**INTERIM MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**Communicated to the accounting officer on: 31 March 2018**

**MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**Discussed with the accounting officer on: 31 March 2018**

**CONTENT**

|  |  |
| --- | --- |
| **Introduction** | **3** |
| **Overall message** | **4** |
| **Section 1: Interactions with stakeholders responsible for oversight and governance** | **4** |
| **Section 2: Status of Records Review** | **5** |
| 2.1 Introduction | **5** |
| 2.2 Status of key focus areas | **6** |
| 2.3 Key matters for attention | **7** |
| **Section 3: Matters to be brought to the attention of the users** | **7** |
| **Section 4: Status of implementing commitments and recommendations** | **8** |
| **Section 5: Value add matters** | **15** |
| **Section 6: Expanded Public Works Programme (EPWP)** | **15** |
| **Section 7: Interim review of the draft 2018/19 Annual Performance Plan** | **19** |
| **Section 8: Emerging risks** | **19** |
| **Section 9: Ratings of detailed audit findings** | **20** |
| **Section 10: Conclusion** | **20** |
| **Section 11: Summary of detailed audit findings** | **21** |
| **Detailed audit findings contained in annexures A to C** | **22** |

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

**INTRODUCTION**

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

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

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

**Financial statements**

* Compensation of employees
* Goods and services
* Movable assets

**Reporting on predetermined objectives**

* Interim review of Annual Performance Plan for 2018/19 which focused on assessment of the measurability and relevance of the indicators and targets planned for each selected programme.
* Programme 3 – occurrence and completeness of work opportunities reported on EPWP reporting system

**Compliance with legislation**

* Human Resource Management
* Supply chain management – tender and quotation process

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

**OVERALL MESSAGE**

1. The audit opinion of the department has remained unchanged for the past three financial years. The main obstacle preventing the department from obtaining a clean audit outcome remains the quality of submitted performance information. Key findings were still identified in the interim period on the audit of performance information where actual achievements were not adequately supported by valid and complete source information.
2. The assurance provided by the key role players at the department is adequate, however there still remains room for improvement, especially with respect to performance reporting and monitoring of compliance. In addition, focus should be placed on continuing to strengthen internal controls as well as financial and compliance management practices.

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

1. During the interim period, we met with the following key stakeholders responsible for oversight and governance at the department:

| **Key stakeholder** | **Purpose of interaction** | **Number of interactions** |
| --- | --- | --- |
| Portfolio Committee on Public Works | * + Budgetary review and recommendations report – 2016/17 Audit Outcomes and key messages   + Presentation of Action Plans by the Department | 2 |
| Chairperson of the portfolio committee on Public Works | * + Introductory meeting – Quarterly briefing | 1 |
| Director-General | * + Detail discussion on quarterly Status of Records review and presentation of engagement letter and audit Strategy | 1 |
| Audit committee | * + Presentation of quarterly status of Records Review   + Presenting the engagement letter and audit strategy | 2 |

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

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

**SECTION 2: Status of Records Review**

* 1. **INTRODUCTION**

1. The Auditor-General of South Africa (AGSA) remains committed to assisting all government institutions in the process of identifying and communicating good practices to improve transparency, accountability and governance in the public sector. The purpose is to build public confidence in government’s ability to account for public resources in a transparent manner.
2. As part of our commitment to continually assist the department, we have performed a high level risk assessment process for the period ended 31 March 2018 with the aim of:

* identifying key areas of concern that may derail the department’s progress in the preparation of financial and performance reports and complying with the relevant legislation, which may result in a negative audit outcome
* providing our assessment of the status of the key focus areas that we reviewed
* assessing the progress made by the department in implementing action plans or carrying out commitments to address areas of concern that were communicated in previous engagements with the accounting officer
* identifying value-adding matters that can assist in putting measures or action plans in place well in advance to manage the possible risks that stem from the matters.

1. Our assessment was in the form of a status of records review which includes follow-up procedures and analysis of available financial and non-financial information. The assessment included a high level review of the records of the department, i.e. inspection of the department’s internal and external reports or documents and discussions with senior managers.
   1. **STATUS OF KEY FOCUS AREAS**
2. The status as presented below is based on the review performed and reflects the involvement from the previous assessment.

The legend applied is as follows:

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

The movement is assessed as follows:

|  |  |
| --- | --- |
|  | Improved |
|  | Unchanged |
|  | Regressed |

**2.3 KEY MATTERS FOR ATTENTION**

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

**Performance management**

1. During the interim audit the focus was on EPWP to give management early warning signs. It was noted that the reported achievements for predetermined objectives included in the quarterly performance reports were not supported by appropriate audit evidence. Similar findings, as identified in the prior year have been raised in the interim period.

**Human resource management**

1. The department has finalised updating organisational structure in line with the restructuring that took place between the department and PMTE, which amongst others includes the approval of the new Programme budget structure. A migration framework was also developed and was implemented from 01 April 2017, which resulted in an overall vacancy rate of 27%.
2. Effective monitoring controls are not implemented over the monthly processing of payroll certificates.

**Financial health**

1. The delay in filling of positions that are vacant remains a concern, given the direct impact on the achievement of the department’s mandate and objectives in terms of the annual performance plan.
2. The bank overdraft primarily emanated as a result of unauthorised expenditure. It is important to note that National Treasury has not yet approved the unauthorised expenditure. . If the unauthorised expenditure is approved with funding, the cash shortfall will decrease.

**Oversight and monitoring**

1. An increased level of oversight is required in the upcoming year over performance reporting against predetermined objectives. This includes the interrogation of reasons why particular targets are not being achieved.

**SECTION 3: MATTERS TO BE BROUGHT TO THE ATTENTION OF THE USERS**

Emphasis of matter paragraphs

1. Based on the interim financial statements the following emphasis of matter paragraphs would be included in our auditor’s report to draw the users’ attention to matters presented or disclosed in the financial statements:
   1. **Material impairments**

As disclosed in note 15.7 to the financial statements, material impairments to the amount of R63 357 000 were provided for as a result of irrecoverable receivables.

**SECTION 4: Status of implementation of commitments and recommendations**

* 1. **Status of implementing commitments and recommendations**

1. Below is an assessment of the progress in implementing the commitments made by the department to address the prior and current year’s audit findings.

