECTSÄ& PROFESSIONAL SERVICES | 15 | DEPUTY DIRECTOR GENERAL:SPECIAL PROJECTS | 20130201 |
| 34 | HO DIR: SPECIAL AND MAJOR PROJECTS | 13 | DIRECTOR: SPECIAL & MAJOR PROJECTS | 20150401 |
| 35 | HO DIR: SPECIAL AND MAJOR PROJECTS | 11 | CONSTRUCTION PROJECT MANAGER PRODUCTION GRADE A | 20100701 |
| 36 | HO DIR: SPECIAL AND MAJOR PROJECTS | 11 | CONSTRUCTION PROJECT MANAGER PRODUCTION GRADE A | 20140401 |
| 37 | HO DIR: PROJECTS MANAGEMENT SUPPORT | 5 | SECRETARY | 20090901 |
| 38 | HO CD: PROFESSIONAL SERVICES | 7 | PERSONAL ASSISTANT | 20090901 |
| 39 | HO SUB DIR: PLAN REGISTRATION | 2 | PHOTOCOPIER OPERATOR | 20100701 |
| 40 | HO SUB DIR: PLAN REGISTRATION | 5 | SNR ADMINISTRATIVE ASSISTANT PROFESSIONAL SERVICES | 20090611 |
| 41 | HO SUB DIR: PLAN REGISTRATION | 10 | ARCHITECTURAL TECHNOLOGIST PRODUCTION GRADE C | 20150531 |
| 42 | HO SUB DIR: PLAN REGISTRATION | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 43 | HO SUB DIR: HERITAGE | 10 | ASSISTANT DIRECTOR RESEARCH HISTORIAN | 20120801 |
| 44 | HO SUB DIR: QS STANDARD DOCUMENTATION | 12 | QUANTITY SURVEYOR CHIEF GRADE A | 20100701 |
| 45 | HO DIR: CIVIL/STRUCTURAL ENGINEERING SERVICES | 13 | DIRECTOR: CIVIL/STRUCTURAL ENGINEERING SERVICES | 20140531 |
| 46 | HO SUB DIR: CIVIL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 47 | HO SUB DIR: CIVIL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 48 | HO SUB DIR: CIVIL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 49 | HO SUB DIR: WATER MANAGEMENT OFFICE | 8 | ENGINEERING TECHNICIAN PRODUCTION GRADE A | 20140601 |
| 50 | HO SUB DIR: WATER MANAGEMENT OFFICE | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 51 | HO SUB DIR: WATER MANAGEMENT OFFICE | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 52 | HO SUB DIR: STRUCTURAL ENGINEERING SERVICES | 11 | ENGINEERING TECHNOLOGIST CONTROL GRADE A | 20100701 |
| 53 | HO DIV: GEO-LAB | 7 | CHIEF AUXILIARY SERVICES OFFICER | 20141031 |
| 54 | HO DIV: GEO-LAB | 8 | ENGINEERING TECHNICIAN PRODUCTION GRADE A | 20090311 |
| 55 | HO DIV: GEO-LAB | 8 | ENGINEERING TECHNICIAN PRODUCTION GRADE A | 20080201 |
| 56 | HO DIV: GEO-LAB | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 57 | HO DIV: GEO-LAB | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 58 | HO DIR: MECHANICAL ENGINEERING SERVICES | 5 | SECRETARY | 20090901 |
| 59 | HO DIR: MECHANICAL ENGINEERING SERVICES | 13 | DIRECTOR: MECHANICAL ENGINEERING SERVICES | 20101031 |
| 60 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 61 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 62 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 63 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 64 | HO DIR: MECHANICAL ENGINEERING SERVICES | 10 | ENGINEERING TECHNOLOGIST PRODUCTION GRADE C | 20141001 |
| 65 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEERING TECHNICIAN CONTROL GRADE B | 20100701 |
