**INTERIM MANAGEMENT REPORT**

**Department of Public Works**

**Year end: 31 March 2019**

**Communicated to management on: 03 April 2019**

**INTERIM MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**31 MARCH 2019**

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**INTERIM MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE DEPARTMENT OF PUBLIC WORKS FOR THE PERIOD ENDED** **31 MARCH 2019**

**INTRODUCTION**

1. The purpose of the management report is to communicate audit findings 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, reporting on predetermined objectives and compliance with legislation that have come to our attention to date. We will provide a final management report after the completion of the audit after year-end.

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**

* Movable assets
* Goods and services
* Employee costs

**Reporting on predetermined objectives**

* Programme 3: Expanded public works programme interim site visits
* Reliance was placed on the review of quarterly performance report (Quarter one) performed by internal auditors for Programme 4 (Property and construction industry policy and research) and Programme 5 (Prestige policy).

**Compliance with legislation**

* Supply chain management – Tender and quotation process for awards made until 30 November 2018
* Human Resource Management

**Other matters**

* Review of the general information systems controls

1. In order to provide management with value adding interim findings which would assist them in addressing all matters prior to submission of final annual financial statements (AFS), it was agreed that the focus of the interim audit would be those areas which management believed were risk areas for the final audit.
2. This management report consists of the overall message arising from the interim audit, summary of key findings and observations, and an annexure containing the detailed audit findings.
3. The auditor’s report is finalised only after the final 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.

**SECTION 1: OVERALL MESSAGE**

1. The main obstacle preventing the department from obtaining a clean audit outcome remains the quality of submitted **performance information**. During the audit of performance information, key findings similar to the prior year were identified, where reported achievements were not adequately supported by valid and complete source information. The department must implement proper record keeping ensuring that the relevant information is accessible which supports the reported performance.
2. In some instances, the department did not effectively implement all recommendations relating to **supply chain management** (SCM) preventative controls, such as non-compliance with the requirements of the Preferential Procurement Regulations and Treasury Regulations. In addition, instances of irregular expenditure were identified during the audit which will be required to be included in the irregular expenditure register before year end.

**SECTION 2: STATUS OF FINANCIAL STATEMENT AREAS**

1. Below is a summary of the key issues identified from the audit procedures performed on the financial statement areas selected for focus during the interim audit.
2. The financial statement areas were assessed as follows:

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

|  |  |  |
| --- | --- | --- |
| **Financial statement area** | **Status** | **Findings identified** |
| Movable assets |  | * No significant matters were identified. |
| Goods and services |  | * On the audit of goods and services an instance was identified where services were performed by the supplier before 31 March 2018, but were not recorded on the accrual listing for 2017/18 financial year. |
| Employee costs expenditure |  | * No significant matters were identified. |

**SECTION 3: STATUS OF PERFORMANCE INFORMATION**

1. Our key focus area for the interim audit was on Programme 3: Expanded Public Works Programme. Forty-four (44) public bodies around the country were visited as part of our interim audit, to determine whether the action plans put in place were effectively implemented.
2. A summary of the findings from the audit of Programme 3: Expanded Public Works Programme are as follows:

* EPWP beneficiaries were not reported on the EPWP second quarter data.
* Non submission of attendance register, proof of payment and ID copies.
* Beneficiaries listed on the EPWP reporting system list not employed on the project.
* EPWP projects were not reported on the EPWP reporting system.
* Beneficiary paid two different amounts, in the same month and same day.

1. In addition, we placed reliance on audit procedures performed by internal audit on the quarterly reporting submitted for audit (Quarter one) for Programme 4 (Property and construction industry policy and research) and Programme 5 (Prestige policy). The results of these tests are shown in the table below and are communicated to management to assist in the finalisation of the annual performance report to be submitted at year end.

The audit areas were assessed as follows:

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Programmes** | **Prior period opinion** | **Status** | **Key findings** |
| Programme 4: Property and Construction Industry Policy and Research | Unqualified |  | No significant matters were identified |
| Programme 5: Prestige Policy | Disclaimer |  | The Internal Audit (IA) findings raised related to supporting documents not being provided for the reported result, resulting in a limitation of scope.  These findings were in most instances a repetition of findings raised previously by both IA and AGSA.This is indicative of a lack of commitment from management and leadership to address challenges regarding reporting on predeterminded objectives.. |

**SECTION 4: STATUS OF COMPLIANCE WITH LEGISLATION**

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

|  |  |
| --- | --- |
|  | The basics are in place as no concerns were identified. |
|  | Concerns identified. |

| **Compliance area** | **Status** | **Key findings** |
| --- | --- | --- |
| Expenditure management |  | Findings were identified where payments were not made within 30 days. |

**SECTION 5: STATUS OF KEY FOCUS AREAS**

1. 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 |

**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.

**Oversight and monitoring**

1. It has been noted that the audit is not always given the proper attention by all branches, with the audit being seen as only the responsibility of the Finance branch. This is evidenced by the low levels of attendance at Audit Steering Committee meetings despite all branch heads being members of the committee. These engagements between auditee management and the senior management of the audit team are critical to the audit process, and assist in resolving matters before they are escalated and reported to oversight bodies. Prioritising these engagements will also assist in embedding a culture of compliance within the entity.

**Performance management**

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

**Human resource management**

1. Progress was noted with the overall vacancy rate decreasing from 28% on 31 March 2018 to 7% on 31 December 2018. Although the key positions of Chief Financial Officer and Chief Audit Executive positions were vacant as at 31 December 2018, these were filled by the date of this report.

**Compliance management**

1. The financial statements of the department in the prior year included a narrative under the irregular expenditure note that there is potential irregular expenditure relating to legal fees paid to State Attorney (Department of Justice). This issue was escalated to National Treasury for clarity, and further engagements are taking place between the AGSA technical unit and the Office of the Accountant-General with a view to finalising the matter.
2. Non-compliance with the requirements of the Preferential Procurement Regulations and Treasury Regulations was identified during the performance of our interim audit. In addition, instances of irregular expenditure were identified during the audit which will be required to be included in the irregular expenditure register before year end.

**IT Management**

1. The department did not have a change management process in place for EPWP-RS, as a result a change log was not provided for audit purposes. Without an adequate change management process, unauthorised changes might be implemented to the production without the acknowledgement of the department and this could result in compromised information systems that do not fully support the business requirements and service interruptions.

**Key emerging risks/developments**

1. The new Irregular Expenditure Framework became effective from 1 December 2018. Management must ensure that irregular expenditure is dealt with in terms of this new framework including reporting templates. Management must deal with previous cases of irregular expenditure that were not condoned by 1 December 2018 in terms of this new framework
2. The amended Public Audit Act (PAA) will be effective as from 1 April 2019. Management must ensure that procedures are in place to ensure recommendations for material irregularities issued by AGSA are effectively and timeously implemented.