| **No.** | **Commitment** | **Made by** | **Date** | **Status** |
| --- | --- | --- | --- | --- |
|  | **Predetermined Objectives** -Reported achievement not supported by sufficient evidence  (1) Documentation will be verified before being submitted for Annual report.  (2) Information to be verified quarterly by an assigned official.  (3) The Annual Audit results for 2016/17 pertaining poor record management will be communicated to Accounting Officers.  (4) Develop a business process flow management template and checklist for filing of documents of performance data captured in the EPWP Reporting System and monitored. | Mr. S. Henderson(DDG:EPWP) | 01/02/2018 | Partially resolved:  (1) Performance information for quarter 1 was verified before being submitted to M & E for storage for considering in annual report for performance information.    (2) Annual Audit results for 2016/17 pertaining poor records management in respect of the EPWP were communicated at all the EPWP coordination meetings such as National, Provincial, Sector and District Steering Committees during the first (1st Qtr 2017/18) financial year. |
|  | **Transfers and Subsidies -**  (1) EPWP grants are not effectively monitored: One Audit planned in collaboration with Internal Audit to check on projects in addition to the 700 site visits. | Mr. S. Henderson(DDG:EPWP) | 01/02/2018 | Partially resolved:  (1) One Audit planned in collaboration with Internal Audit to check on projects in addition to the 700 site visits. |
|  | **Transfers and Subsidies** -  EPWP Expenditure Reports submitted by Public bodies do not indicate what the funds were used for:  (1)The EPWP Integrated Grant template will be modified to show bring down of expenditure on different items. | Mr. S. Henderson(DDG:EPWP) | 01/11/2018 | Partially resolved: (1) Consultations with the EPWP Finance unit are underway to update template. Meeting has being scheduled for 6 December 2017 with NT |
|  | **Predetermined objectives -**  Errors on beneficiary reported on EPWP systems for quarter 4 – ending 31 March 2017  (1) The existing validation procedures external to the EPWP-RS and prior to the publication of data has been revised to detect quality issues more effectively.  (2) Quarterly performance data will be submitted to Internal Audit for further verifications.  (3) The department will continue with the verifications with the Department of Home Affairs on the ID numbers on a quarterly basis. | Mr. S. Henderson(DDG:EPWP) | 30/09/2017 | Partially resolved:  (1) All actions have been implemented. Instructions were received on future submission of data to Internal Audit. Convergence has requested the various exception reports from EPWP M&E unit. |
|  | **Predetermined objectives:**  EPWP the projects were not reported on the EPWP reporting system  (1) Technical Support to be provided to public bodies to ensure that there is proper reporting of all projects.  (2) Convene monthly meetings on verification of projects reported in the EPWP RS vs planned project list template and follow up for alignment.  (3) Conduct ad hoc project site verification visits. | Mr. S. Henderson(DDG:EPWP) | 01/02/2018 | Partially resolved:  (1) Technical support provided to 99 public bodies out 290 targeted.  (2) Project list template was reviewed and work shopped among sector implementing public bodies in the first (1st Qtr 2017/18) in all nine provinces.  (3) Of the 684 planned provincial projects for the Social and Environment and Culture Sectors in 2017/18 financial year, 559 have been captured on the EPWP-RS. 221(181 from Infrastructure Sector and 40 from Social and Environment and Culture Sectors) Public bodies have being provided with Technical Support by end of Q2 |
|  | **Predetermined objectives -**  EPWP beneficiaries were not reported on the EPWP Fourth quarter data.  (1)Conduct projects site verification visits to ensure EPWP adherence. | Mr. S. Henderson(DDG:EPWP) | Quarterly | Partially resolved:  (1)Sixty seven (67) projects visited during the 1st Quarter 2017/18 and technical support provided to ensure compliance to the Ministerial Determination on records keeping, records management and reporting. 531 site visits have been conducted across the 4 sectors of EPWP. |
|  | **Predetermined objectives** -  EPWP beneficiaries were duplicated on the EPWP reporting system.  (1) The projects financial years reported in the EPWP- RS will always have different financial years due to the different spheres of government.  (2) Projects can cross financial years.  (3) The person days are counted afresh from the 1st April of each financial year for the same work opportunity. No action required.  (4) To request the EPWP M&E unit to write a circular to the reporting public bodies about the registration of projects and ensuring that employment contracts are signed for each financial year of reporting. | Mr. S. Henderson(DDG:EPWP) | 30/01/2018 | Partially resolved:  (1) Circular in this regard is in place. Public bodies are advised to close-out projects at the end of the financial year. |
|  | **Predetermined objectives** - EPWP Non submission of ID copies, attendance registers and proof of payment  (1) The EPWP branch will monitor public bodies to ensure that files for projects are well maintained.  (2) Seven hundred (700) site visits to be done on a sample basis to ensure compliance with proper record keeping.  (3) Develop project site verification annual plans. | Mr. S. Henderson(DDG:EPWP) | 01/02/2018 | Partially resolved:  (1) One hundred and two (102) Site visits conducted to verify project information.  (2) Sixty seven (67) projects visited by the Environment & Culture and Social Sectors during the 1st Qtr 2017/18. 531 site visits have been conducted across the 4 sectors of EPWP. |
|  | **Predetermined objectives**: EPWP beneficiaries listed on the EPWP reporting system list not employed on the project.  (1) Engagements will be held with public bodies to ensure that participants are loaded onto the reporting system while implementing projects.  (2) 700 site visits to be made to compare participants on site against those on the system.  (3) Convene monthly management meetings on verification of projects reported in the EPWP RS vs planned project list template and follow up for alignment for the Sectors.  (4) Conduct ad hoc project site verification visits | Mr. S. Henderson(DDG:EPWP) | 01/02/2018 | Partly resolved:  (1) One hundred and two (102) Site visits conducted to verify project information.  (2) Project list template was reviewed and work shopped among sector implementing public bodies in the first (1st Qtr 2017/18) in all nine provinces.  (3) Of the 694 planned provincial projects in 2017/18 financial year, 569 have been captured on EPWP-RS by the Sectors. 531 site visits have been conducted across the 4 sectors of EPWP |
|  | **Goods and Services -**  Payments made after 30 days from the receipts of the invoice (1)Regular monitoring to be implemented to ensure payments are made within 30 days from invoices  (2) Corrective action to be taken to address the control weakness.  (3)Employees contributing to late payments to be reported to management for disciplinary actions to be taken against them. | Ms R. Sadiki(DDG:Finance & SCM) | 30/01/2018 | Partly resolved:  (1)Between April and July, 92% were paid within 30 days |
|  | **Key Management Personnel -**  Disclosure note is not correctly calculated  (1)Adequate review by both Human Resources Directorate and Finance Directorate of supporting schedules used in preparation of Key Management Disclosure note to ensure accurate and complete information disclosed. | Ms R. Sadiki(DDG:Finance & SCM) | 01/02/2018 | Partly resolved:  (1)Key Management Personnel disclosure was review during the preparation of the first quarter interim financial statements preparations |
|  | **Contingent Liabilities -**  Amount disclosed differs with confirmation from State Attorneys  State Attorney confirmation will be obtained before the disclosure of the claims against the Department in the annual financial statements disclosure note. | Ms R. Sadiki(DDG:Finance & SCM) | 01/02/2018 | Resolved:  (1) No new claims against the State reported to date |
|  | **Predetermined Objectives** Inconsistencies were noted between the performance indicators included in the approved Annual Performance Plan and Annual Performance Report.  (1)Quarterly review of reported performance in accordance with the APP to be monitored;  (2)Deviations to be corrected when identified and line functions to be advised accordingly | Mr. I. Fazel(DDG:GRC) | 31/03/2018 | Partially resolved:  (1)The Performance Reporting template has been assessed and the current KPIs are aligned to the APP. The verified performance Reports confirm this alignment  (2)The M&E will continue to monitor this quarterly to ensure consistency each quarter till Annual Report |
|  | **Predetermined objectives (2017-18 APP)** – Not all the targets from MTSF were included in the APP  (1)The DPME as the responsible custodians of the MTSF did not consult with sector Departments when amending the MTSF Chapter 4.  (2) Furthermore, this KPI is a repetition of KPI 1 which is reporting the same WOs in an aggregated form.  (3) Although the Department does not agree that this should be an additional KPI (both in the MTSF Chapter 4 and in the APP), it has been included into the 2017/18 APP for compliance. | Mr. I. Fazel(DDG:GRC) | 01/03/2018 | Resolved Completed:  (1)The KPI was included in the 2017/18 APP. |
|  | **Predetermined Objectives -** Reported targets not consistent when compared with planned targets  (1) Quarterly review of reported performance in accordance with the APP will be monitored and deviations will be corrected when identified and line functions will be advised accordingly | Mr. I. Fazel(DDG:GRC) | 31/03/2018 | Partially resolved:  (1)The finding will be monitored quarterly  (2)The Performance Reporting template has been assessed and the current targets are aligned to the APP. The verified performance Reports confirm this alignment  (3)The M&E will continue to monitor this quarterly to ensure consistency each quarter till Annual Report |
|  | **Procurement and Contract Management**: -  SMS members did not declare their interest  (1) SMS Disclosures submitted to Public Service Commission for verification (2016/2017) SMS non-disclosure of companies as per AG Findings.  (2)Non-disclosure forwarded for investigation by Anti-Fraud and Corruption.  (3) Disciplinary action to be taken after outcome of investigation.  (4) E-disclosure porthole by DPSA to very financial disclosures against CIPC Communique to be send out to all SMS to submit Financial disclosures through the e-disclosure porthole, action to be taken for non-disclosure and explanation of what must be declared. | Ms T. Hlatshwayo(DDG:CS) | 31/12/2018  31/01/2018  31/03/2018 | Partially resolved:  (1) Communique was circulated on 27 March 2017 and reminders on 4 April 2017, 11 April 2017, 18 April 2017 and 25 April 2017 as well as personal follow-ups to ensure 100% compliance.  (2) Disclosures were submitted to the Public Service Commission before 31 May 2017.  (3) SMS and below staff identified by AG was forwarded for investigation on 13 July 2017 to Fraud and Anti-Corruption Unit.  (4) The current e-disclosure porthole is being amended to allow Departments to do checks against CIPC, DEEDS and E-natis.  (5) The amendments are due to come into effect on the 1 October 2017 and the amendments to the disclosure porthole will allow the Department to verify against CIPC. |
|  | **Procurement and Contract Management**: No approval obtained for remunerative work  (1)A remunerative work circular issued quarterly to ensure compliance with new categories identified by the MPSA for submission of financial disclosure of all interest by the designated groups to be verified against CIPC, DEEDS and E-Natis.  (2) Cases of non-disclosure to be forwarded for investigation and disciplinary action to be taken in line with the recommendations of the relevant Directives. | Ms T. Hlatshwayo(DDG:CS) | 31/03/2018 | Partially resolved:  (1) Remunerative work circular compiled and will be circulated before end of second quarter.  (2) Regular reminders have been forwarded in terms of the new categories for disclosure of Interest.  (3) Posters have been placed in the lifts.  (4) 6 Sessions at Head Office and 2 in the Regions have been held to assist employees with disclosures.  (5) Heads of HR in the Regions were trained on the financial disclosure.  (6) Employees are also being assisted individually. |
|  | **Human Resource Management -**Payroll certificates not certified and returned timeously  (1) Investigate the possibility of printing payroll certificates in Regions.  (2) Implement Payroll Delivery Registers to Regions.  (3) Enhance the current Payroll Register to Units. Possibly confirmation of Payroll Certificates in line with Treasury Regulations to be transferred to Heads of HR in the Regions. | Ms T. Hlatshwayo(DDG:CS) | 30/04/2018  30/09/2017  30/04/2018 | Partially resolved:  (1) Investigation completed only 5 printing stations available: Pretoria, Bloemfontein, Pietermaritzburg, Bisho and Cape Town therefore will not assist the process at the moment. Payroll Delivery Register to Regional Offices have been compiled.  (2) Currently Payroll Register to Units was amended to include follow-up to Units to ensure timeous submission.  (3) The possibility of management of the confirmation of Payroll Certificates in line with Treasury Regulations to be transferred to Heads of HR in the Regions is being investigated. |
|  | **Human Resource Management**  Leave forms not captured timeously  (1)Reminders to all staff on timeous submission of leave forms every month.  (2) HR to reconcile leave received with leave captured Heads of Units informed of late submission of leave forms.  (3) Quarterly reports on late submission to CD: HRM.  (4) Quarterly reports on late submission to CD: HRM. | Ms T. Hlatshwayo(DDG:CS) | 15th monthly  30/09/2018  30/09/2018 | Partially Resolved:  (1) Communique was circulated on 30 May 2017 for the quarterly ending 30 June 2017. The communique will no longer be send per quarter but every month.  (2) The reconciliation of leave received will be in place by 30 September 2017.  (3) The leave liability for Quarter 1 was submitted to Finance in line with the quarterly reminder. |
|  | **Human Resource Management:** Management of vacancy rates  (1)The implementation of the organisational structures for PMTE and DPW (matching and placing).  (2) Allocation of sufficient compensation budget to fill vacant positions.  (3) Activation on the Persal establishment of funded vacant positions for immediate advertising and filling. | Ms T. Hlatshwayo(DDG:CS) | 31/03/2018 | Partially Resolved:  (1) The approved organisational structures for PMTE and DPW are being implemented with effect from 1 April 2017.  (2) Consultation on the migration framework has concluded and to be signed-off by 18 August 2017. Email requesting Branches to identify and submit priority positions for advertising and filling issued.  (3) Circular informing employees on the advertisement of positions issued 04 August 2017.  (4) Bilateral engagements with Labour resolved that matching and placement at salary levels 14 and below should proceed.  (5) Submission to approve the matching and placement at salary level 14 and below on route for approval by the Director-General. |
|  | **Human Resource Management** - Performance agreement deviations  (1) Send reminders to all SMS members to submit signed PA’s timeously.  (2) Institute disciplinary action against members who do not comply with the SMS Handbook and the DPSA instructions.  (3) Recommend members who do not comply with the SMS Handbook and DPSA instructions to not be considered to receive performance related incentives. | Ms T. Hlatshwayo(DDG:CS) | 31/03/2018 | Partially resolved:  (1)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 to comply.  (2) Disciplinary action was instituted against those SMS Members who do not sign and submit PA’s for the 2016/2017 PMDS Cycle as well as those SMS Members who signed their performance agreements after the due date.  (3) Attached is proof of the submission written to the DG re: compliance re: SMS PA’s for the 2016/2017 PMDS Cycle as well as an example of a letter to an SMS Member in this regard. Those SMS Members who failed to meet the compliance requirements of the SMS Handbook and DPSA Instructions may not be considered to receive performance related incentives for the said PMDS Cycle. |
|  | **Security Management** - Management did not implement adequate security management controls.  (1) Finalise Firewall installation at 2 remaining sites.  (2) Implement Patch management.  (3) Update Security Policy | Ms T. Hlatshwayo(DDG:CS) | 31/03/2018 | Resolved:  (1) Firewall installation has been completed for all sites.  (2) IT Security policy is in place Patch management is implemented on all servers. |
|  | **IT Service Continuity** –  An ICT Disaster recovery plan (DRP) had been documented however the plan had not been approved  Complete updating of DRP | Ms T. Hlatshwayo(DDG:CS) | 01/02/2018 | Resolved:  DRP and BCP document has been completed, awaiting signoff |