| 66 | HO DIR: ELECTRICAL ENGINEERING | 13 | DIRECTOR: ELECTRICAL ENGINEERING SERVICES | 20070228 |
| 67 | HO DIR: ELECTRICAL ENGINEERING | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 68 | HO DIR: ELECTRICAL ENGINEERING | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 69 | HO DIR: TOWN PLANNING SERVICES | 5 | SECRETARY | 20100701 |
| 70 | HO DIR: TOWN PLANNING SERVICES | 12 | SENIOR TOWN PLANNER | 20150414 |
| 71 | HO SUB DIR:NATIONAL SITE DELIVERY PROGRAMME | 8 | SENIOR ADMINISTRATIVE OFFICER SITE IDENTIFICATION | 20131231 |
| 72 | HO DIR:BUDGETS AND PLANNING | 5 | SECRETARY | 20100701 |
| 73 | HO DIR:BUDGETS AND PLANNING | 7 | STATE ACCOUNTANT:BUDGETS & PLANNING | 20141031 |
| 74 | HO DIR:BUDGETS AND PLANNING | 13 | DIRECTOR: BUDGET & PLANNING | 20131001 |
| 75 | HO DIR:BUDGETS AND PLANNING | 8 | SENIOR STATE ACCOUNTANT | 20100701 |
| 76 | HO DIR:ÄFINANCIAL REPORTING | 5 | SECRETARY | 20100701 |
| 77 | HO CD :REVENUE & DEBT MANAGEMENT | 7 | PERSONAL ASSISTANT | 20090901 |
| 78 | HO DIR:PMTE:BILLING & REVENUE 1 | 12 | DEPUTY DIRECTOR: CUSTOMER BILLING/COSTING | 20150331 |
| 79 | HO DIR:PMTE:BILLING & REVENUEÄPORTFOLIO 2 | 5 | SECRETARY | 20090901 |
| 80 | HO DIR:PMTE:BILLING & REVENUEÄPORTFOLIO 2 | 10 | ASSISTANT DIRECTOR:ACCOUNTS RECEIVABLE:FIN STATE | 20120801 |
| 81 | HO SUB DIV: ACCOUNTING | 5 | PROVISIONING ADMINISTRATION CLERK | 20130401 |
| 82 | HO SUB DIV: ACCOUNTING | 5 | PROVISIONING ADMINISTRATION CLERK | 20130401 |
| 83 | HO SUB DIV: ACCOUNTING | 8 | SENIOR PROVISIONING ADMINISTRATIVE OFFICER | 20130101 |
| 84 | HO SUB DIV: SYSTEM ADMINISTRATION LOGIS | 5 | PROVISIONING ADMINISTRATION CLERK | 20130401 |
| 85 | HO SUB DIV: TRAVELLINGÄ& TRANSPORT | 7 | ADMINISTRATION OFFICER: PAYMENTS | 20141231 |
| 86 | HO SUB DIV: TRANSPORT | 4 | SECONDARY DRIVER | 20130401 |
| 87 | HO SUB DIV: TRANSPORT | 7 | ADMINISTRATION OFFICER: TRANSPORT | 20130901 |
| 88 | HO SUB DIV: TRANSPORT | 7 | ADMINISTRATION OFFICER: TRANSPORT | 20150101 |
| 89 | HO SUB DIV: TRANSPORT | 4 | SECONDARY DRIVER | 20130401 |
| 90 | HO SUB DIV: ARCHIVE & OFFICE SERVICES | 7 | ADMINISTRATION OFFICER: OFFICE SERVICES | 20150331 |
| 91 | HO SUB DIV: ARCHIVE & OFFICE SERVICES | 10 | ASSISTANT DIRECTOR: OFFICE SERVICES | 20120801 |
| 92 | HO SUB DIV: REGISTRY | 6 | SENIOR REGISTRY CLERK:REGISTRY | 20030901 |
| 93 | HO SECTION: MACHINE OPERATORS | 4 | MACHINE OPERATOR:REGISTRY | 20100630 |
| 94 | HO SUB SECTION: FOOD SERVICES AID | 2 | FOOD SERVICES AID | 20140101 |
| 95 | HO SUB SECTION: FOOD SERVICES AID | 2 | FOOD SERVICES AID | 20141103 |
| 96 | HO DIR: DEMAND & ACQUISITION MANAGEMENT | 5 | SECRETARY | 20090901 |
| 97 | HO SUB DIR: SUPPLIER REGISTER | 7 | ADMINISTRATION OFFICER: SUPPLIER REGISTER | 20141117 |
| 98 | HO SUB DIR: SUPPLIER REGISTER | 7 | ADMINISTRATION OFFICER: SUPPLIER REGISTER | 20141001 |
|  |  |  |  |  |
|  |  |  |  |  |