**SECTION 6: STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS**

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

| **No.** | **Commitment** | **Made by** | **Date** | **Auditors comments** | **Status** |
| --- | --- | --- | --- | --- | --- |
| 1 | **The reported achievement in the annual performance report did not agree to the supporting evidence provided for the EPWP indicators.**   1. Introduce, in addition to site visits, visits to a sample of public bodies with the format of an audit focusing on compliance issues identified by both Internal Audit and AGSA. Strict adherence to sample of public bodies, which is informed by an early-warning criteria for non-compliance. 2. Accounting Officers are immediately notified of findings of the public body visits pertaining to grant-funded projects. 3. Administration of an intervention register to ensure the resolution of all compliance issues identified in the public body visits and site visits through the allocation of responsibility (to Sector Managers or Programme Managers) and timelines. 4. Non-resolution of compliance issues (including reporting) within a reasonable timeframe translates into the notification of Accounting Officers and the withholding of further conditional grant tranches. | S. Henderson (DDG:EPWP) | 30-Nov-18 | Similar findings have already been identified and communicated to management. | In progress |
| 2 | **The auditor was unable to obtain sufficient appropriate audit evidence for all the reported achievements under Prestige policy**.  Record keeping process, management and collation of performance information has been streamlined to ensure only valid, accurate and complete information is submitted. | P.F. Chiapasco (Acting DDG - Programme Management Office) | 30-Nov-18 | Similar findings were identified by internal auditors and communicated to management. | In progress |
| 3 | **Travel and Subsistence Expense: Debt not raised within the required time frame.**  1. Send a memo to originating units (i.e. Finance, Corporate Services and Supply Chain Management) for confirmation any new debtors to be raised. 2. Include the timeframe (30days) for referring debts by the originating office to Financial Accounting in the revised Debt, Claims recoverable and revenue management policy. (31 December 2018). | A. Mazibuko (Acting CFO) | 30-Nov-18 | A debt was raised. | Resolved |
| 4 | **Legal Services: Non–compliance with SCM Processes**.  - Management must ensure services procured by the legal directorate are in accordance with applicable laws and regulations. | R. Naidoo (CD:SCM) | 30-Nov-18 | Engagements are taking place between the AGSA technical unit and the Office of the Accountant-General. | In progress |
| 5 | **The overall vacancy rate has increased from the previous year to the current year for the department.**  - Identify priority positions for filling within the allocated compensation of employees and in line with Ministerial priorities. Present priority positions at EXCO for endorsement before approval by the Director-General. Facilitate approval of priority positions by the Director-General. | C. Mtshisa (DDG - Corporate Services) | 30-Nov-18 | Priority positions were presented to EXCO. | In progress |
| 6 | **Posts vacant for over 12 months.**  - Identify unfunded vacant positions for abolishing. Actual abolishment of unfunded positions from the post establishment. - Facilitate EXCO approval to automatically advertise and fill positions that becomes vacant during the financial year. | C. Mtshisa (DDG - Corporate Services) | 30-Nov-18 | No action has been taken by management | In progress |

**SECTION 7: 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

Tintswalo Masia

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\_\_ April 2019

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**Distribution:**

Accounting officer

CFO

Audit committee

Head of internal audit

**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** | | | | | | | | | | | |
|  | Predetermined objectives: EPWP beneficiaries were not reported on the EPWP second quarter data. |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: Non submission of attendance register |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: Non submission of proof of payment |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: Non submission of ID copies |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: Beneficiaries listed on the EPWP reporting system list not employed on the project |  | X |  |  |  | X |  |  | 3 | In progress |
|  | EPWP – EPWP projects were not reported on the EPWP reporting system |  | X |  |  |  | X |  |  | 3 | In progress |
|  | EPWP – Beneficiary paid two different amounts, in the same month and same day. |  | X |  |  |  | X |  |  | 0 | In progress |
| **Goods and services** | | | | | | | | | | | |
|  | PTA COFF 2 - Goods and Services: 2017/18 Accrual listing is under stated. | X |  |  |  |  |  | X |  | - | - |
|  | PTA COFF 3 - Goods and Services - Payments not made within 30. |  |  | X |  |  |  | X |  | - | - |
| **Information systems** | | | | | | | | | | | |
|  | Vacant positions within information technology division |  |  |  | X |  |  | X |  | 3 | In progress |
|  | Inadequate Security Management controls. |  |  |  | X |  |  | X |  | 3 | In progress |
|  | Inadequate user access management controls on PERSAL. |  |  |  | X |  |  | X |  | 3 | In progress |
|  | Inadequate user access management controls on Active Directory. |  |  |  | X |  |  | X |  | 3 | In progress |
|  | Inadequate IT service continuity controls. |  |  |  | X |  |  | X |  | 3 | In progress |
|  | Inadequately implementation of the user account management policy on EPWPRS |  |  |  | X |  |  | X |  | - | - |
|  | Lack change control on EPWPRS |  |  |  | X |  |  | X |  | - | - |

**Detailed audit findings**

**ANNEXURE A: MATTERS AFFECTING AUDIT REPORT**

**Predetermined Objectives**

1. **EPWP – EPWP beneficiaries were not reported on the EPWP Q2 data.**

**Requirements**

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

Technical indicator description – method of calculation states that: “*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…..*”

**Nature**

During the audit of EPWP projects at various public bodies, the following beneficiaries included on the attendance registers and or proof of payment were not reported on quarter 2 (April 2018 to 30 September 2018) data submitted for audit.