1. Details on the status of implementing the previous year(s) recommendations is provided in section 10, which summarises the detailed audit findings.
2. All commitments and actions implemented will be followed up and confirmed during the final audit.

**SECTION 5: Value add matters**

1. One of the value-add areas that we will report with respect to DPW is the management and delivery of key programmes for the Estimates of National Expenditure (ENE). The key programme that will be reported on in the 2017/18 is the expanded public works programme
2. The key messages on EPWP will address the following:

* Key areas and key projects within EPWP
* Effective and efficient monitoring by DPW of the implementation of EPWP
* Utilisation of budget
* Accounting for expenditure
* Achievement of targets
* Money spent vs achievement of targets – money used for intended purpose (wastage, loss etc.)
* Management of grants and transfers
* Level of training provided on the EPWP projects
* Implementation of previous recommendations

1. Audit procedures will be focused at project level to determine whether the money was used for its intended purposes.
2. Any issues identified will be reported in the management report of the relevant provincial departments and a consolidated message will be included in the management report of the national department.

**SECTION 6: EPWP**

EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

1. The EPWP Programme is a key government initiative, which contributes to Governments Policy Priority in terms of decent work & sustainable livelihoods. EPWP subscribes to outcome 4 in the Medium Term Strategic Framework (MTSF) which sets out to achieve “Decent employment through inclusive economic growth.”
2. Phase III of the EPWP is being implemented over the 2014/2015 – 2018/2019 financial years with the aim of creating six million work opportunities by the end of the period.
3. EPWP Phase III is based on the following four principles:
   1. Adherence to the EPWP minimum wage and employment conditions under the EPWP ministerial determination.
   2. Selection of workers based on clearly defined process and defined criteria
   3. Work provides or enhances public goods or community services
   4. Minimum labour intensity appropriate to each sector.
4. The department is responsible for the transfer and monitoring of the following conditional grants:

a) Expanded Public Works Programme Integrated Grant for Municipalities

b) Expanded Public Works Programme Integrated Grant for Provinces

c) Social Sector Expanded Public Works Programme Incentive Grant for Province

1. Audit work was performed in interim period, and issues similar to those previously identified were noted to have recurred in the current period, including inter alia the following:
   * 1. Work opportunities reported at these projects were not always supported by reliable supporting evidence, such as identity documents, attendance registers and proof of payments.
     2. Reported beneficiaries were in some cases deceased.
     3. The identity numbers of some beneficiaries were found to be invalid.
     4. Some beneficiaries were included on multiple projects when they worked on only one project
     5. Beneficiaries not listed on the beneficiary list of the project
2. The findings that were identified on monitoring of performance on the expanded public works programme indicate that it is not yet functioning optimally, and it cannot be concluded that the earmarked funds were in all instances spent in line with the intended purposes to reach the people as planned.
3. During the interim audit we visited a total of 55 public bodies and we identified that 34 (61.82%) public bodies had findings. The graphics below further demonstrates that all the provinces are still experiencing challenges with EPWP.

**Overview of system challenges**

1. This overview was prepared based on the information system in use during the 2017-18 financial year.

1. The following are the exceptions noted in the current financial year. Management is currently investigating these matters for follow up during the final audit:

|  |  |  |
| --- | --- | --- |
| **Test** | **Number of records in the interim** | **Prior year records** |
| Beneficiaries have invalid ID numbers | 70 | 65 |
| Beneficiaries wages less than R87,00 per day | 27 277 | 6043 |
| Beneficiaries with the Persal number | 40 | 74 161 |
| Deceased beneficiaries | 3 | 116 |
| Beneficiaries older than 65 years old | 7 617 | 18 259 |
| Beneficiaries appearing in the multiple projects in the current year | Not done – To be updated at final | 95 027 |
| Beneficiaries worked more days than allowed | 19 337 | Not done |

1. **Deceased beneficiaries** – The number of deceased workers are 3 in 2017/18 (2016/17: 116). The EPWP RS is fully integrated with the Home Affairs to check on the deceased participants. All the EPWP participants are verified at the point of entry into the system and there is also a continuous verification that is established through a live link with the Department of Home Affairs
2. **No identity numbers (ID’s) and invalid identity numbers** – We have identified 70 such instances in the current financial year which represents a slight regression in this area (2016/17: 65). The department advised that EPWP RS has built in validation rules that make it impossible for the participant to be reported without a valid ID number that is verified with the Department of Home Affairs. However the exceptions identified in the current financial year indicates that the controls implemented by management appear to be ineffective
3. **Minimum wage** – We identified 27 277 beneficiaries who were paid a wage below the minimum wage of R87 per day in the current year (2017/18: 6 043).

This represents non-compliance with the new ministerial determination issued by the Department of Labour.

1. **Employees on PERSAL** – We identified 40 beneficiaries who are included on PERSAL in the current year (2016/17: 74 161). We have highlighted this matter for the department to ensure that the beneficiaries paid are not permanent employees of any public bodies.
2. **Beneficiaries working more days than allowed –** We have highlighted this matter for the department to investigate as we identified beneficiaries approaching 200 days or worked more than 200 days as at the end of quarter 3.

**Recommendations**

1. EPWP should be optimized in MIG MTEF Allocation. This relates to the unfunded work opportunities created and the recommendations can assist with ensuring completeness of recording all unfunded work opportunities. This can be achieved through the following:
   * Confirmation of EPWP principles and practices in municipal planning and budgeting
   * Identifying of EPWP projects during project inception
   * This will require DPW to engage with individual municipalities, to guide and empower them on EPWP principles and to optimise EPWP principles in projects
2. To improve/ strengthen roles of DPW in the project value chain and not only when projects are appraised - Monitoring the output as set out during planning and/ or appraisal
3. DPW should consider including EPWP principles within the sector norms and standards
4. DPW should enhance its capacity to ensure that sufficient support is provided to municipalities.

**SECTION 7: Interim review of the draft 2018/19 Annual Performance Plan**

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.
2. For purposes of this report we have performed an assessment of the usefulness criteria.
3. No findings were raised pertaining to the usefulness criteria for the approved 2018/19 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. I have audited the usefulness of the draft annual performance plan 2018/19 for the department and no material findings were raised.

**SECTION 8: Emerging risks**

**Treasury Regulations**

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

**Local content**

Over the past two financial years there has been an increase in the number of instances, identified by management, as well as through the audit process, relating to non-compliance with the Preferential Procurement Regulation relating to local content. The areas of non-compliance include:

* bid documentation for procurement of commodities designated for local content and production, which did not stipulate the minimum threshold for local production and content, as required by Preferential Procurement Regulation 9(1);
* commodities designated for local content and production, which were procured from suppliers who did not submit a declaration on local production and content, as required by Preferential Procurement Regulation 9(1); and/or
* commodities designated for local content and production, which were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by Preferential Procurement Regulation 9(5).

Although the instances of non-compliance have not been assessed as material to date, intensified focus on this area of procurement is recommended to prevent a situation where the number of instances of non-compliance identified by management, combined with those instances identified during the audit process, exceed materiality considerations and require material non-compliance to be reported on in the auditor’s report.

**SECTION 9: Ratings of detailed audit findings**

* For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:
* Matters to be included in the auditor’s report: These matters should be addressed as a matter of urgency.
* Other important matters: These matters should be addressed to prevent them from leading to material misstatements of the financial statements or material findings on the performance report and compliance with legislation in future.
* Administrative matters: These matters are unlikely to result in material misstatements of the financial statements or material findings on the performance report and compliance with legislation.