c) The following positions for DPW were not advertised within six months after becoming vacant.

| **No** | **COMPONENT DESCRIPTION** | **POST SALARY LEVEL** | **POST JOB TITLE DESCRIPTION** | **VACANT DATE** |
| --- | --- | --- | --- | --- |
| 1 | HO DIR:OFFICE OF THE DIRECTOR-GENERAL | 5 | SENIOR REGISTRY CLERK:REGISTRY | 20130816 |
| 2 | HO DIR:OFFICE OF THE DIRECTOR-GENERAL | 13 | DIRECTOR: OFFICE OF THE DIRECTOR-GENERAL | 20121001 |
| 3 | HO DIR: COMPUTER AUDITS AND SPECIAL ASSIGNMENTS | 13 | DIRECTOR:COMPUTER AUDITS & SPECIAL ASSIGNMENTS | 20110324 |
| 4 | HO DIR: FRAUD AWARENESS & INVESTIGATIONS | 5 | SECRETARY | 20030901 |
| 5 | HO CD STRATEGIC MANAGEMENT UNIT | 7 | PERSONAL ASSISTANT | 20040701 |
| 6 | HO D:STRATEGIC & KNOWLEDGE MANAGEMENT | 5 | SECRETARY | 20030901 |
| 7 | HO D:BUSINESS ANALYSIS & RISK MANAGEMENT | 5 | SECRETARY | 20050701 |
| 8 | HO SUB DIR: BUSINESS ANALYSIS | 12 | DEPUTY DIRECTOR: BUSINESS ANALYSIS | 20070814 |
| 9 | HO SUB DIR: COMPLIANCE & FINANCIAL ANALYSIS | 9 | ASSISTANT DIRECTOR STRATEGIC BUSINESS PLANNING | 20140814 |
| 10 | HO SUB DIR: COMPLIANCE & FINANCIAL ANALYSIS | 10 | ASSISTANT DIRECTOR:COMPLIANCE & FINANCIAL ANALYSIS | 20120801 |
| 11 | HO DIR:STRATEGIC PLANNING | 5 | SECRETARY | 20040801 |
| 12 | HO DIR: DEVELOPMENT ECONOMIST | 5 | SECRETARY | 20050101 |
| 13 | HO DIR: DEVELOPMENT ECONOMIST | 13 | DIRECTOR: DEVELOPMENT ECONOMIST | 20040801 |
| 14 | HO DIR: MONITORING & EVALUATION:P1 DG | 5 | SECRETARY | 20030901 |
| 15 | HO DIR:MONITORING & EVALUATION P2:DG | 5 | SECRETARY | 20030901 |
| 16 | HO DIR: STAKEHOLDER MANAGEMENT | 5 | SECRETARY | 20140401 |
| 17 | HO DIR: PUBLIC ENTITY | 6 | ASSISTANT ADMINISTRATIVE OFFICER:SECRETARIAT | 20130501 |
| 18 | HO DDG: FINANCE & SUPPLY CHAIN MANAGEMENT | 11 | EXECUTIVE OFFICE MANAGER | 20140801 |
| 19 | HO DDG: FINANCE & SUPPLY CHAIN MANAGEMENT | 15 | DEPUTY DIRECTOR GENERAL:FINANCE & SUPPLY CHAIN MNG | 20120430 |
| 20 | HO SUB DIR: BUDGET ANALYSIS | 7 | STATE ACCOUNTANT | 20140106 |
| 21 | HO SUB DIR: BUDGET ANALYSIS | 10 | ASSISTANT DIRECTOR: MANAGEMENT ACCOUNTING | 20150201 |
| 22 | HO DIR: FINANCIAL ACCOUNTING | 5 | SECRETARY | 20090901 |
| 23 | HO DIR: FINANCIAL ACCOUNTING | 13 | DIRECTOR: FINANCIAL ACCOUNTING | 20131101 |
| 24 | HO SUB DIR: FINANCIAL REPORTING & RECONCILIATION | 4 | ACCOUNTING CLERK | 20080201 |
| 25 | HO SUB DIR: ACCOUNTS RECEIVABLE | 5 | ACCOUNTING CLERK | 20150401 |
| 26 | HO SUB DIR: ACCOUNTS RECEIVABLE | 6 | SENIOR ACCOUNTING CLERK | 20030901 |
| 27 | HO SUB DIR: ACCOUNTS RECEIVABLE | 7 | STATE ACCOUNTANT: ACCOUNTS RECEIVABLE | 20140516 |
| 28 | HO SUB DIR: ACCOUNTS RECEIVABLE | 7 | STATE ACCOUNTANT: ACCOUNTS RECEIVABLE | 20150131 |
| 29 | HO SUB DIR: ACCOUNTS PAYABLE | 5 | ACCOUNTING CLERK | 20140331 |
| 30 | HO DIR:INSPECTORATE AND COMPLIANCE | 9 | ASSISTANT DIRECTOR:PAYMENTS:COMPLIANCE | 20140915 |
| 31 | HO DEPUTY DIRECTOR GENERAL: CORPORATE SERVICES | 7 | PERSONAL ASSISTANT | 20090901 |
| 32 | HO CD: LEGAL SERVICES & CONTRACT ADMINISTRATION | 14 | CHIEF DIRECTOR: LEGAL SERVICES | 20121130 |
| 33 | HO DIR: LEGISLATIVE DRAFTING & CONTRACT ADMIN. | 5 | SECRETARY | 20080201 |
| 34 | HO DIR: LEGISLATIVE DRAFTING & CONTRACT ADMIN. | 13 | DIRECTOR:LEGISLATIVE DRAFTING & CONTRACT ADMINISTR | 20130909 |
| 35 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 8 | SENIOR ADMINISTRATIVE OFFICER:LEGISLATION | 20140401 |