| **No** | **Project code** | **Name of the Project** | **Province: Public Body** | **Reported Work opportunities not reported** |
| --- | --- | --- | --- | --- |
| 1 | 79934-EPWP3M | Security Services At GTM | Limpopo: Greater Tzaneen | 5 |
| 2 | 82887-EPWP3N | Waterberg Magistrates Gardening Services | Limpopo: DPW | 8 |
| 3 | 82889-EPWP3N | Mopani Magistrates Gardening Services | Limpopo: DPW | 7 |
| 4 | 72052-EPWP3M | Street Cleaning Urban | Limpopo: Polokwane | 58 |
| 5 | 6410-EPWP3M | Kwanobamba / Ezitendeni water supply project | Kwazulu/ Natal: Uthukela | 1 |
| 6 | 61490-EPWP3M | Hobsland to Indaka Bulk Water Feeder Main - Stage 2 | Kwazulu/ Natal: Uthukela | 16 |
| 7 | 71193-EPWP3M | JabavuNgonini Land Care Project | Kwazulu/ Natal: Umzinyathi | 12 |
| 8 | 64137-EPWP3M | ZDM Operation | Kwazulu/ Natal: Zululand | 23 |
| 9 | 81079-EPWP3M | Ndwedwe North System Refurbishment Water Scheme | Kwazulu/ Natal: iLembe | 10 |
| 10 | 71114-EPWP3M | Isidingo Security | Kwazulu/ Natal: iLembe | 47 |
| 11 | 47153-EPWP3M | Buffelsdraai | Kwazulu/ Natal: eThekwini Metro | 9 |
| 12 | 57340-EPWP3M | Point Duty Officers | Western Cape: Bitou | 12 |
| 13 | 84508-EPWP3M | Public Facilities Maintenance | Western Cape: Bitou | 3 |
| 14 | 81726-EPWP3M | SAPS Garage Oudtshoorn | Western Cape: DPW | 10 |
| 15 | 52947-EPWP3N | Metrox Area 1 Cape Town Court | Western Cape: DPW | 1 |
| 16 | 67850-EPWP3M | Women for change programme - women rising above ad | Western Cape: City of Cape Town Metro | 7 |
| 17 | 58939-EPWP3N | Labour/Saldanha Bay and Pepper Bay Habour | Western Cape: DPW | 4 |
| 18 | 74029-EPWP3N | Parkroad SAPS | Free State: DPW | 1 |
| 19 | 81181-EPWP3M | Beautification | Free State: Dihlabeng | 31 |
| 20 | 80310-EPWP3M | Bohlokong Construction of Lomond 2.6 km road | Free State: Dihlabeng | 12 |
| 21 | 85568-EPWP3M | Service delivery and cleaning | Free State: Lejweleputswa | 15 |
| 22 | 82090-EPWP3M | Construction of 383 toilet top structures | Free State: Mantsopa | 1 |
| 23 | 67747-EPWP3M | Upgrading of sport facilities Arthur Pitso Stadium | Free State: Mantsopa | 2 |
| 24 | 79097-EPWP3M | Rural Road Asset Management System | Northern Cape: Pixley Ka Seme | 1 |
| 25 | 85090-EPWP3M | Community Project in Magareng | Northern Cape: Magareng | 1 |
| 26 | 81687-EPWP3M | Parks and Beautification Tsantsabane | Northern Cape: Tsantsabane | 8 |
| 27 | 81676-EPWP3M | Ward Committees | Eastern Cape: Engcobo | 58 |
| 28 | 80546-EPWP3N | Mthatha Police Training College: Complete RR | Eastern Cape: DPW | 2 |
| 29 | 67353-EPWP3M | SRV : Small Town Revitalisation Programme 17/18 | Eastern Cape: Sundays River Valley | 1 |
| 30 | 67355-EPWP3M | Paterson Waste Water Treatment | Eastern Cape: Sundays River Valley | 6 |
| 31 | 49192-EPWP3M | Tri Annual Construction of minor sewerage | Eastern Cape: Nelson Mandela Bay | 41 |
| 32 | 66748-EPWP3M | Tourism and Cultural Services | Eastern Cape: Nelson Mandela Bay | 62 |
| 33 | 78793-EPWP3M | Rehabilitation of Fleet Street | Eastern Cape: Buffallo City Metro | 42 |
| 34 | 72762-EPWP3M | Service Delivery JCPZ | Gauteng: City of Johannesburg Metro | 100 |
| 35 | 77727-EPWP3N | Baviaanspoort Prison Emthonjeni Youth Centre | Gauteng: DPW | 7 |
| 36 | 4586-EPWP3M | HIV and Aids Community Outreach Programme ( Volunteers ) | Gauteng: City of Tshwane Metro | 98 |
| 37 | 64876-EPWP3M | Bushbuckridge Working on Waste Phase 2 | Mpumalanga: Bushbuckridge | 5 |
| 38 | 54973-EPWP3M | Road and Stormwater system development and main | Mpumalanga: Thaba Chweu | 1 |
| 39 | 56979-EPWP3M | Mbombela Pollution Control and Management | Mpumalanga: City of Mbombela | 11 |
| 40 | 71822-EPWP3M | RRT Feedeer Routes (71248) | North West: Rustenburg | 58 |
| 41 | 77395-EPWP3M | Cleaning Maintenance of Rtb Bus | North West: Rustenburg | 2 |
| 42 | 56482-EPWP3M | Cleaning Our Environment Christiana LTLM | North West: Dr Ruth Segomotsi Mompati | 3 |
| 43 | 56370-EPWP3M | Gasebusho Community Project GTLM | North West: Dr Ruth Segomotsi Mompati | 2 |
|  | **Total** | | | **805** |

**Impact of the finding**

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

Understatement of work opportunities created reported

**Internal control deficiency**

*Financial and Performance Management*

The department did not implement effective controls to reconcile the beneficiaries on the attendance registers to the beneficiaries reported on the EPWP reporting system.

Beneficiary lists and attendance registers are not regularly reviewed to ensure that all participants are captured on EPWP reporting system.

**Recommendation**

It is recommended that:

The department should perform frequent, adequate reviews of beneficiary lists and attendance registers from the public bodies to ensure that all participants are captured on EPWP reporting system.

Management should review all EPWP projects reported on the system against the attendance registers, to ensure that all work opportunities created are reported.

**Management response**

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

The listed participants were not captured by the public body on the EPWP RS for the project by the end of Quarter 2 of 2018/19.

For projects not implemented by the Department of Public Works, the following must be noted:

* The EPWP guidelines in terms of reporting was not followed by the public body.
* Beneficiary lists and attendance registers were evidently not regularly reviewed by the public body to ensure that all the participants are correctly captured on the EPWP Reporting System. The Department relies on the public body for this.
* The EPWP RS is a reporting system. Validations on the compliance and internal consistency of captured data is possible, but under-reporting of participants can only be detected through actual visits to the public body and inspection of the project records. The Department does not have the funds and required human resource to monitor all the projects in this way continually.
* Whether such visits take place or not, proper record-keeping and oversight in reporting is an administrative responsibility of the public body.
* The EPWP RS is designed such that data captured by a data capture for each month has to be authorized by a responsible manager appointed by the public body.

**Auditor’s conclusion**

Management responses were noted. The finding will be followed up during the final audit, therefore this issue remains unresolved and will be included in the management report.