**SECTION 10: Conclusion**

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

Yours faithfully

Dipallo Shea

Senior Manager: National A

[Date of signature]

Enquiries: Danvon van der Berg

Telephone: 012 426 8000

Email: danvonv@agsa.co.za

**Distribution:**

Audit committee

Head of internal audit uni

**SECTION 11: Summary of detailed audit findings**

| **Page no.** | **Finding** | **Classification** | | | | | **Rating** | | | **Number of times reported in previous three years** | **Status of implementation of previous year(s) recommendation** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Misstatements in financial statements** | **Misstatements in annual performance report** | **Non-compliance with legislation** | **Internal control deficiency** | **Service delivery** | **Matters affecting the auditor’s report** | **Other important matters** | **Administrative matters** |
| **Predetermined objectives** | | | | | | | | | | | |
| 22 | Predetermined objectives: Projects not reported on the EPWP reporting system. |  | X |  |  |  |  | X |  | 3 | In progress |
| 25 | Predetermined objectives: EPWP beneficiaries were not reported on the EPWP third quarter data. |  | X |  |  |  |  | X |  | 2 | In progress |
| 32 | Predetermined objectives: Non submission of ID copies, attendance register and proof of payments |  | X |  |  |  |  | X |  | 3 | In progress |
| 39 | Predetermined objectives: Beneficiaries listed on the EPWP reporting system list not employed on the project |  | X |  |  |  |  | X |  | 3 | In progress |
| **Human Resource Management** | | | | | | | | | | | |
| 42 | Human Resource Management: Payroll certificates not certified and returned timeously. |  |  | X |  |  |  | X |  | 3 | In progress |
| **Contract and Procurement Management** | | | | | | | | | | | |
| 46 | Pretoria Regional Office - Non submission of information (Scope Limitation) |  |  | X |  |  |  | X |  | 1 | In progress |
| **Movable Tangible Assets** | | | | | | | | | | | |
| 48 | Movable asset – Movable asset could not be verified | X |  |  |  |  |  | X |  | 1 | In progress |

**Detailed audit findings**

**ANNEXURE B: OTHER IMPORTANT MATTERS**

Predetermined Objectives

1. Predetermined objectives: EPWP projects were not reported on the EPWP reporting system

**Audit Finding**

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*”.

b) In terms of Public Finance Management Act (PFMA) section 40(3)(a) states that:

*“The annual report and audited financial statements referred to in subsection (1)(d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned;”*

The EPWP Incentive grant projects were not reported on the Q3 EPWP reporting system as at 31 December 2017.

| **No.** | **Public body** | **Project code** | **Project name** | **No of beneficiaries listed on the municipal records** | **Municipal year of approval** |
| --- | --- | --- | --- | --- | --- |
| 1 | uMsinga Local Municipality - Durban | 55394 | Ezingqungeni access road | Unknown | 2017/18 |
| 2 | uMsinga Local Municipality - Durban | Unknown | Obisini access road | Unknown | 2017/18 |
| 3 | uMsinga Local Municipality - Durban | Unknown | Mambeni access road | Unknown | 2017/18 |
| 4 | uMsinga Local Municipality - Durban | 55386 | Mabaso access road | Unknown | 2017/18 |
| 5 | Buffalo City Metro Municipality -  Port Elizabeth | BCMMDVR17 | IG/Duncan Village Revitalization program | Unknown | 2017/18 |
| 6 | Buffalo City Metro Municipality -  Port Elizabeth | BCMMGC04 | IG/Ginsberg cleaning | Unknown | 2017/18 |
| 7 | Buffalo City Metro Municipality -  Port Elizabeth | BCMMPM02 | IG/Pierie Mission food security Program | Unknown | 2017/18 |
| 8 | Buffalo City Metro Municipality -  Port Elizabeth | BCMMWM01 | IG/Waste Minimization | Unknown | 2017/18 |
| 9 | Buffalo City Metro Municipality -  Port Elizabeth | BCMMADC05 | IG/Administration | Unknown | 2017/18 |
| 10 | Buffalo City Metro Municipality -  Port Elizabeth | CE 119 | Inland Sanitation backlog - Ndevana | Unknown | 2017/18 |
| 11 | Buffalo City Metro Municipality -  Port Elizabeth | CE 119- Khayelisha | Khayelisha | Unknown | 2017/18 |
| 12 | Buffalo City Metro Municipality -  Port Elizabeth | CE 119- Mamata | Mamata | Unknown | 2017/18 |
| 13 | Buffalo City Metro Municipality -  Port Elizabeth | CE 119- Quzini | Quzini | Unknown | 2017/18 |
| 14 | Buffalo City Metro Municipality -  Port Elizabeth | CE 119 /3 | Sanitation - Ncera 8 | Unknown | 2017/18 |
| 15 | Buffalo City Metro Municipality -  Port Elizabeth | BCMM/DES/PMU/RDS/137 | Upgrading gravel road - mdatsana cluster 1 phase 3 | Unknown | 2017/18 |
| 16 | Buffalo City Metro Municipality -  Port Elizabeth | BCMM/DES/PMU/RDS/1378 | Upgrading of mdanstane road cluster 3 phase 3 | Unknown | 2017/18 |
| 17 | Buffalo City Metro Municipality -  Port Elizabeth | CE 119 /2 | VIP Toilets - Ezigodweni | Unknown | 2017/18 |

The aforementioned finding may result in:

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

b) Understatement of work opportunities created.

**Internal control deficiency**

Reason for the deviation:

Project lists are not regularly reviewed, validated and reported on the National Department of Public Works and Expanded Public Works Programs (EPWP) project list to ensure that all participants are captured on EPWP reporting system.

Similar findings were raised in the prior year audit. However as the finding has recurred in the current year, 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**

The department should perform adequate and frequent reviews of project lists and it must be reviewed by the senior officials to ensure that all the projects are captured on EPWP reporting system.

**Management response**

| **No.** | **Name of Project** | **Response Provided** | **Responder** |
| --- | --- | --- | --- |
| 1 | Ezingqungeni access road | No management response received | Outstanding |
| 2 | Obisini access road | No management response received | Outstanding |
| 3 | Mambeni access road | No management response received | Outstanding |
| 4 | Mabaso access road | No management response received | Outstanding |
| 5 | IG/Duncan Village Revitalization program | No management response received | Outstanding |
| 6 | IG/Ginsberg cleaning | No management response received | Outstanding |
| 7 | IG/Pierie Mission food security Program | No management response received | Outstanding |
| 8 | IG/Waste Minimization | No management response received | Outstanding |
| 9 | IG/Administration | No management response received | Outstanding |
| 10 | Inland Sanitation backlog - Ndevana | No management response received | Outstanding |
| 11 | Khayelisha | No management response received | Outstanding |
| 12 | Mamata | No management response received | Outstanding |
| 13 | Quzini | No management response received | Outstanding |
| 14 | Sanitation - Ncera 8 | No management response received | Outstanding |
| 15 | Upgrading gravel road - mdatsana cluster 1 phase 3 | No management response received | Outstanding |
| 16 | Upgrading of mdanstane road cluster 3 phase 3 | No management response received | Outstanding |
| 17 | VIP Toilets - Ezigodweni | No management response received | Outstanding |

**Auditor’s conclusion**

Inspected the Q3 project list and noted that none of the above-mentioned projects were captured on the EPWP reporting system. Therefore, the finding remains unresolved.

Predetermined objectives: EPWP beneficiaries were not reported on the EPWP Q3 data.

**Audit Findings**

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*”.

b) In terms of Public Finance Management Act (PFMA) section 40(3) (a) states that:

*“The annual report and audited financial statements referred to in subsection (1)(d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned;”*

During the audit of EPWP projects at the various Public bodies the following beneficiaries for the projects listed below were ` included on the attendance registers and the proof of payment could be obtained. However these beneficiaries were not included on the beneficiary list for the respective project as at 30 September 2017.