| 36 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 12 | SENIOR LEGAL ADMINISTRATION OFFICER | 20120301 |
| 37 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20100601 |
| 38 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 8 | MR4 LEGAL ADMINISTRATION OFFICER GRADE 4 | 20100601 |
| 39 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 12 | MR6 LEGAL ADMINISTRATION OFFICER SENIOR | 20100601 |
| 40 | HO DIR: LITIGATION | 5 | SECRETARY | 20030801 |
| 41 | HO SUB DIR: LITIGATION | 10 | ASSISTANT DIRECTOR:LAND REFORM & PROPERTY RIGHTS | 20120801 |
| 42 | HO SUB DIR: LITIGATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20130601 |
| 43 | HO SUB DIR: LITIGATION | 8 | MR4 LEGAL ADMINISTRATION OFFICER GRADE 4 | 20120301 |
| 44 | HO SUB DIR: LITIGATION | 8 | MR4 LEGAL ADMINISTRATION OFFICER GRADE 4 | 20120521 |
| 45 | HO DIR: HR LABOUR RELATIONS | 5 | SECRETARY | 20100701 |
| 46 | HO DIR INTERNATIONAL RELATIONS: AFRICAN COOPERAT. | 5 | SECRETARY | 20080301 |
| 47 | HO DIR: INT. RELATIONS GLOBAL PARTNERSHIPS | 5 | SECRETARY | 20080301 |
| 48 | HO DIR: INT. RELATIONS GLOBAL PARTNERSHIPS | 12 | DEPUTY DIRECTOR: GLOBAL PARTNERSHIPS | 20120801 |
| 49 | HO CD: INFORMATION SERVICES | 14 | CHIEF DIRECTOR: INFORMATION SERVICES | 20120113 |
| 50 | HO DIR: IT APPLICATIONS MANAGEMENT | 5 | SECRETARY | 20100701 |
| 51 | HO SUB DIR: DATABASE ADMINISTRATION | 12 | DD: DATABASE ADMINISTRATOR | 20120801 |
| 52 | HO SUB DIR: SYSTEM ARCHITECT | 12 | DEPUTY DIRECTOR SYSTEM ARCHITECT | 20120801 |
| 53 | HO DIR: IT SUPPORT | 5 | SECRETARY | 20100701 |
| 54 | HO DIV: CLIENT SUPPORT MANAGEMENT | 4 | HELPDESK ADMINISTRATOR | 20130401 |
| 55 | HO SUB DIV: IT TECHNICIAN | 8 | IT TECHNICIAN | 20140910 |
| 56 | HO DIR:HUMAN RESOURCES PLANNING & RECRUITMENT | 5 | SECRETARY | 20130401 |
| 57 | HO SUB DIR: RECRUITMENT | 10 | ASSISTANT DIRECTOR: RECRUITMENT | 20120801 |
| 58 | HO DIR: HR ADMINISTRATION | 5 | SECRETARY | 20140401 |
| 59 | HO DIV: RECORDS MANAGEMENT | 4 | SECONDARY DRIVER | 20130401 |
| 60 | HO DIR:YOUTH DEVELOPMENT AND CHILDREN'S RIGHTS | 11 | DEPUTY DIRECTOR YOUTH | 20140630 |
| 61 | HO CD: MARKETING & COMMUNICATIONS | 7 | PERSONAL ASSISTANT | 20030901 |
| 62 | HO CD: MARKETING & COMMUNICATIONS | 14 | CHIEF DIRECTOR: COMMUNICATION & MARKETING | 20150305 |
| 63 | HO DIR: INTERNAL COMMUNICATIONS | 5 | SENIOR SECRETARY | 20100401 |
| 64 | HO DIR: INTERNAL COMMUNICATIONS | 13 | DIRECTOR: INTERNAL COMMUNICATIONS & MOBILISATION | 20140901 |
| 65 | HO DIV: INTERNAL COMMUNICATIONS | 5 | RECEPTIONIST | 20130601 |
| 66 | HO DIV: INTERNAL COMMUNICATIONS | 5 | RECEPTIONIST | 20130501 |
| 67 | HO DIV: INTERNAL COMMUNICATIONS | 7 | SENIOR COMMUNICATIONS OFFICER | 20110719 |
| 68 | HO DIR: CLIENT RELATIONS MANAGEMENT | 7 | SENIOR SECRETARY | 20150310 |
| 69 | HO DIR:MEDIA AND STAKEHOLDER MANAGEMENT | 13 | DIRECTOR MEDIA & STAKEHOLDER MANAGEMENT | 20100401 |
| 70 | HO DIV: MINISTERIAL PUBLIC APPEARANCESÄPROGRAMME | 8 | SENIOR COMMUNICATIONS OFFICER | 20140617 |
| 71 | HO: DIR ORGANISATIONAL DEVELOPMENT | 5 | SECRETARY | 20090901 |
| 72 | HO SUB DIR: JOB ANALYSIS & EVALUATION | 12 | DEPUTY DIRECTOR: ORGANISATIONAL DEVELOPMENT | 20140422 |
| 73 | HO SUB DIR: EMPLOYEE HEALTH & WELLNESS | 10 | ASD: EMPLOYEE HEALTH & WELLNESS PROGRAMME | 20120801 |
| 74 | HO DIR: HR DEVELOPMENT | 5 | SECRETARY | 20100701 |
| 75 | HO SUB DIR: TRAINING & DEVELOPMENT | 12 | DEPUTY DIRECTOR: TRAINING & DEVELOPMENT | 20120801 |