1. **EPWP - Attendance registers were not provided**

**Requirements**

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

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

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

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

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

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

**Nature**

During the audit of the EPWP projects at the various public bodies, the following beneficiary’s attendance registers were not provided for audit purposes.

| **No** | **Project code** | **Name of the Project** | **Province: Public Body** | **Number of beneficiaries where attendance were not submitted** |
| --- | --- | --- | --- | --- |
| 1 | 79934-EPWP3M | Security Services At GTM | Limpopo: Greater Tzaneen | 20 |
| 2 | 84898-EPWP3M | CDM-Pump Operators | Limpopo: Capricorn | 261 |
| 3 | 82887-EPWP3N | Waterberg Magistrates Gardening Services | Limpopo: DPW | 4 |
| 4 | 72052-EPWP3M | Street Cleaning Urban | Limpopo: Polokwane | 45 |
| 5 | 6410-EPWP3M | Kwanobamba / Ezitendeni water supply project | Kwazulu/ Natal: Uthukela | 3 |
| 6 | 71193-EPWP3M | JabavuNgonini Land Care Project | Kwazulu/ Natal: Umzinyathi | 1 |
| 7 | 54921-EPWP3M | WS6522\_Western Aqueduct | Kwazulu/ Natal: eThekwini Metro | 68 |
| 8 | 47153-EPWP3M | Buffelsdraai | Kwazulu/ Natal: eThekwini Metro | 38 |
| 9 | 57340-EPWP3M | Point Duty Officers | Western Cape: Bitou | 7 |
| 10 | 58939-EPWP3N | Labour/Saldanha Bay and Pepper Bay Habour | Western Cape: DPW | 3 |
| 11 | 81181-EPWP3M | Beautification | Free State: Dihlabeng | 11 |
| 12 | 85568-EPWP3M | Service delivery and cleaning | Free State: Lejweleputswa | 1 |
| 13 | 67355-EPWP3M | Paterson Waste Water Treatment | Eastern Cape: Sundays River Valley | 19 |
| 14 | 49192-EPWP3M | Tri Annual Construction of minor sewerage | Eastern Cape: Nelson Mandela Bay | 16 |
| 15 | 66748-EPWP3M | Tourism and Cultural Services | Eastern Cape: Nelson Mandela Bay | 19 |
| 16 | 72762-EPWP3M | Service Delivery JCPZ | Gauteng: City of Johannesburg Metro | 33 |
| 17 | 4586-EPWP3M | HIV and Aids Community Outreach Programme (Volunteers ) | Gauteng: City of Tshwane Metro | 102 |
| 18 | 71822-EPWP3M | RRT Feedeer Routes (71248) | North West: Rustenburg | 22 |
|  | **Total** | | | **673** |

**Impact of the finding**

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

The quarter 2 data reported submitted for audit might be overstated.

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

Limitation of scope in confirming the reported information pertaining to work opportunities created

**Internal control deficiency**

*Financial and Performance Management*

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

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

**Recommendation**

It is recommended that:

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

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

The department should also obtain evidence from the public bodies that the corrective measures have been implemented on all other EPWP projects not selected for the audit.

**Management response**

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

1. Keeping of these records by reporting public bodies are prescribed by EPWP guidelines.
2. It is evident that the public body could not provide the required documents to the AGSA.

For projects not implemented by the Department of Public Works, the following must be noted:

* Proper record-keeping was evidently not implemented by the public body. The Department relies on the public body for this.
* Inadequate record-keeping by reporting public bodies can only be detected through actual visits to the public body and inspection of record by the Department. The Department does not have the funds and required human resource to monitor all the projects in this way continually.
* Whether such visits take place or not, proper record-keeping and oversight is an administrative responsibility of the reporting public body.

**Auditor’s conclusion**

Management responses were noted. The findings will be followed up during the final audit, therefore this issue remains unresolved and will be included in the management report.

1. **EPWP – Proof of payments were not provided/ submitted.**

**Requirements**

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

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

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

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

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

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

**Nature**

During the audit of the EPWP projects at the various public bodies, the following beneficiary’s proof of payment were not provided for audit purposes.

| **No** | **Project code** | **Name of the Project** | **Province: Public Body** | **Number of work opportunities where proof of payments not provided** |
| --- | --- | --- | --- | --- |
| 1 | 79934-EPWP3M | Security Services At GTM | Limpopo: Greater Tzaneen | 19 |
| 2 | 84898-EPWP3M | CDM-Pump Operators | Limpopo: Capricorn | 60 |
| 3 | 82887-EPWP3N | Waterberg Magistrates Gardening Services | Limpopo: DPW | 7 |
| 4 | 72052-EPWP3M | Street Cleaning Urban | Limpopo: Polokwane | 62 |
| 6 | 64137-EPWP3M | ZDM Operation | Kwazulu/ Natal: Zululand | 7 |
| 7 | 54921-EPWP3M | WS6522\_Western Aqueduct | Kwazulu/ Natal: eThekwini Metro | 68 |
| 8 | 47153-EPWP3M | Buffelsdraai | Kwazulu/ Natal: eThekwini Metro | 38 |
| 9 | 57340-EPWP3M | Point Duty Officers | Western Cape: Bitou | 2 |
| 10 | 58939-EPWP3N | Labour/Saldanha Bay and Pepper Bay Habour | Western Cape: DPW | 2 |
| 11 | 81181-EPWP3M | Beautification | Free State: Dihlabeng | 7 |
| 12 | 82090-EPWP3M | Construction of 383 toilet top structures | Free State: Mantsopa | 1 |
| 13 | 67355-EPWP3M | Paterson Waste Water Treatment | Eastern Cape: Sundays River Valley | 19 |
| 14 | 49192-EPWP3M | Tri Annual Construction of minor sewerage | Eastern Cape: Nelson Mandela Bay | 16 |
| 15 | 66748-EPWP3M | Tourism and Cultural Services | Eastern Cape: Nelson Mandela Bay | 82 |
| 16 | 72762-EPWP3M | Service Delivery JCPZ | Gauteng: City of Johannesburg Metro | 16 |
| 17 | 4586-EPWP3M | HIV and Aids Community Outreach Programme (Volunteers ) | Gauteng: City of Tshwane Metro | 100 |
| 18 | 71822-EPWP3M | RRT Feedeer Routes (71248) | North West: Rustenburg | 11 |
|  | **Total** | | | **517** |

**Impact of the finding**

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

The quarter 2 data reported submitted for audit might be overstated.

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

Limitation of scope in confirming the reported information pertaining to work opportunities created

**Internal control deficiency**

*Financial and Performance Management*

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

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

**Recommendation**

It is recommended that:

The department should increase their visibility at the public bodies and adequately review the sample of projects at the public bodies for compliance with the Ministerial Handbook.

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

The department should also obtain evidence from the public bodies that the corrective measures have been implemented on all other EPWP projects not selected for the audit.

**Management response**

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

1. Keeping of these records by reporting public bodies are prescribed by EPWP guidelines.
2. It is evident that the public body could not provide the required documents to the AGSA.