| **No.** | **Public body** | **Project name** | **Project code** | **Number of beneficiaries not included in the project list** | **Number of work opportunities reported** |
| --- | --- | --- | --- | --- | --- |
| 1 | Maluti-A-Phofung Local Municipality -  Bloemfontein | Maluti - a- Phofung Revenue and Job Creation EPWP | 59270-EPWP3M | 0 067 | 1 687 |
| 2 | Mangaung Local Municipality -  Bloemfontein | Non-State Sector Community Work Programme- Mangaung 18001 | 301381-CWP | 0 093 | 0 236 |
| 3 | Ngwathe Local Municipality - Bloemfontein | Parys Upgrading of pumps and pipelines | 59460-EPWP3M | 0 011 | 0 017 |
| 4 | Setsoto Local Municipality -  Bloemfontein | Setsoto bucket eradication project | 50283-EPWP3M | 0 006 | 0 087 |
| 5 | Tokologo Local Municipality -  Bloemfontein | Construction of the Bulk water abstraction point | 58702-EPWP3M | 0 001 | 0 025 |
| 6 | Ditsobotla Local Municipality - Mmabatho | Non-State Sector Community Work Programme | 301290-CWP | 0 265 | 0 301 |
| 7 | Dr. Ruth Segomotsi Mompati District Municipality - Mmabatho | Rural Sanitation Programme for Dr RSM District Municipality | 58704-EPWP3M | 0 179 | 0 201 |
| 8 | Greater Taung Local Municipality - Mmabatho | Non-State Sector Community Work Programme | 301326-CWP | 0 259 | 1 007 |
| 9 | Greater Taung Local Municipality - Mmabatho | Chokonyane 2 Small Bridge | 37876-EPWP3M | 0 006 | 0 001 |
| 10 | Moretele Local Municipality - Mmabatho | Construction of Office Space in Mathibestad Area | 45539-EPWP3M | 0 011 | 0 026 |
| 11 | Kareeberg Local Municipality -  Kimberley | Non-State Sector Community Work Programme | 301336-CWP | 0 277 | 0 058 |
| 12 | Breede Valley Local Municipality - Cape Town | IG/Solid Waste and Area Cleaning | 40936-EPWP3M | 0 002 | 0 229 |
| 13 | City Of Cape Town Metro Municipality - Cape Town | Upgrade of sections of Strandfontein Road | 53316-EPWP3M | 0 002 | 0 041 |
| 14 | George Local Municipality -  Cape Town | George New 12.5 Reservoir | 49048-EPWP3M | 0 016 | 0 014 |
| 15 | Richmond Local Municipality - Durban | IG/Greening and Beautification | 40021-EPWP3M | 0 001 | 0 076 |
| 16 | Richmond Local Municipality - Durban | Hopewell Internal Roads | 51917-EPWP3M | 0 003 | 0 008 |
| 17 | uMvoti Local Municipality -  Durban | IG/Keeping Umvoti Clean Project | 41797-EPWP3M | 0 001 | 0 024 |
| 18 | Emadlangeni Local Municipality -  Durban | IG/Beautification Of Caravan Game Park | 48163-EPWP3M | 0 010 | 0 036 |
| 19 | Emadlangeni Local Municipality -  Durban | eMadlangeni 18001 | 301282-CWP | 0 102 | 1 045 |
| 20 | uMhlabuyalingana Local Municipality -  Durban | IG/Umhlabuyalingana Waste Management | 5543-EPWP3M | 0 009 | 0 089 |
| 21 | uMhlabuyalingana Local Municipality -  Durban | Umhlabuyalingana Community Base Care | 51163-EPWP3M | 0 010 | 0 093 |
| 22 | Joe Gqabi District Municipality - Port Elizabeth | Sterkspruit infrastructure upgrade phase 2 | 52799-EPWP3M | 0 023 | 0 017 |
| 23 | Chris Hani Local Municipality -  Port Elizabeth | Cluster 6 Water Backlog Gqaga Bulk Supply- Rising | 30777-EPWP3M | 0 004 | 0 036 |
| 24 | Joe Gqabi District Municipality - Port Elizabeth | Senqu 18001 | 301280-CWP | 1 618 | 0 362 |
| 25 | O.R Tambo District Municipality -  Port Elizabeth | Construction of 4,7KM DN300GRP Megacom Gravity Main | 52978-EPWP3N | 0 001 | 0 018 |
| 26 | Buffalo City Metro Municipality - Port Elizabeth | KWT Public Transport - Facilities Upgrade | 51172-EPWP3M | 0 008 | 0 019 |
| 27 | Buffalo City Metro Municipality - Port Elizabeth | IG/Maintenance of Eco Parks and Cemetries | 42348-EPWP3M | 0 018 | 0 097 |
| 28 | Buffalo City Metro Municipality - Port Elizabeth | West Bank Restitution | 50940-EPWP3M | 0 028 | 0 022 |
| 29 | Camdeboo COGTA - Port Elizabeth | Camdeboo 18001 | 301400-CWP | 0 250 | 0 075 |
| 30 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | Construction of Civil Eng. Services in Qaqawuli | 44277-EPWP3M | 0 013 | 0 044 |
| 31 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | FishWater Flats WTW Phase 4 | 58117-EPWP3M | 0 006 | 0 010 |
| 32 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | Baakens River Valley | 51637-EPWP3M | 0 137 | 0 302 |
| 33 | Greater Letaba Local Municipality -  Polokwane | IG/GLM Infrastructure maintenance | 41776-EPWP3M | 0 013 | 0 078 |
| 34 | Polokwane Local Municipality - Polokwane | Seshego (B | 55052-EPWP3M | 0 005 | 0 063 |
| 35 | Polokwane Local Municipality - Polokwane | GNS Security | 45065-EPWP3M | 0 004 | 0 081 |
| 36 | Sedibeng District Municipality - Johannesburg | IG/Cleaning and maintenance of the heritage site | 50888-EPWP3M | 0 031 | 0 066 |
| 37 | City Of Ekurhuleni Metro Municipality - Johannesburg | Community Emergency Response Team | 14681-EPWP3M | 0 003 | 0 511 |
| 38 | City Of Ekurhuleni Metro Municipality - Johannesburg | Primary Health Care Support Programme | 30944-EPWP3M | 0 005 | 0 103 |
| 39 | City Of Tshwane Metro Municipality - Johannesburg | Water purification plant upgrades- Temba | 8314-EPWP3M | 0 063 | 0 178 |
| 40 | City Of Johannesburg Metro Municipality - Johannesburg | IG/Home Community Based Care Project | 48107-EPWP3M | 0 105 | 0 230 |
|  | **Total** | | | **3 666** | **7 613** |

The aforementioned finding may result in:

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

b) Understatement of work opportunities created.

**Internal control deficiency**

Reason for the deviation:

1. Beneficiary lists and attendance registers are not regularly reviewed to ensure that all participants are captured on EPWP reporting system.
2. The absence of adequate controls on the information systems to facilitate the validity of reported information. i.e. validating timesheets before capturing on the information systems.
3. Inadequate system integration between the EPWP reporting system and MIS system.

Similar findings were raised in the prior year audit. However as the finding has recurred in the current year, 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**

1. The department should perform frequent and adequate reviews of beneficiary lists and attendance registers from the public bodies to ensure that all participants are captured on EPWP reporting system.
2. The department should investigate the enhancement of the system integration between the EPWP reporting system and MIS system.

**Management response**

| **No.** | **Name of Project** | **Response Provided** | **Responder** |
| --- | --- | --- | --- |
| 1 | Maluti - a- Phofung Revenue and Job Creation EPWP | No management response received | Outstanding |
| 2 | Non-State Sector Community Work Programme- Mangaung 18001 | No management response received | Outstanding |
| 3 | Parys Upgrading of pumps and pipelines | No management response received | Outstanding |
| 4 | Setsoto bucket eradication project | No management response received | Outstanding |
| 5 | Construction of the Bulk water abstraction point | Although supporting documentation was submitted, no formal response received | Outstanding |
| 6 | Non-State Sector Community Work Programme | No management response received | Outstanding |
| 7 | Rural Sanitation Programme for Dr RSM District Municipality | No management response received | Outstanding |
| 8 | Non-State Sector Community Work Programme | No management response received | Outstanding |
| 9 | Chokonyane 2 Small Bridge | No management response received | Outstanding |
| 10 | Construction of Office Space in Mathibestad Area | No management response received | Outstanding |
| 11 | Non-State Sector Community Work Programme | No management response received | Outstanding |
| 12 | IG/Solid Waste and Area Cleaning | The participants in Annexure (A) were all registered and captured in the system except one participants Mr. Albert Mzayifani Mayekiso ID NO: 6510285493088 that we received his documents after the system closing date in May 2017, Mr. Mayekiso was therefore registered and captured in the new Solid Waste Project of 2017/2018, which started 01 July 2017, The two other participants that are not listed on the beneficiary list are Ms. Mandy Scheepers ID NO:9212140149081, Mr. Bennie Hermanus ID NO: 7505175122085, this is due to fact that they started in September and October 2017, I have enclosed the contract of employment, time and attendance registers and pay schedules.  In the 2016/2017 financial year Mr. Haton Neal Louw ID NO: 8608305158083, Ms. Katrina Maya ID NO: 8111030150087 and Ms. Cecilia Bratt ID NO: 6805190567087 worked under separate own funded EPWP project of the Breede Valley Municipality; this project were implemented in the outside Towns of the Breede Valley Municipality; Rawsonville and Touwsriver. These projects are now integrated into one Solid Waste and Area Cleaning Projects of the Breede Valley Municipality. For more clarity, concerning above I have enclosed all the necessary documents to support.  Copy of our validated report will also be enclosed. | Name: Luthando Ngqabuko    Position: EPWP Coordinator (Champion) Breede Valley Local Municipality  Date: 15 December 2017 |
| 13 | Upgrade of sections of Strandfontein Road | Agree with the understatement finding and with the exception of Matthew Dayimani the rest of the beneficiaries were not captured on to the EPWPRS.  Mr. Dayimani was captured however his ID copy was considered invalid and an updated ID was requested from the service provider.  All the 5 beneficiaries under reported will be captured onto the EPWPRS. | Name: Regan Melody  Position: Manager: EPWP  Date: 19 December 2017 |
| 14 | George New 12.5 Reservoir | Participants under-mentioned are on the system as per evidence from the system attached on the George Reservoir WWTW MIG project (Profile ID code 49048) | Name: Mr. S Marillac  Position: Senior Manager  Date: 14 December 2017 |
| 15 | IG/Greening and Beautification | No management response received | Outstanding |
| 16 | Hopewell Internal Roads | No management response received | Outstanding |
| 17 | IG/Keeping Umvoti Clean Project | No management response received | Outstanding |
| 18 | IG/Beautification Of Caravan Game Park | No management response received | Outstanding |
| 19 | eMadlangeni 18001 | No management response received | Outstanding |
| 20 | IG/Umhlabuyalingana Waste Management | No management response received | Outstanding |
| 21 | Umhlabuyalingana Community Base Care | No management response received | Outstanding |
| 22 | Sterkspruit infrastructure upgrade phase 2 | I am in agreement with the finding for the following reasons:  Of the 40 participants that were captured and reported by the Joe Gqabi District Municipality, the EPWP-Reporting System (EPWP-RS) validated only 17 as per the published Q2 report. This was attributed to the rest of the ID copies not passing validation due to various discrepancies. However, the ID copies were loaded and the validated Q3 (**Attached Annexure A**) has now 38 participants reported for the project. | Name: Mr S.W. Henderson  Position: Deputy Director-General (DDG): EPWP |
| 23 | Cluster 6 Water Backlog Gqaga Bulk Supply- Rising | I am in agreement with the finding for the following reasons:  The 4 participants did not form part of the validated Q2 data due to failing the validation process. However, the 4 have been updated and their ID copies reloaded on the EPWP-Reporting System (EPWP-RS) and are part of the validated Q3 report. (**Annexure A & B**). | Name: Mr S.W. Henderson  Position: Deputy Director-General (DDG): EPWP |
| 24 | Senqu 18001 | No management response received | Outstanding |
| 25 | Construction of 4,7KM DN300GRP Megacom Gravity Main | I am in agreement with the finding for the following reasons:  The following can be noted with regards to the 3 participants not validated in Q2 of 2017/2018:   1. One (1) participant, Wandi Sizinzo’s ID copy was reloaded on the EPWP-Reporting System (EPWP-RS) which passed validated and is reflecting on the Q3 published data (**Annexure A**). 2. One (1) participant, Thulani Mavangxwana’s ID copy has not passed validation even after it was reloaded, the region will try to assist the DM (Annexure B). 3. Phumlani Ntshidi was not captured due to lack of valid supporting documents. | Name: Mr S.W. Henderson  Position: Deputy Director-General (DDG): EPWP |
| 26 | KWT Public Transport - Facilities Upgrade | No management response received | Outstanding |
| 27 | IG/Maintenance of Eco Parks and Cemetries | No management response received | Outstanding |
| 28 | West Bank Restitution | No management response received | Outstanding |
| 29 | Camdeboo 18001 | No management response received | Outstanding |
| 30 | Construction of Civil Eng. Services in Qaqawuli | No management response received | Outstanding |
| 31 | FishWater Flats WTW Phase 4 | I am in agreement with the finding for the following reason/s:-  Consideration of the facts below should be undertaken with regards to:-   1. **William Laloti** and **Edward Mateso**, these two participants were not captured into the system due to non-compliance with the EPWP- Reporting System (EPWP-RS) requirements as they did not confirm sign the Proof of payment submitted by the contractor. 2. **Clarence Mto, Siyasanga Maninjwa, Melvin Schameck and Luke Munro** were non- compliant as there were no labour days and payment amount next to their names on the labour schedule submitted to the municipality by the contractor. | Name: Mr S.W. Henderson  Position: Deputy Director-General (DDG): EPWP |
| 32 | Baakens River Valley | I am in agreement with the finding for the following reasons:-  The following should be noted with regards to the 137 unregistered participants:-   1. Out of the 137 participants that were reported to be unregistered, 118 has been registered and paid. 2. The remaining 19 participants – we have instituted an enquiry on the whereabouts of this information i.e. to ascertain where the list was drawn, as we cannot find these people on our filing. Since this project was long completed, we are trying to get contacts of the contractor which has since left site to determine whether these participants were active for the audited period | Name: Somikazi Nofilita-Doni  Position: Metro wide Coordinator  Date: 30 January 2018 |
| 33 | IG/GLM Infrastructure maintenance | No management response received | Outstanding |
| 34 | Seshego (B | I am in agreement with the finding | Name: M.P Kalauba  Position: Assistant Manager  Date: 27 November 2017 |
| 35 | GNS Security | No management response received | Outstanding |
| 36 | IG/Cleaning and maintenance of the heritage site | No management response received | Outstanding |
| 37 | Community Emergency Response Team | I am in agreement with the finding | Outstanding |
| 38 | Primary Health Care Support Programme | I am in agreement with the finding | Outstanding |
| 39 | Water purification plant upgrades- Temba | No management response received | Outstanding |
| 40 | IG/Home Community Based Care Project | No management response received | Outstanding |