The impact of the finding:

Service delivery might be negatively affected if vacancies are not advertised and filled timeously. The department may not be able fulfil its mandate or objective due to staff shortages.

The action does not indicate when the deactivation will be completed and when will the funded posts be filled on the proposed structure.

**Internal control deficiency**

The finding occurred as result of the fact that:

a) The total employee cost budget allocated to the department is not sufficient to fill all vacant posts.

b) Scarce skills and the unavailability of selection committee members are the two top factors impacting on the filling of posts.

c) The restructuring of the department which is in the process of restructuring could have had an impact on the substantial variation in the number of vacancies on PERSAL compared to the information provided by departments.

d) The department is experiencing difficulty attracting retaining managers and professionals (owing to remuneration and working environment, amongst other factors)

.

e) The department’s often restructure and create new posts but do not abolish posts which will no longer be used

Based on the aforementioned the matter is as a result of the following internal control deficiency:

**Leadership**

The department did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.

**Recommendation**

a) The department should design and implement specific strategies for the filling of vacant posts and should prioritize areas where service delivery is compromised by high vacancy rates.

b) The department should prioritize the filling of vacancies on key management personnel level as a matter of urgency.

b) The department should ensure that the information regarding their establishment and vacancies on their establishment is captured properly and on time, this will assist in ensuring that PERSAL operates as closely as possible to real-time information than is currently the case

c) The department should ensure that information on PERSAL is verified and corrected as a matter of urgency, this will assist in improving the integrity of the information in its database and it will also enhance the confidence of its stakeholders who access such information on a day to day basis.

**Management response**

I am in agreement with the finding. The Department and PMTE have sustained high vacancy rates and not in the position to fill all vacancies resulting from insufficient allocation under compensation budget and scarcity of critical professional and technical skills. The filling of the positions was limited to positions identified and prioritise for filling. The Department has over and above the filling vacancies (within budget), put measures to reduce the vacancy rate, which include the abolishment of the position that have been vacant for more than 24 months (few exception) and continuing review of the organisational structure. The Director-General has approved the abolishment of the position that has been vacant for more than 24 months from the PERSAL establishment. See attached. The process for the review of the structure is currently at consultation stages with the DPSA. It is anticipated that on approval of the new structure will in the activation of funded posts.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | Finalisation of the new structure  Abolishment of unfunded positions vacant for more than twenty four months | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
| N/A |  | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | | |
| Position of official responsible to take corrective actions | Chief Director:HRM | | |
| Estimated completion date for corrective action | Ongoing | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
| X |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | N/A | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
| X |  |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | N/A | |

Name: Ms TB Hlatshwayo

Position: Chief Director: HRM

Date: 03 March 2016

**Auditor’s conclusion**

Management response is acknowledged, we will follow up during the final audit whether the posts which are vacant for more than 24 months and not critical have abolished from the Persal system as per approved submission by the DG on 13 November 2015 and follow up its impact on the posts vacant more than 12 months.

1. **Human Resource Management - Payroll requested was not received**

Laws, rules and regulations

a) Public Finance Management Act sections 40 and 41 states the following:

1. Section 40(1)

*“The accounting officer for a department, trading entity or constitutional institution-*

*(a)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;”*

1. Section 41

*“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”*

b) In terms of Treasury Regulation

1. Paragraph 8.3.4

*“For all employees, the person in charge at the respective pay-points must certify on the date of payment that all persons listed on the payroll report are entitled to payment. Employees paid by cheque must sign the payroll report when collecting their cheques.”*

1. Paragraph 8.3.5

*“Within ten days of being certified, the payroll report must be returned to the chief financial officer. The accounting officer must ensure that all pay-point certificates have been received on a monthly basis.”*

The following payroll certificates were not submitted for audit.

| **No** | **Pay Point No** | **Pay Point Description** | **Month** | **Region** |
| --- | --- | --- | --- | --- |
| 1 | 0284 | Regional Office DBN Griekwaland East | June 2015 | Durban |
| 2 | 1232 | Sub Office N/Spruit Ass & State Prop | May 2015 | Nelspruit |

Impact of the finding:

1. Non-compliance with Section 40 and 41 of the Public Finance Management Act on-compliance with Section 40(3) of the PFMA.
2. The audit process being delayed as the required audit work cannot be performed.

**Internal control deficiency**

Reason for the deviation:

1. There are no adequate controls in place to ensure timeous submission of information requested by auditors.
2. Management have not yet implemented effective record keeping of information in an easily retrievable manner.
3. No consequence management implemented by the region for non-compliance with the required legislation.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

**Financial and Performance Management**

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

**Recommendation**

It is recommended that all information requested be provided to the AGSA within three days from the date of request as agreed with management.

**Management response**

There is agreement with the audit finding.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | The payroll cannot be produced because it has been misplaced. Arrangements are being made to obtain a copy from Head Office for completion. As soon as same is compliant, it will be provided to Finance. Portfolio Managers/ Supervisors are going to collect payrolls in Finance for their staff and distribute them physically as a corrective measure and ensure compliance. | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions | Acting: ASD Cleaning and Gardening | | |
| Estimated completion date for corrective action |  | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
| X |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
| X |  |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | |

*Name:* Mr S Ngcobo

*Position: Acting ASD: Cleaning and Gardening Section*

*Date: 26/02/2015*

**Auditor’s conclusion**

Payroll certificates which are not certified might results in salaries which are incorrectly been paid to officials not been detected and recovered and this is also a limitation on the ability of the auditors to perform the required procedures.