For projects not implemented by the Department of Public Works, the following must be noted:

* Proper record-keeping was evidently not implemented by the public body. The Department relies on the public body for this.
* Inadequate record-keeping by reporting public bodies can only be detected through actual visits to the public body and inspection of record by the Department. The Department does not have the funds and required human resource to monitor all the projects in this way continually.
* Whether such visits take place or not, proper record-keeping and oversight is an administrative responsibility of the reporting public body.

**Auditor’s conclusion**

Management responses were noted. The findings will be followed up during the final audit, therefore this issue remains unresolved and will be included in the management report.

**4. EPWP – ID copies were not provided/ submitted.**

**Requirements**

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

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

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

**Nature**

During the audit of the EPWP projects at the various public bodies, the following beneficiary’s ID copies were not provided for audit purposes.

| **No** | **Project code** | **Name of the Project** | **Province: Public Body** | **Number of ids not provided** |
| --- | --- | --- | --- | --- |
| 1 | 79934-EPWP3M | Security Services At GTM | Limpopo: Greater Tzaneen | 23 |
| 2 | 84898-EPWP3M | CDM-Pump Operators | Limpopo: Capricorn | 20 |
| 3 | 82887-EPWP3N | Waterberg Magistrates Gardening Services | Limpopo: DPW | 5 |
| 4 | 72052-EPWP3M | Street Cleaning Urban | Limpopo: Polokwane | 49 |
| 5 | 6410-EPWP3M | Kwanobamba / Ezitendeni water supply project | Kwazulu/ Natal: Uthukela | 1 |
| 6 | 61490-EPWP3M | Hobsland to Indaka Bulk Water Feeder Main - Stage 2 | Kwazulu/ Natal: Uthukela | 16 |
| 7 | 64137-EPWP3M | ZDM Operation | Kwazulu/ Natal: Zululand | 2 |
| 8 | 47153-EPWP3M | Buffelsdraai | Kwazulu/ Natal: eThekwini Metro | 40 |
| 9 | 58939-EPWP3N | Labour/Saldanha Bay and Pepper Bay Habour | Western Cape: DPW | 24 |
| 10 | 67355-EPWP3M | Paterson Waste Water Treatment | Eastern Cape: Sundays River Valley | 3 |
| 11 | 49192-EPWP3M | Tri Annual Construction of minor sewerage | Eastern Cape: Nelson Mandela Bay | 23 |
| 12 | 66748-EPWP3M | Tourism and Cultural Services | Eastern Cape: Nelson Mandela Bay | 36 |
| 13 | 4586-EPWP3M | HIV and Aids Community Outreach Programme (Volunteers ) | Gauteng: City of Tshwane Metro | 112 |
| 14 | 71822-EPWP3M | RRT Feedeer Routes (71248) | North West: Rustenburg | 1 |
|  | **Total** | | | **355** |

**Impact of the finding**

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

The quarter 2 data reported submitted for audit might be overstated.

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

Limitation of scope in confirming the reported information pertaining to work opportunities created

**Internal control deficiency**

*Financial and Performance Management*

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

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

**Recommendation**

It is recommended that:

The department should increase their visibility at the public bodies and adequately review the sample of projects at the public bodies for compliance with the Ministerial Handbook.

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

The department should also obtain evidence from the public bodies that the corrective measures have been implemented on all other EPWP projects not selected for the audit.

**Management response**

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

1. Keeping of these records by reporting public bodies are prescribed by EPWP guidelines.
2. It is evident that the public body could not provide the required documents to the AGSA.

For projects not implemented by the Department of Public Works, the following must be noted:

* Proper record-keeping was evidently not implemented by the public body. The Department relies on the public body for this.
* Inadequate record-keeping by reporting public bodies can only be detected through actual visits to the public body and inspection of record by the Department. The Department does not have the funds and required human resource to monitor all the projects in this way continually.
* Whether such visits take place or not, proper record-keeping and oversight is an administrative responsibility of the reporting public body.

**Auditor’s conclusion**

Management responses were noted. The findings will be followed up during the final audit, therefore this issue remains unresolved and will be included in the management report.

**5. EPWP – Beneficiaries listed on beneficiary list not employed on the project**

**Requirements**

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

Technical indicator description – method of calculation states that: “*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…..*”

**Nature**

During the audit of EPWP projects at the various public bodies, the following deviation was noted:

The beneficiaries listed below for the projects were reported as beneficiaries on the EPWP reporting system including the number of days worked. However, during the audit of the project we noted that the beneficiaries did not work on the project as attendance register and proof of payment could not be obtained.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Project code** | **Name of the Project** | **Province: Public Body** | **Number of beneficiaries not part of the project** |
| 1 | 71193-EPWP3M | JabavuNgonini Land Care Project | Kwazulu/ Natal: Umzinyathi | 1 |
| 2 | 52947-EPWP3N | Metrox Area 1 Cape Town Court | Western Cape: DPW | 1 |
| 3 | 85568-EPWP3M | Service delivery and cleaning | Free State: Lejweleputswa | 1 |
| 4 | 72762-EPWP3M | Service Delivery JCPZ | Gauteng: City of Johannesburg Metro | 2 |
| 5 | 77727-EPWP3N | Baviaanspoort Prison Emthonjeni Youth Centre | Gauteng: DPW | 1 |
| 6 | 71822-EPWP3M | RRT Feedeer Routes (71248) | North West: Rustenburg | 6 |
| 7 | 77395-EPWP3M | Cleaning Maintenance of Rtb Bus | North West: Rustenburg | 3 |
|  | **Total** | | | **15** |

**Impact of the finding**

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

Work opportunities created for the financial year could be overstated.

**Internal control deficiency**

*Financial and Performance Management*

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

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

**Recommendation**

It is recommended that:

The department should perform frequent and adequate reviews of the beneficiary lists and attendance registers to ensure that the number days of beneficiaries worked and reported is accurate and valid.

**Management response**

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

1. Indications are that persons were incorrectly reported as participants in the projects in 2018/19.

For projects not implemented by the Department of Public Works, the following must be noted:

* The EPWP guidelines in terms of reporting was not followed by the public body.
* Beneficiary lists and attendance registers were evidently not regularly reviewed to ensure that all participants are correctly captured on EPWP reporting system. The Department relies on the public body for this.
* The EPWP RS is a reporting system. Validations on the compliance and internal consistency of captured data is possible, but incorrect reporting of participants can only be detected through actual site visits by the Department. The Department does not have the funds and the required human resource to monitor all the reported projects continually through site visits.
* Whether site visits take place or not, proper record-keeping and oversight is an administrative responsibility of the public body.

**Auditor’s conclusion**

Management responses were noted. The findings will be followed up during the final audit to the Q4 participant list of the selected project, therefore this issue remains unresolved and will be included in the management report.