**Auditors Response**

Management responses were noted. The Q3 participant list for the project was inspected and the listed participants do not appear on the Q3 participant list, therefore this issue remains unresolved and will be included in the management report.

Predetermined objectives: EPWP Non submission of ID copies, attendance registers and proof of payment

**Audit Finding**

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:

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

| **No** | **Public Body** | **Project Name** | **Project Code** | **Number of ID copies not provided** | **Number of work opportunities reported for the year** |
| --- | --- | --- | --- | --- | --- |
| 1 | Maluti-A-Phofung Local Municipality -  Bloemfontein | Maluti - a- Phofung Revenue and Job Creation EPWP | 59270-EPWP3M | 11 | 1 687 |
| 2 | Ngwathe Local Municipality - Bloemfontein | Parys upgrading of pumps and pipelines | 59460-EPWP3M | 10 | 0 017 |
| 3 | Setsoto Local Municipality -  Bloemfontein | Setsoto bucket eradication project | 50283-EPWP3M | 04 | 0 087 |
| 4 | Ditsobotla Local Municipality - Mmabatho | Non-State Sector Community Work Programme | 301290-CWP | 11 | 0 301 |
| 5 | uMhlabuyalingana Local Municipality -  Durban | Umhlabuyalingana Community Base Care | 51163-EPWP3M | 06 | 0 093 |
| 6 | Polokwane Local Municipality - Polokwane | GNS Security : Polokwane Local Municipality | 45065-EPWP3M | 01 | 0 081 |
|  | **Total** | | | **43** | **2 266** |

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

| **No** | **Public Body** | **Project Name** | **Project Code** | **Number of attendance registers not provided** | **Number of work opportunities reported for the year** |
| --- | --- | --- | --- | --- | --- |
| 1 | Setsoto Local Municipality -  Bloemfontein | Setsoto bucket eradication project | 50283-EPWP3M | 080 | 0 087 |
| 2 | Emadlangeni Local Municipality -  Durban | IG/Beautification Of Caravan Game Park | 48163-EPWP3M | 005 | 0 036 |
| 3 | Chris Hani Local Municipality -  Port Elizabeth | Cluster 6 Water Backlog Gqaga Bulk Supply- Rising | 30777-EPWP3M | 001 | 0 036 |
| 4 | Chris Hani Local Municipality -  Port Elizabeth | KWT Public Transport - Facilities Upgrade | 51172-EPWP3M | 003 | 0 019 |
| 5 | Buffalo City Metro Municipality - Port Elizabeth | West Bank Restitution | 50940-EPWP3M | 005 | 0 022 |
| 6 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | Construction of Civil Eng. Services in Qaqawuli | 44277-EPWP3M | 002 | 0 044 |
| 7 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | FishWater Flats WTW Phase 4 | 58117-EPWP3M | 002 | 0 010 |
| 8 | Greater Letaba Local Municipality -  Polokwane | IG/GLM Infrastructure maintenance | 41776-EPWP3M | 004 | 0 078 |
| 9 | Polokwane Local Municipality - Polokwane | GNS Security | 45065-EPWP3M | 004 | 0 023 |
| 10 | Sedibeng District Municipality - Johannesburg | IG/Cleaning and maintenance of the heritage site | 50888-EPWP3M | 002 | 0 066 |
| 11 | City Of Tshwane Metro Municipality - Johannesburg | Water purification plant upgrades- Temba | 8314-EPWP3M | 115 | 0 178 |
| 12 | City Of Johannesburg Metro Municipality - Johannesburg | IG/Home Community Based Care Project | 48107-EPWP3M | 050 | 0 230 |
| 13 | Mthatha EPWP RO | EC Magistrate courts | 28661-EPWP3N | 014 | 0 239 |
|  | **Total** | | | **287** | **1 068** |

c) No proof of payment was provided for the following beneficiaries.

| **No** | **Public Body** | **Project Name** | **Project Code** | **Number of proof of payments not provided** | **Number of work opportunities reported for the year** |
| --- | --- | --- | --- | --- | --- |
| 1 | Ngwathe Local Municipality - Bloemfontein | Parys Upgrading of pumps and pipelines | 59460-EPWP3M | 010 | 0 017 |
| 2 | Setsoto Local Municipality -  Bloemfontein | Setsoto bucket eradication project | 50283-EPWP3M | 005 | 0 087 |
| 3 | Dr. Ruth Segomotsi Mompati District Municipality - Mmabatho | Rural Sanitation Programme for Dr. RSM District Municipality | 58704-EPWP3M | 104 | 0 201 |
| 4 | Cape Town EPWP RO | Bredarsdorp Air force Base | 57926-EPWP3N | 002 | 0 060 |
| 5 | Cape Town EPWP RO | Goodwood Prison | 55688-EPWP3N | 002 | 0 039 |
| 6 | Emadlangeni Local Municipality -  Durban | IG/Beautification Of Caravan Game Park | 48163-EPWP3M | 005 | 0 036 |
| 7 | uMhlabuyalingana Local Municipality -  Durban | Umhlabuyalingana Community Base Care | 51163-EPWP3M | 0019 | 0 093 |
| 8 | Buffalo City Metro Municipality - Port Elizabeth | West Bank Restitution | 50940-EPWP3M | 006 | 0 022 |
| 9 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | Construction of Civil Eng. Services in Qaqawuli | 44277-EPWP3M | 002 | 0 044 |
| 10 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | FishWater Flats WTW Phase 4 | 58117-EPWP3M | 002 | 0 010 |
| 11 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | Baakens River Valley | 51637-EPWP3M | 234 | 0 302 |
| 12 | Greater Letaba Local Municipality -  Polokwane | IG/GLM Infrastructure maintenance | 41776-EPWP3M | 002 | 0 078 |
| 13 | Polokwane Local Municipality - Polokwane | Seshego : B) | 55052-EPWP3M | 003 | 0 063 |
| 14 | Polokwane Local Municipality - Polokwane | GNS Security | 45065-EPWP3M | 020 | 0 081 |
| 15 | City Of Johannesburg Metro Municipality - Johannesburg | IG/Home Community Based Care Project | 48107-EPWP3M | 005 | 0 230 |
|  | **Total** | | | **421** | **1 363** |

The aforementioned finding may result in:

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.

d) Proof of payments not received may be reported as a limitation of scope and which could lead to a negative finding of the relevant programme as we could not confirm whether the beneficiaries were paid for the hours worked.

e) The expenditure reported for the respective projects might not be valid and accurate.

f) The job opportunities reported for this project might not be valid and accurate.

g) Attendance registers not received may be reported as a limitation of scope and which could lead to a negative finding of the relevant programme as we could not confirm whether they beneficiaries did work on the project.

**Internal control deficiency**

Reason for the deviation:

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

There is an absence of adequate controls on the information systems to facilitate the completeness and validity of reported information. i.e. validating attendance/timesheets before capturing on the information systems.

Similar findings were raised in the prior year audit. However as the finding has recurred in the current year, 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.

c) The department should adequately review the project files to ensure that all the beneficiaries captured are supported by valid and accurate supporting documentations.