1. **Physical verification of employees- Limitation of scope of information requested**

**Audit Finding**

Laws, rules and regulations

a) Public Finance Management Act sections 40 and 41 states the following:

Section 40(1)

*“The accounting officer for a department, trading entity or constitutional institution-*

1. *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;”*

Section 41

*“An accounting officer for a department, trading entity or constitutional institution must submit to the relevant treasury or the Auditor-General, such information, returns, documents, explanations and motivations as may be prescribed or as the relevant treasury or the Auditor-General may require”*

The following employees of the department did not avail themselves for physical verification.

| **No** | **Persal No** | **Surname** | **Initials** | **Region** |
| --- | --- | --- | --- | --- |
| 1 | 22523961 | CHOKOE | ME | Head office |
| 2 | 23813938 | MNTUNGWA | SH | Head office |
| 3 | 26359758 | NKUNA | VV | Head office |
| 4 | 26928094 | MOTAU | KC | Head office |
| 5 | 26960001 | SCHOEMAN | A | Head office |
| 6 | 27099831 | BALOYI | TP | Head office |
| 7 | 27100006 | RAKAU | KJ | Head office |
| 8 | 27383334 | MUDAU | S | Head office |
| 9 | 27384641 | LEDWABA | JK | Head office |
| 10 | 27387224 | SEKWELE | RS | Head office |
| 11 | 80908641 | RAMOROKO | TR | Head office |
| 12 | 26660474 | MAFA | RZ | Pretoria |
| 13 | 27160599 | MTSHALI | BF | Pretoria |
| 14 | 27163431 | BALOYI | MJ | Pretoria |
| 15 | 27415350 | KAMBULE | TH | Pretoria |
| 16 | 27510191 | MSIZA | N | Pretoria |
| 17 | 27510204 | MKHABELA | G | Pretoria |
| 18 | 27511677 | MALOBA | K | Pretoria |
| 19 | 27548821 | MANYALA | QT | Pretoria |
| 20 | 27568938 | VAN JAARSVELD | WJ | Pretoria |

The aforementioned findings may result in:

a) Non- compliance with Section 40 and 41 of the Public Finance Management Act.

b) The audit process being delayed as the required audit work cannot be performed.

c) The employee costs may be overstated if salaries are paid to employees that do not exist.

**Internal control deficiency**

Reason for the deviation:

The auditor’s requests for verification of employees are not regular followed up by the department to ensure that all employees attended the physical verification.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

**Recommendation**

Regular follow up should be performed by the department to ensure that all selected employees attended the physical verification checks and reasons must be provided to the auditors for employees who did not attend the verification and supported by appropriate evidence.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  |  | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions |  | | |
| Estimated completion date for corrective action |  | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | |

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

Management response outstanding

**ANNEXURE C: INFORMATION SYSTEMS AUDIT FINDINGS**

**General Control Review**

1. **Information Technology Service Continuity: Disaster Recovery Plan not approved**

Audit finding

An ICT Disaster recovery plan (DRP) had been documented however the plan had not been approved. In addition, the draft DRP had not been tested to ensure that the department would be able to recover in the event of a disruption.

Without an approved and adequately tested DRP the department may be unable to recover critical business functions within an acceptable timeframe in the event of a disruption. This may result in lengthy disruptions which could affect the department’s delivery on its core mandate which includes effectively managing the state’s fixed property.

**Internal control deficiency**

**Financial and Performance Management: Implement formal controls over IT systems**

The department is undergoing an infrastructure refresh project and updates to the DRP have not been finalised due to the changes being effected in the new environment.

**Recommendation**

Management should ensure that the BCP and DRP are finalised and approved. Once the plan has been approved DRP testing should be performed at least annually to ensure that the department is able to effectively execute the plan in the event of a disruption. Exceptions noted during DRP testing should be reported and followed up on to ensure that they are adequately addressed.

**Management response**

The department is in the process of updating the draft DRP and once this has been finalised it will be submitted for approval

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | Response | | | | |
| **Corrective action to be taken** |  | | | | |
| Does the finding affect an amount disclosed in the financial statements | | **Yes** | **No** | |
|  |  | |
| If yes, what corrections will be made to the population | |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | |  | | |
| Position of official responsible to take corrective actions | | July 2016 | | |
| Estimated completion date for corrective action | |  | | |

Name: Masutu Ramatlotlo

Position: Director IT Project Office

Date: 03/03/2016

**Auditor’s conclusion**

Management responses are noted; however, the corrective actions agreed upon by management will be followed-up after three months or as per due date.

1. **Information Technology Governance: Over reliance on consultants to perform key IT functions**

**Audit finding**

The following finding was reported by Internal Audit, the following key IT functions are being performed by consultants/contractors:

* Chief Information Officer
* System developer
* Business analyst
* System tester
* Business intelligence
* System administrators for the PMIS, WCS and Paper Trail applications

In addition the contractors/consultants played an integral part in the IT projects which were in progress and knowledge sharing with permanent staff was highlighted as a concern. The department was dependent on the contractors/consultants for the successful completion of IT projects and for performing key operations.

In the event that the contractors/consultants leave the organisation, the IT department not be able to adequately provide IT support in order to meet the department’s needs. Furthermore the high cost of maintaining contractors/ consultants may not be sustainable in the long run.

**Internal control deficiency**

**Financial and Performance Management: Implement formal controls over IT systems.**

The lack of an effective training plan to ensure that internal stuff is capacitated to perform their job functions.