**6. EPWP – EPWP projects were not reported on the EPWP reporting system**

**Requirements**

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

Technical indicator description – method of calculation states that: “*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…..*”

**Nature**

The EPWP projects were not reported on the Q2 EPWP reporting system as at 30 September 2018.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Project code** | **Project name** | **No of beneficiaries listed on the municipal records** | **Province: Public Body** |
| 1 | 57061 | New Horizons: Upgrading of electrical Main Supply | Unknown | Western Cape: Bitou |
| 2 | 57087 | Kwa- Nokuthula: Upgrading of bulk electrical network | Unknown | Western Cape: Bitou |
| 3 | 57064 | Poortjies: Upgrading of water reticulation | Unknown | Western Cape: Bitou |

**Impact of the finding**

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

Work opportunities created for the financial year could be understated.

**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

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.

**Recommendation**

It is recommended that:

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**

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

1. The projects were implemented in 2018/19, but not yet reported by the end of quarter 2 of 2018/19.
2. Feedback from the municipality indicates that in the case of Project 57061, the project information was not received from the contractor timely for reporting.
3. In the case of the other two projects, capacity issues internal to be reporting public body have led to the projects not being reported.

Please further note that:

* The Department is responsible for neither the implementation of projects, nor the collection of data from project sites. The data flow is from the contractor (implementing the project), to the consultant (if such is employed by the public body), then from the consultant to the public body and then lastly from the public body to the Department of Public Works through reporting on the EPWP RS.
* The projects were not reported by the public body despite feedback to the public body on the projects which it reported and follow-ups with the public body on the projects that it is implementing.
* Project lists of municipalities are regularly reviewed and the reporting of projects is monitored against it.
* At monthly MIG Monitoring Meetings there are follow-ups with municipalities to ensure that all EPWP projects that are implemented are reported.
* There is not an internal control deficiency that relates to this finding.

**Auditor’s conclusion**

Management responses were noted. The findings will be followed up during the final audit to the Q4 participant list of the selected project, therefore this issue remains unresolved and will be included in the management report.

**7. EPWP – Beneficiary paid two different amounts, in the same month and same day.**

**Requirements**

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

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

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

**Nature**

During the audit of EPWP projects at EThekwini municipality, Project Buffelsdraai - 47153-EPWP3M the following findings were noted.

The following beneficiaries with same ID numbers and Physical address were paid two different amounts in the same month and day.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Name** | **ID** | **Date of payment** | **Amount** |
| 1 | Ms NP Gcabashe | 9106130304088 | 25/10/2018 | 2 330,46 |
| 2 | Ms NP Gcabashe | 9106130304088 | 25/10/2018 | 3 601,42 |

**Impact of the finding**

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

The quarter 2 data reported submitted for audit might be overstated.

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

**Internal control deficiency**

*Financial and Performance Management*

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

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

**Recommendation**

It is recommended that:

The department should follow up reason why the beneficiary was paid twice in the same month and day

The department should consider the reason provided by the public body and determine the impact of such action on the reported work opportunities and incentive granted to the municipality.

**Management response**

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

As per the recommendation of the AGSA, the reason for the duplicate payment and its impact must be considered.

**Auditor’s conclusion**

Management responses were noted. The findings will be followed up during the final audit to the Q4 participant list of the selected project, therefore this issue remains unresolved and will be included in the management report.

**ANNEXURE B: OTHER IMPORTANT MATTERS**

**Goods and Services**

1. **2017/18 Accrual listing is under stated**

**Requirements**

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

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

Chapter 14 Provisions and Contingencies, paragraph 10.1 Identification and recording of the Accounting Manual for Departments *“Accruals – A department record an accrual when: Goods and Services have been received or supplied but have not been paid, invoiced or formally agreed with the supplier”*

**Nature**

During the performance of our audit of goods and services, we noted that the following services were received before 31 March 2018 but were not recorded on the accrual listing for 2017/18 financial year.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Batch no** | **Supplier** | **Service Received** | **Date services received** | **Date invoice received by Regional Office** | **Payment date by Regional Office** | **Amount** |
| 1 | AP 2414112 | Travel with Flair | Hotel Accommodation at Manhattan Hotel | 28/01/2018 to 28/02/2018 | 09/02/2018 | 12/06/2018 | 53 945,00 |
| 2 | AP 2404766 | PhakisaWorld Fleet Solutions | Vehicle supplying | 19/02/2017 to 21/03/2017 | 10/04/2017 | 20/06/2018 | 7 779,05 |
|  | **Total** | | | | | | **61 724,05** |

**Impact of the finding**

2017/18 Accruals disclosure note been understated with R61 724,05.

**Internal control deficiency**

*Financial and performance management*

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

**Recommendation**

It is recommended that:

Management should enhance review of the interim financial statements prior to submission for audit purposes and ensure that all information that is included in the interim financial statements is accurate and fairly presented.

Management should make the necessary adjustments to the interim financial statement, based on their determination and audit finding raised.

**Management response**

I am in agreement with the finding for the following reasons, it was an oversight on our part and the population will be adjusted accordingly. The Accruals population as at 31/03/2018 will be adjusted with the amount of R61724,05.

**Auditor’s conclusion**

Management comment noted. The finding will be followed up during the final audit therefore, this issue remains unresolved and will be included in the interim management report.

1. **Payments not made within 30 day**

**Requirements**

Section 38(1) (f) of the Public Finance Management Act (PFMA) states that: *“The accounting officer for a department must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period;”*

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

Instruction Note number 34 of National Treasury dated 30 November 2011Paragraph 4.1 to 4.7 and 4.11 states that: “*The accounting officer’s responsibility [in terms of section 38(1) (f)] to settle all contractual obligations and to pay all money owing, including intergovernmental claims, within the prescribed (30 days) or agreed period is hereby re-iterated; within thirty days (30) days from the date of this Instruction Note, all departments are required to have in place systems (processes and procedures) that will enable the tracking of each invoice received from the various service providers; the system referred to in paragraph 4.2 above may either be manual or electronic in nature and such a system must also be able to track progress with the processing of each invoice; at any given time, such a system must be able to provide information related to the date on which an invoice was received, the date on which it was paid and the time period between the date of receipt and the date of payment, if the invoice was indeed paid; the information required in paragraph 4.5 above must be submitted to the National Treasury within seven (7) days after the end of the preceding month in the format prescribed in the enclosed Annexure A; the accuracy of information in paragraph 4.5 must be confirmed by signature of the department’s accounting officer prior to its submission to the National Treasury; If accounting officers of national and provincial departments delegate the power to confirm the accuracy of information in paragraph 4.5 to their respective department’s chief financial officer or to any other functionary, the accounting officers are not divested of the responsibility concerning the exercising of the delegated power, as provided in section 44(1)(d) of the PFMA.”*