**Management response**

No id copies submitted

| **No.** | **Name of Project** | **Response Provided** | **Responder** |
| --- | --- | --- | --- |
| 1 | Maluti - a- Phofung Revenue and Job Creation EPWP | Although supporting documentation was submitted, no formal response received | Outstanding |
| 2 | Parys upgrading of pumps and pipelines | No management response received | Outstanding |
| 3 | Setsoto bucket eradication project | Although supporting documentation was submitted, no formal response received | Outstanding |
| 4 | Non-State Sector Community Work Programme | Although supporting documentation was submitted, no formal response received | Outstanding |
| 5 | Umhlabuyalingana Community Base Care | No management response received | Outstanding |
| 6 | GNS Security : Polokwane Local Municipality | I am in agreement with the finding | Name: M.P Kalauba  Position: Assistant Manager  Date: 27 November 20117 |

No attendance register submitted

| **No.** | **Name of Project** | **Response Provided** | **Responder** |
| --- | --- | --- | --- |
| 1 | Setsoto bucket eradication project | Although supporting documentation was submitted, no formal response received | Outstanding |
| 2 | IG/Beautification Of Caravan Game Park | No management response received | Outstanding |
| 3 | Cluster 6 Water Backlog Gqaga Bulk Supply- Rising | No management response received | Outstanding |
| 4 | KWT Public Transport - Facilities Upgrade | No management response received | Outstanding |
| 5 | West Bank Restitution | No management response received | Outstanding |
| 6 | Construction of Civil Eng. Services in Qaqawuli | No management response received | Outstanding |
| 7 | FishWater Flats WTW Phase 4 | I am in agreement with the finding for the following reasons:  The 2 participants were mistakenly updated by the data capture on the EPWP-Reporting System (EPWP-RS), however they only worked in the EPWP project in 2016. The NMBM will improve on the controls for reporting by introducing weekly reports by the data captures which will be verified against the system and attendance registers by the EPWP Coordinators. The newly appointed Metrowide Coordinator will submit a formal letter to the EPWP M&E Chief Director to delete the 2 participants from the project to eliminate over-reporting. | Name: Mr S.W. Henderson  Position: Deputy Director-General (DDG): EPWP |
| 8 | IG/GLM Infrastructure maintenance | No management response received | Outstanding |
| 9 | GNS Security | No management response received | Outstanding |
| 10 | IG/Cleaning and maintenance of the heritage site | I am in agreement with the finding for the following reasons:  Due to the lack of sufficient document management system in place, the Sedibeng Local Municipality has misplaced the required documents. | Name: Mr S.W. Henderson  Position: Deputy Director-General (DDG): EPWP |
| 11 | Water purification plant upgrades- Temba | No management response received | Outstanding |
| 12 | IG/Home Community Based Care Project | No management response received | Outstanding |
| 13 | EC Magistrate courts | No management response received | Outstanding |

No proof of payment submitted

| **No.** | **Name of Project** | **Response Provided** | **Responder** |
| --- | --- | --- | --- |
| 1 | Parys Upgrading of pumps and pipelines | No management response received | Outstanding |
| 2 | Setsoto bucket eradication project | Although supporting documentation was submitted, no formal response received | Outstanding |
| 3 | Rural Sanitation Programme for Dr. RSM District Municipality | Management in agreement with the finding | Outstanding |
| 4 | Bredarsdorp Air force Base | Although supporting documentation was submitted, no formal response received | Outstanding |
| 5 | Goodwood Prison | No management response received | Outstanding |
| 6 | IG/Beautification Of Caravan Game Park | No management response received | Outstanding |
| 7 | Umhlabuyalingana Community Base Care | No management response received | Outstanding |
| 8 | West Bank Restitution | No management response received | Outstanding |
| 9 | Construction of Civil Eng. Services in Qaqawuli | No management response received | Outstanding |
| 10 | FishWater Flats WTW Phase 4 | I am in agreement with the finding for the following reasons:  The 2 participants were mistakenly updated by the data capture on the EPWP-Reporting System (EPWP-RS), however they only worked in the EPWP project in 2016. The NMBM will improve on the controls for reporting by introducing weekly reports by the data captures which will be verified against the system and attendance registers by the EPWP Coordinators. The newly appointed Metrowide Coordinator will submit a formal letter to the EPWP M&E Chief Director to delete the 2 participants from the project to eliminate over-reporting. | Name: Mr S.W. Henderson  Position: Deputy Director-General (DDG): EPWP |
| 11 | Baakens River Valley | No management response received | Outstanding |
| 12 | IG/GLM Infrastructure maintenance | No management response received | Outstanding |
| 13 | Seshego : B) | No management response received | Outstanding |
| 14 | GNS Security | I am in agreement with the finding | Name: M.P Kalauba  Position: Assistant Manager Project Compliance  Date: 27 November 2017 |
| 15 | IG/Home Community Based Care Project | No management response received | Outstanding |

**Auditors Response**

Management responses were noted and subsequent provided information submitted was inspected, however not all information eg ids, proof of payment and attendance registers were provided by the management. Therefore, this issue remains unresolved and will be included in the management report.

Predetermined objectives: EPWP beneficiaries listed on the EPWP reporting system list not employed on the project.

**Audit Finding**

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*”.

b) In terms of Public Finance Management Act (PFMA) section 40(3) (a) states that:

*“The annual report and audited financial statements referred to in subsection (1)(d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned;”*

During the audit of EPWP projects, the following deviations were noted:

The beneficiaries listed below were reported as beneficiaries on the EPWP reporting system with number of days worked included. However the department indicated that the beneficiaries did not work on the project for the current financial reporting year.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Public Body** | **Name of Project** | **Project Code** | **Number of beneficiaries not part of the project** | **Total opportunities reported for the year** |
| 1 | Camdeboo COGTA - Port Elizabeth | Camdeboo 18001 | 301400-CWP | 49 | 0 075 |
| 2 | Joe Gqabi District Municipality - Port Elizabeth | Senqu 18001 | 301280-CWP | 07 | 0 362 |
| 3 | Emadlangeni Local Municipality -  Durban | eMadlangeni 18001 | 301282-CWP | 17 | 1 045 |
| 4 | Emadlangeni Local Municipality -  Durban | IG/Beautification Of Caravan Game Park | 48163-EPWP3M | 06 | 0 036 |
| 5 | Oudtshoorn Local Municipality -  Western Cape | Rosevalley Housing | 51385-EPWP3M | 12 | 0 038 |
| 6 | George Local Municipality -  Cape Town | George New 12.5 Reservoir | 49048-EPWP3M | 05 | 0 014 |
| 7 | City Of Cape Town Metro Municipality - Cape Town | Upgrade of sections of Strandfontein Road | 53316-EPWP3M | 01 | 0 041 |
| 8 | Free State Health -  Bloemfontein | Alliance Against HIV and AIDS | 56308-EPWP3P | 01 | 0 165 |
|  | **Total** | | | **98** | **1 776** |

The aforementioned finding may result in:

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

b) Work opportunities created for the financial year could be overstated.

**Internal control deficiency**

Reason for the deviation:

Beneficiary lists and attendance registers are not regularly reviewed to ensure that participants as per the attendance registers agree to the beneficiary list reported on the EPWP reporting system.

Similar findings were raised in the prior year audit. However as the finding has recurred in the current year, 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 perform frequent and adequate reviews of beneficiary lists and attendance registers from the public bodies to ensure that all participants are captured on EPWP reporting system.

b) Management should review the entire population of work opportunities created for the financial year to ensure that only beneficiaries that work in the current financial year are reported.

c) Beneficiaries captured on EPWP-Reporting system should be adequately reviewed by senior officials to ensure that they correspond to the attendance registers.

**Management response**

| **No.** | **Name of Project** | **Response Provided** | **Responder** |
| --- | --- | --- | --- |
| 1 | Camdeboo 18001 | No management response received | Outstanding |
| 2 | Senqu 18001 | No management response received | Outstanding |
| 3 | eMadlangeni 18001 | No management response received | Outstanding |
| 4 | IG/Beautification Of Caravan Game Park | No management response received | Outstanding |
| 5 | Rosevalley Housing | Although supporting documentation was submitted, no formal response received | Outstanding |
| 6 | George New 12.5 Reservoir | The under-mentioned participants on the George Reservoir WWTW MIG project already leave the project before 1 April 2017’ National Public Works EPWP is the only authorised organization who can remove these participant who don’t work anymore on the project | Name: Mr. S Marillac  Position: Senior Manager  Date: 14 December 2017 |
| 7 | Upgrade of sections of Strandfontein Road | I am in agreement with the finding for the following reasons:  Firstly we acknowledge that the error was not understood in full as we were under the impression that the 6A data report was used as the beneficiary list. The 4A data report has allowed us to investigate further and notice the following:  *Marcelino May*  The data capturer made an error of capturing a payment for Marcelo Jackson under Marcelino May and as the result Mr May appeared on the beneficiary listing. This is a human error that was missed by the national system payment authoriser as well.  Thobela Gqiba  This is another human error. Mr Thobela Gqiba was reported as having worked when in actual fact it was a Mr Fumanekile Gqiba who should have been reported. This error was carried through to the EPWPRS and captured as such. A valid work opportunity was however created but the incorrect details were captured due to the similarity in the spelling of the persons’ names. | Name: Regan Melody  Position: Manager: EPWP  Date: 19 December 2017 |
| 8 | Alliance Against HIV and AIDS | No management response received | Outstanding |

**Auditors Response**

Management response noted. The Q3 participant list for the projects were inspected and the listed participants do still appear on the Q3 participant list, therefore this issue remains unresolved and will be included in the management report.

Human Resource Management

Human Resource Management – Payroll certificates certified after the payment date and not returned timeously

**Audit Finding**

Laws, rules and regulations

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.”*

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 payroll deviations are noted:

a) The payroll certificate was certified by the person in charge of the pay point after payment date.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Pay point** | **Description** | **Period** | **Date payroll certificate signed** | **Region** |
| 1 | 009910 | Cape Town EPWP | 31-Jul-17 | 07-Sep-17 | Cape Town |
| 2 | 009911 | Durban EPWP | 15-Apr-17 | 02-May-17 | Durban |
| 3 | 009912 | P.E EPWP | 15-Nov-17 | 11-Dec-17 | Port Elizabeth |
| 4 | 009912 | P.E EPWP | 30-Nov-17 | 11-Dec-17 | Port Elizabeth |
| 5 | 000908 | Regional Office Polokwane | 15-May-17 | 05-Jun-17 | Polokwane |
| 6 | 000907 | Pretoria Regional Office | 15-May-17 | 20-May-17 | Pretoria |
| 7 | 001342 | D:Training Support EPWP | 30-Nov-17 | 12-Dec-17 | Head Office |

b) The payroll certificate was not returned to finance within ten days of being certified.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Pay point** | **Description** | **Run Period** | **Date Certified** | **Date return to Finance** | **Region** |
| 1 | 009910 | Cape Town EPWP | 31-Jul-17 | 07-Sep-17 | 19-Sep-17 | Cape Town |

c) There was no evidence that the payroll certificate was returned to the finance section within ten days of being certified.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Pay point** | **Description** | **Run Period** | **Date Certified** | **Date return to HR** | **Region** |
| 1 | 009910 | Cape Town EPWP | 15-Jul-17 | 10-Jul-17 | No record of return date was kept | Cape Town |
| 2 | 000907 | Pretoria Regional Office | 15-May-17 | 20-May-17 | No record of return date was kept | Pretoria |

The aforementioned finding may result in:

1. Non-compliance with section 8.3.4 and 8.3.5 of the Treasury Regulation.
2. 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.