**Recommendation**

Management should put measures in place to ensure that IT staff is competent to perform their job functions. There should be knowledge sharing between consultants/contractors and permanent staff to ensure that there is continuity in the event that contractors/consultants leave the department. Key positions such as the CIO position should be filled with a permanent staff member.

**Management response**

All vacant positions (including CIO position) have been submitted to HR for advertising and will be filled as soon as possible. Some posts will be filled through long term contracts.

Consultants are continuously paired with permanent staff, however this is not always possible for skills transfer. The filling of the vacant posts will improve on the pairing of consultants with permanent staff to insure continuity.

Tasks such as system testing and business analysis are largely temporary in nature. It thus might not always be economical to have permanent resources and therefore the use of consultants will be more practical in such cases.

Some of the consulting work cannot be done by permanent staff as some of these systems are proprietary and the proprietor only allows certified companies to do any development work on such systems as Paper trail, WCS and PMIS.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | Response | | | | |
| **Corrective action to be taken** |  | | | | |
| Does the finding affect an amount disclosed in the financial statements | | **Yes** | **No** | |
|  |  | |
| If yes, what corrections will be made to the population | |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | |  | | |
| Position of official responsible to take corrective actions | | May 2016 | | |
| Estimated completion date for corrective action | |  | | |

Name: Sulieman Patel

Position: Acting CIO

**Auditor’s conclusion**

Management responses are noted; however, the corrective actions agreed upon by management will be followed-up after three months or as per due date.

**ANNEXURE D: ADMINISTRATIVE MATTERS**

1. **Human Resource Management: Payroll certificates not certificate and returned timeously.**

**Audit Finding**

Laws, rules and regulations

In terms of Treasury Regulation

a) Paragraph 8.3.4

*“For all employees, the person in charge at the respective pay-points must certify on the date of payment that all persons listed on the payroll report are entitled to payment. Employees paid by cheque must sign the payroll report when collecting their cheques.”*

b) Paragraph 8.3.5

*“Within ten days of being certified, the payroll report must be returned to the chief financial officer. The accounting officer must ensure that all pay-point certificates have been received on a monthly basis.”*

The following deviations were noted:

(a) The following payroll certificates were certified by the person in charge of the pay point after payment date.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Pay point** | **Description** | **Period** | **Date payroll certificate signed** | **Region** |
| 1 | 0641 | R/Office Cape Town Workshops Oudtshoorn | 15- May-15 | 26-May-15 | Cape town |
| 2 | 1099 | Regional Office Cape Town Islands | 15-Jun-15 | 07-Jul-15 | Cape town |
| 3 | 9883 | R/Office Cape Town Gardening Services Robben Island | 15-Sep-15 | 06-Oct-15 | Cape town |
| 4 | 9911 | DBN EPWP (DPW) | 15-May-15 | 17-Jun-15 | Durban |
| 5 | 1138 | Regional Office DBN Emerging Development Programme (PMTE) | 30-Sep-15 | 19-Oct-15 | Durban |
| 6 | 9909 | MFK EPWP (DPW) | 15- Apr-15 | 05-May-15 | Mmabatho |
| 7 | 0020 | Regional Office Mmabatho Project Capital Maintenance (PMTE) | 15-Apr-15 | 18-May-15 | Mmabatho |
| 8 | 1430 | Regional Office Mmabatho KAM (PMTE) | 14-Aug-15 | 19-Aug-15 | Mmabatho |
| 9 | 0014 | Regional Mmabatho Property Management (PMTE) | 30-Jun-15 | 20-Jul-15 | Mmabatho |
| 10 | 1177 | Human Resource Management (PMTE) | 15-Aug-15 | 04-Sep-15 | Kimberley |
| 11 | 1181 | Project Management (PMTE) | 30-Apr-15 | 12-May-15 | Kimberley |
| 12 | 0727 | Regional Office Kimberley (PMTE) | 15-Sep-15 | 21-Sep-15 | Kimberley |
| 13 | 9914 | KIM EPWP (DPW) | 15-Jun-15 | 24-Aug-15 | Kimberley |

(b) There was no evidence that the following payroll certificates were returned to the finance section within ten days of being certified.

| **No** | **Pay point** | **Description** | **Period** | **Region** |
| --- | --- | --- | --- | --- |
| 1 | 0641 | R/Office Cape Town Workshops Oudtshoorn | 15- May-15 | Cape town |
| 2 | 1099 | Regional Office Cape Town Islands | 15-Jun-15 | Cape town |
| 3 | 9883 | R/Office Cape Town Gardening Services Robben Island | 15-Sep-15 | Cape town |
| 4 | 1138 | Regional Office DBN Emerging Development Programme (PMTE) | 30-Sep-15 | Durban |
| 5 | 9909 | MFK EPWP (DPW) | 15-Apr-15 | Mmabatho |
| 6 | 0020 | Regional Office Mmabatho Project Capital Maintenance (PMTE) | 15-Apr-15 | Mmabatho |

The aforementioned findings may result in:

a) Non-compliance with section 8.3.4 and 8.3.5 of the Treasury Regulation

b) Should incorrect payments be present on the payroll reports, they will not be timeously detected and corrected, might lead to possible fictitious payments or losses to the state.