**Nature**

During the testing of goods and services the following payments were not made within 30 days from the date of receipt of the invoice.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Batch no** | **Supplier** | **Invoice number** | **Date invoice received by Regional Office** | **Payment date of invoice** | **Days** | **Amount** |
| 1 | AP 2414112 | Travel with Flair | 3638808 | 09/02/2018 | 12/06/2018 | 122 | 53 945,00 |
| 2 | AP 2414116 | Travel with Flair | 3586898 | 05/03/2018 | 12/06/2018 | 98 | 18 160,00 |
| 3 | AP 2404766 | Phakisaworld Fleet Solutions | SIN06S200-059869 | 10/04/2017 | 20/06/2018 | 437 | 7 779,05 |
| 4 | AP 2410771 | Phakisaworld Fleet Solutions | SIN07S200-031631 | 10/01/2018 | 20/06/2018 | 161 | 7 628,02 |
| 5 | AP 2419144 | Vodacom PTY LTD | B284759546 | 23/08/2018 | 28/11/2018 | 92 | 2 587,16 |
| 6 | AP 2419135 | Vodacom PTY LTD | B291911747 | 23/08/2018 | 28/11/2018 | 92 | 6 714,71 |
| 7 | AP 2419135 | Vodacom PTY LTD | B307917474 | 11/10/2018 | 28/11/2018 | 47 | 1 378,02 |
|  | **Total** | | | | | | **98 191,96** |

**Impact of the finding**

Non-compliance with Section 38(1) (f) of the Public Finance Management Act.

Non-compliance with Regulation 8.2.3 of the Treasury Regulation.

Non-compliance with Paragraph 4.1of Instruction Note 34 of National Treasury.

**Internal control deficiency**

*Leadership*

Monitoring controls did not ensure that creditors were paid within the required 30 days of receipt of the invoice.

## *Financial and Performance Management*

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

Management does not regularly monitor the effectives of controls with regards to the receiving, capturing and approval of invoices to ensure payment within 30 days from invoice date.

Sundry payment checklists are prepopulated and incorrectly completed by the relevant officials in SCM or Line function responsibility and Finance management responsibilities

**Recommendation**

It is recommended that:

It is recommended that payments be processed in a speedy manner without compromising internal controls.

Management should regularly monitor effectives of controls with regards to the receiving, capturing and approval of invoices to ensure payment within 30 days from invoice date on a sample basis at the regional office to ensure that the controls are effective.

Management should follow up the reasons why the invoices are not paid within 30 days of the receipt of the invoice, then corrective action need to be taken to address the control weaknesses.

**Management Response**

I am in agreement with the finding. Responsible line functions will be encouraged to process invoices in time so that they can be settled within 30 days’ period.

**Auditor’s conclusion**

Management agrees with the finding, therefore this issue remains unresolved and will be included in the management report as non-compliance with laws and regulations.

**Information Systems**

13. IT Governance - Vacant positions within information technology division

**Nature**

During the audit, it was noted that there was an established and approved IT department structure. However, the following listed positions were vacant:

* Solution Architect;
* Quality Assurers;
* Database Administrator;
* Network Architect;
* Application Architect;
* Ass Dir: Automation;
* Deputy Project Manager (ICT);
* Security Specialists; and
* DRP & BCP Specialist.

**Impact of the finding**

The inadequate staffing of the ICT division may result in inefficient service delivery and lack of segregation of duties within the ICT function which might lead to integrity of data being compromised.

**Internal control deficiency**

*Leadership*

Lack of implementation of appropriate key controls

DPW HR and Finance has not resolved the finding as previously reported, due to the implementation of the cost containment measures. Furthermore, IT vacant positions were not prioritised as key positions to be filled by the department.

**Recommendation**

It is recommended that:

Human Resource/ Finance together with the Chief Information Officer should ensure IT department is adequately structured and staffed to support the organisational goals. Furthermore, DPW Management should allocate adequate funds to IT to allow the department to fast track the process of appointing appropriately qualified and experienced personnel for the key vacant positions identified.

**Management response**

The implementation of cost containment measures, budget cuts and budget ceilings (Human Resource Budget Plan) contributed to the delayed and non-filing of posts in the Department.

In addition, the approved organisational structure and its implementation on the post establishment increased the number of positions and vacancies whilst the compensation budget remains insufficient. Having finalised the matching and placing processes, the department will soon engage in a process of identifying positions for filling informed by the availability of funds.

The Chief Directorate ICT is one of the DPW priorities for advertisement and filling of posts.

**Auditor’s conclusion**

Management comments are noted; however, an assessment of the corrective actions agreed upon by management will be performed during the next financial audit.

14. Security Management - Inadequate Security Management controls

Security management ensures that security controls are implemented to prevent unauthorised access to the network and information systems that generate the information used to prepare the financial statements.

**Nature**

During the audit, the following security management processes weaknesses were noted:

Consideration was taken that an ICT Security Policy was developed, however the policy was still not approved;

There was no process in place to review the activity logs on active directory for security significant events;

Furthermore, there were some workstations which were not installed with the latest network agent/patches and anti-virus protection.

These matters were reported in 2017-18 financial year.

**Impact of the finding**

Security breaches and incidents may not be timely detected, which may affect the confidentiality, integrity and availability of the systems.

**Internal control deficiency**

*Financial and performance management*

Formal controls over IT Systems

Lack of consequence management for not resolving prior audit findings.

**Recommendation**

It is recommended that:

The Chief Information Officer should ensure that the required leadership direction and involvement is provided in the adequate design and implementation of operating system and network security controls. Management should consider implementing the following:

Commit to findings resolution by approving and implementing the Security management policy.

Ensuring that operating security logs are enabled and reviewed on the regular basis. The system administrators should review user activity logging at various levels, (i.e. network, operating system and application) on a regular basis.

Examples of user activity logs that should be activated at a minimum are the following:

a) Failed user login attempts

b) User account changes or deletions

c) Object access denied logs

d) Invalid requests

Ensure that antivirus updates and patches are implemented on the IT environment and deployed to all workstations within the department.

**Management response**

Management agrees with the finding. ICT Security policy has been drafted and in a process on being approved. This will assist to ensure that processes and security are enforced and followed. A process will be put in place to ensure that updates, patches and logs are done and registered.

**Auditor’s conclusion**

Management comments are noted; however, an assessment of the corrective actions agreed upon by management will be performed during the next financial audit.

15. User Access Management

User access controls ensures that only valid and authorised users are allowed access to initiate and approve transactions on the system and that user access is adequately segregated when transactions are captured and approved.