**Internal control deficiency**

Reason for the deviation:

1. The Regional Office received the payroll certificate from Head Office a month after the date of payment.
2. The payroll certificate is received from Head office on time however due to the nature of the EPWP official’s work duties; the officials are distributed all around the Pretoria city and are not always available to sign for their payslips timeously on the payroll certificate.

c) The unit management did not have contingency plans and processes in place to ensure compliance with regulations in the absence of the delegated employee.

d) For the system in place, the recording of payroll certificates returned after certification is not properly followed.

The finding was also reported in the 2016/17 financial year.

The above matter is 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**

1. It is recommended that payroll certificates been certified in a speedy manner without compromising internal controls.
2. Unit management needs to plan properly for the officials taking leave or absent and ensure that there will be other officials in their absence who will be performing their duties.

c) The regional offices should implement the process to ensure that the EPWP officials timeously sign the payroll certificates.

d) Effective monitoring controls need to be implemented to ensure that the recording of payroll certificates returned is taking place.

**Management response**

| **No.** | **Region** | **Response Provided** | **Responder** |
| --- | --- | --- | --- |
| 1 | Cape Town | I am in agreement with the finding for the following reasons.  Previously payroll certificates were only received after the payment date which made it impossible to sign them before the payment date, as in this case. The matter of printing payroll certificates at a provincial department has been escalated to the HR Unit who indicated this is not possible. There has however been some improvement in as far as payroll certificates are now being received a few days before payment date. Upon receipt the payroll certificates and the pay slips must be sorted where after it is distributed to the various sections. Based on the latest situation it is possible to distribute the payroll certificates for signature before the payment date in respect of sections within the office.  Upon investigation it was established that the memo that provides the requirements for in January 2016 it was also requested that a payroll register must be implemented to keep record of the distribution, follow-up and receipt of the payroll certificates. Unfortunately due to the responsible officials having left the department and there requirements not being communicated to the new employees it has resulted in the current situation.  To address this matter the memo providing the requirements for the certification of payroll certificates as well as the payroll register will again be implemented with immediate effect. The responsible supervisor will also be tasked to review this register on a weekly basis so that if the register is not being kept she will become aware of this and take the necessary corrective measures to ensure that he register is maintained. | Name: F Johnson  Position: Regional Manager  Date: 22 February 2018 |
| 2 | Durban | There is agreement with the finding   * + - 1. One official was designated for collection of payroll certificates and payslips. At time she will not be available.       2. The official who certifies the payroll certificate travel out of the office regularly.   A second official will be identified to provide collection backup to the one already designated. The official designated for collection will be instructed immediately scan the payment certificate and email it to the official who certifies it in order to stop travel related delays. | Name: S Simelane  Position: Director:EPWP  Date: 20 March 2018 |
| 3 | Port Elizabeth | I am in agreement with the finding for the following reasons: the manager responsible for EPW was out of the office at the time concerned. |  |
| 4 | Polokwane | Management acknowledges the audit finding and wishes to respond as follows:  Payroll certificates are only received from the head office after the payment date, Regional office is unable to provide further details in terms of corrective action to be taken as the printing of payroll is centralised. Management disagrees with the impact identified by the audit team that *“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 certification, as a control measure, is not meant to “…timeously detected and corrected…which might lead to fictitious or losses to the state” since the certification of the payroll must be done on the date of payment, at which stage no fictitious payment would not be detected. | Name: Lucas Serepo  Position: DD Finance  Date: 14 March 2018 |
| 5 | Pretoria | The management is in agreement with this finding for the following reasons, it is a challenge to certify the payroll certificates before the payday due to unavailability of some of the employees to sign for their payslips. The certification can only be done when all the payslips have been taken by their owners. Management will from now on ensure that the managers responsible for paypoints sign the payroll sheet, and in case where employees are not available to sign for their payslip, responsible managers will sign the payroll on their behalf.  Management disagrees with the impact identified by the audit team that *“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 certification, as a control measure, is not meant to “…timeously detected and corrected…which might lead to fictitious or losses to the state” since the certification of the payroll must be done on the date of payment, at which stage no fictitious payment would not be detected.  **Payroll certificate was returned to the finance section within ten days of certification**  The management is in agreement with this finding for the following reasons, it is a challenge to certify the payroll certificates before the payday due to unavailability of some of the employees to sign for their payslips. The certification can only be done when all the payslips have been taken by their owners. Management will from now on ensure that the managers responsible for paypoints sign the payroll sheet, and in case where employees are not available to sign for their payslip, responsible managers will sign the payroll on their behalf. | Name: Ms Tebogo Phiri  Position: Regional Manager  Date: 22 March 2018 |
| 6 | Head Office | No management response received | Outstanding |
|  |  |  |  |

**Auditor’s conclusion**

Management agree with the finding, therefore this issue will remain in the management report. AGSA will follow-up the corrective actions taken during the final audit.

Procurement and Contract Management

Procurement and contract management - Non submission of information (Scope Limitation)

**Audit Finding**

Laws, rules and regulations

In terms of PFMA section 41:

*“Information to be submitted by accounting officers****.****— 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.”*

During the audit at the Pretoria Regional Office, the following under-mentioned information was requested on Request for Information(RFI) number 12 dated 2 February 2018; however it has, to date, not been submitted for audit purposes.

Contract file including quotations and supporting information as indicated on RFI 12 - not provided

| **No** | **Supplier Details** | **Quotation No** | **Description** | **Amount** |
| --- | --- | --- | --- | --- |
| 1. | MUMY & SONS | N/A | Replace partio ceiling, garage doors | 343 499,00 |

The aforementioned finding may result in:

Non-compliance with section 41 of the Public Finance Management Act.

**Internal control deficiency**

Reason for deviation

Contract files including quotations and supporting information was not provided for audit purposes at the Pretoria regional office.

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**

Management is in agreement with the finding, for limitation of scope on Mummy and Sons. The outstanding information will be provided immediately as and when the batch is found.

Name: Tebogo Phiri

Position: Regional Manager

Date: 20 March 2018

**Auditor’s conclusion**

Management agree with the finding, therefore this issue will remain in the management report. AGSA will follow-up and audit the contract files including quotations and supporting information during the final audit

Movable Tangible Assets

Movable asset – Movable asset could not be verified

**Audit Finding**

Laws, rules and regulations

In terms of the Movable Asset Management Policy: Physical verification of assets – Annually and Cycle counts:

*(i) Section 52*

*“All assets must be physically verified and confirmed at least once during a financial year.”*

*(ii) Section 53*

*“The movable Asset Management unit must perform regular cycle counts during the year to ensure compliance to this policy.”*

*(iii) Section 54*

*“Asset controller in conjunction with the Movable Asset Management unit must investigate and account for variances identified.”*

The following deviation was noted:

The below mentioned movable tangible asset recorded on the movable asset register could not be verified at their specified location as indicated on the asset register or any other location during the physical verification process.

It was noted that the asset was stolen in 22 February 2017 and reported to the South African Police Services. Inspected the affidavit to confirm the stolen laptop, however we have noted that after a year of the incident the asset is still recorded on the asset register and the management still in the process of investigation.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Asset description** | **Serial Number** | **Location** | **Book Value** | **Region** |
| 1 | Notebook | 10300442 | VULI MAKAHANYA | 3 831,32 | Durban |

Impact of the finding:

Movable asset disclosure note in the financial statements may be overstated by the amount of R3 831,32 as the assets may not exist.

**Internal control deficiency**

Reason for the deviation

1. The asset controllers do not regularly perform asset verification to ensure that all assets in the movable asset registers are actually on their physical location.

b)     Investigations/ deviations are not timely resolved.

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

***Financial and performance management***

1. The department did not implement controls over daily and monthly processing and reconciling of transactions.
2. 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) Management should regularly perform asset verification to ensure that all assets in the movable asset registers are actually on their physical location.

b)   Investigations should be conducted timeous.

**Management response**

Management is not in agreement with the finding for the following reasons:

Once an asset is reported lost, the asset should still be accounted for until such time the investigation would have been finalised and final decision is made, whether to replace or write off such asset completely from the asset register. In this case, the investigation is still in progress hence the asset is located in the asset register.

1. Verification of asset by asset controllers

Management does not agree with the reason for deviation. Regular verifications were conducted; the asset was identified as lost and procedurally reported to both SAPS and security management for investigation. The asset was then recorded to the loss register.

1. Investigation not timely resolved

Management agree that investigations are not always finalised as expeditially as management will appreciate by security services. Security management was engaged concerning the turnaround times for finalisation of investigations.

The matter is being followed up for finalisation prior the financial year-end

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Response** | | | |
| Corrective action to be taken | Conclusion of the investigation and implementation of the recommended decision. | | | |
| 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 | ASD: Movable Assets | | | |
| Estimated completion date for corrective action | 19 March 2018 | | | |
| **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. | Delay in finalisation of investigation | | | |
| **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: Nomkhosi Mthethwa

Position: DD: SCM

Date: 19 March 2018

**Auditor’s conclusion**

Management comment noted. AGSA will follow-up the issue during the final audit.