The prior year action plan stated that the different units will reconcile payroll register to the actual payrolls and that non non-compliance report will be submitted to Branch Heads at Head Office and Regional Managers in Regions

**Internal control deficiency**

Reason for the deviation:

(a) The person in charge at the paypoints received the payroll certificates after payment date.

(b) The department does not have proper systems/ payroll register with regards to monitoring movements of payroll certificates which resulted in some of the payroll certificates not been signed and returned timeously.

Based on the aforementioned the matter is as a result of the following internal control deficiency:

**Financial and Performance Management**

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

**Recommendation**

a) The regional must investigate the possibility of printing the payrolls from another provincial department in their province.

b) The department must implement the register for movement and monitoring of payrolls from human resource unit to the different unit in the department.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  |  | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions |  | | |
| Estimated completion date for corrective action |  | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | |

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

Management response outstanding

1. **No alignment between the MTSF and the APP**

Laws, rules and regulations

a) Treasury Regulation 5.2.4 requires the strategic plan / annual performance to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents.

b) In terms of the Medium Term Strategic Framework (MTSF) 2014 – 2019 page 11 paragraph 2.1 Public employment schemes to provide relief for the unemployed and build community solidarity

*“In the context of the current high levels of unemployment, government will be scaling up the Expanded Public Works Programmes (EPWP), in particular the Community Work Programme (CWP), to generate additional employment opportunities, provide training and work experience and increase social cohesion. The EPWP as a whole will provide 6 million work opportunities by 2019, with 1 million participants reached through the CWP and CWP sites expanded in 234 municipalities by 2019”.*

The department has created yearly targets to achieve the creation 6 million work opportunities by 2019 which is included in the department five strategic plan.

c) In terms of the framework for strategic plans and annual performance plans page 6 paragraph 4.1 Strategic plans – linked to

An annual performance plan should be linked to the strategic plan, the budget and the MTEF, and should be informed by updates to government‘s long term plans, the MTSF and Government Implementation Action.

d) In terms of the prior year annual report 2014/15 page 12 the department stated that the:

*“Firstly, 1, 1 million work opportunities have been created through Government’s flagship programme, the Expanded Public Works Programme (EPWP) against the target of 1million work opportunities. Public Works is on track to achieve the target of 6 million job opportunities that which the ANC government has committed to, during the period of this Administration”.*

e) In terms of the MTSF paragraph 7

*“Fourteen appendices to the MTSF contain detailed plans for the next five years for each of the outcome areas. They set out the core objectives, the major challenges that have been identified and programmes and actions to be implemented during the 2014-2019 period.*

*Each outcome is broken down into sub-outcomes containing a set of actions together with*

*Indicators for measuring progress, targets and timeframes.”*

f) In terms of Appendix 4 of outcome 4: Decent employment through inclusive economic

growth of the MTSF:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Sub Outcome Nine: Public employment schemes provide relief for the unemployed and build community solidarity and agency** | | | | |
| EPWP Phase 3 (including CWP) implemented, monitored and evaluated including the establishment of a Presidential Public Employment Commission to coordinate the rollout of Public Employment Programmes | DPW Minister, supported by sector lead departments, , NT, COGTA, Social Development and Environment | Number of work opportunities (mostly time-bound and some part-time) created | 6 million work opportunities over 5 years with most CWP targets achieved in the outer years of the MTSF | Plan targets achieved |

The following deviations were noted:

1. The annual performance plan for 2016/17 is not aligned to the MTSF as the indicator for the “number of work number of work opportunities created “ was not included in the department annual performance plan.
2. Additional in terms of the “*Appendix 4 of outcome 4: Decent employment through inclusive economic growth*” of the MTSF the Minister of Public Works is responsible for the indicator “Number of work opportunities” however this indicator was not included in the Annual performance plan of the department.
3. In the approved strategic plan 2015 – 2020 it was noted that the department has performance indicator for work opportunities created, however this indicator is not included in the annual performance plan for 2016/17 financial year.
4. The department has included the work opportunity created targets in the annual performance plan and achievement in the prior and current financial year, however we noted that the next financial year the department has not included the work opportunities targets in their annual performance plans meaning that work opportunities created in terms of outcome 4 – will not be reported by the department.
5. It was also noted that the indicator “number of work opportunities” has been included in the conditional grant table on both the annual performance plan 2016/17 and the revised strategic plan however there is no annual performance target included in the EPWP which may result inconsistencies within the two documents.

Impact of the finding:

The department’s Annual performance plan for 2016/17 is not be aligned to the MTSF.

**Internal control deficiency**

Financial and performance management

The department did not review and monitor compliance with applicable legislation

**Leadership**

The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls

**Recommendation**

Management should develop a policy to be implemented during strategic planning which will enforce thorough review of the annual performance plan and the strategic plan; this will also ensure designing of indicators and targets that only meet the criteria required by the National Treasury’s Framework for managing programme performance information (FMPPI).

The department must ensure that the annual performance plan is aligned to the MTSF.

**Management response**

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

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  |  | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions |  | | |
| Estimated completion date for corrective action |  | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | |

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

Awaiting management response