**15.1 Inadequate user access management controls on PERSAL**

**Nature**

During the audit, it was noted that the PERSAL user account management procedure was in place; however, procedure did not provide adequate guidance on the process to follow when performing the following user access management activities:

Monitoring actions of the system controllers on application security level (creation of IDs, user ID maintenance, allocating functions to users etc.)

Periodic checks to ensure employees’ access is commensurate with their job responsibilities

These matters were also reported in 2017-18 financial year.

Furthermore, the authorisation of the following users whose functions were modified during the period under review were not provided for audit purposes:

|  |  |  |  |
| --- | --- | --- | --- |
| **ADVISING USER** | | **FUNCTIONS** | **DATE** |
| 190001 | PBA760 NDLOVU | ADDED: 50619 | 20180518 |
| 190001 | PBA604 MACHABA | ADDED: 50758 | 20180622 |
| 190001 | PBA780 SHELLENG | ADDED: 40329 | 20181001 |
| 190494 | 190860 SIBEKO | ADDED: 40845 | 20180522 |
| 190860 | 190001 KHUMALO | ADDED: 50619 | 20180518 |
| 191296 | 191313 MANZINI | ADDED: 40612 | 20181017 |

**Impact of the finding**

Without an adequately designed user account management procedure, there will be inconsistences in processes followed for user creation, termination, modification of user accounts and resetting of user passwords. This weakness could compromise the integrity of data and ultimately financial statements. Furthermore, failure to perform user reviews might result in employees being granted excessive rights that would allow them to perform inappropriate activities on the applications such as fraud being committed on the systems.

**Internal control deficiency**

*Financial and performance management*

Formal controls over IT Systems

Lack of consequence management for not resolving prior audit findings.

**Recommendation**

It is recommended that:

PERSAL management or system controller should consult with BAS system controller to ensure that the current PERSAL user access management procedure is benchmarked with the BAS user access management procedure to update and include the following key requirements for implementation:

Monitoring actions of the system controllers on application security level (creation of IDs, user ID maintenance, allocating functions to users etc.)

Periodic checks to ensure employees’ access is commensurate with their job responsibilities

The PERSAL management should commit to findings resolution by implementing adequate user access controls within the PERSAL environment.

Furthermore, ensure that there is a formal process in place to manage change of functions/ roles on the system.

**Management response**

PERSAL Controller’s activities and performance is reviewed by the Director: Human Resource Administration.

**Auditor’s conclusion**

Management comments are noted; however, it was noted that the comment does not address the finding raised. The finding will remain and be reported in the management report.

**15.2 Inadequate user access management controls on Active Directory**

**Nature**

During the audit, the following weaknesses were identified on Active Directory:

Consideration was taken that the Account Management Policy was developed, however it was still not approved.

Security questions were not asked by the administrator before resetting user password to confirm the identity of the user.

Review of administrator activities were not performed on a regular basis by an independent person.

Furthermore, the were active accounts that could not be linked to the specific user such as:

* ARCOS\_Admi;
* SQLADMIN;
* PAYMENTS NSP;
* Bfn Accounts; and
* Invoice.

These matters were also reported in 2017-18 financial year.

Furthermore, it was noted that there was no process in place to suspend/disable/terminate user access on Active Directory who left the department.

**Impact of the finding**

Without an adequately designed user account management procedure, there will be inconsistences in processes followed for user creation, termination, modification of user accounts and resetting of user passwords. This weakness could compromise the integrity of data and ultimately financial statements.

**Internal control deficiency**

*Financial and performance management*   
  
Formal controls over IT Systems

Lack of consequence management for not resolving prior audit findings.

**Recommendation**

It is recommended that:

The CIO should ensure the following with regards to user access management on active directory:

Ensure that they expedite the process of approving the Account Management policy.

Ensure that the administrator introduces security questions to assist in identifying users for password reset.

Ensure that the activities performed by the users with administrator access is reviewed on a regular basis to ensure that only authorised activities were performed and evidence of review is retained for audit purposes.

Ensure that there is an implemented formal process to suspend/disable/terminate user access on Active Directory.

The ICT management should commit to findings resolution by implementing adequate user access controls within the AD environment

**Management response**

Management agrees with the finding. A policy has been drafted and in a process on being approved. This will assist to strengthen the security area around Active Directory. A process will also be put in place to ensure that all activities are managed properly and registered for record keeping purpose.

**Auditor’s conclusion**

Management comments are noted; however, an assessment of the corrective actions agreed upon by management will be performed during the next financial audit.

16. IT Service Continuity - Inadequate IT service continuity controls

IT service continuity is the process of managing the availability of hardware, system software, application software and data to enable an organisation to recover/re-establish information systems services in the event of a disaster. The process includes Business Continuity Plan (BCP), Disaster Recovery Plan (DRP) and backups.

**Nature**

The following deficiencies were noted with regard to the management and implementation of IT Service Continuity/ Disaster Recovery processes at the department:

1. Although Disaster Recovery Plan (DRP) was developed and approved, it was noted that the DRP was not tested in the financial year under review.
2. There was no formal backup policy and procedure.
3. There was no performance of periodic restoration of backups.
4. There was no evidence to demonstrate that backups were taken to an offsite storage during the financial year.
5. EPWP backups were performed, however evidence provided could not conclude that backups performed was not successfully backed up during daily backups. Furthermore, on weekly backups it could not be demonstrated that the backups were successful or unsuccessful and there was no date for the backups performed on weekly.

These matters were reported in 2017-18 financial year.

**Impact of the finding**

Without a comprehensively documented, tested and regularly updated Disaster Recovery and Business Continuity Plan, it might not be possible to recover the key business operations, critical systems, applications, their supporting infrastructure or networking capability in the correct sequence and time, to ensure that the department’s business operations could be sufficiently resumed at an alternative processing site without considerable loss to its financial well-being and negative impact of service delivery should a disaster occur.

**Internal control deficiency**

*Financial and performance management*

Formal controls over IT Systems

Lack of consequence management for not resolving prior audit findings.

**Recommendation**

It is recommended that:

The Chief Information Officer should ensure that the DRP is periodically tested to ensure that the plan is practical with regard to its execution. During the testing process, the relevant role players in the disaster recovery process should receive the necessary training to ensure the success of the recovery process. Furthermore, document and approve the backup policy to include the following:

a) Backup strategy

b) Roles and responsibilities

c) Backup frequency

d) Retention period

e) Backup window (time available each day to complete backups)

f) Back restoration process

g) On and off-site requirements

h) Archival requirements

i) Special media considerations

**Management response**

Management agrees with the finding. The DRP/ICT Service Continuity strategy is in place, the Chief Directorate ICT is in a process of putting in place a DR environment with full infrastructure to ensure that activities such as testing are done regularly.

ICT Security policy, which includes backups, has been drafted, adopted by EXCO and submitted for sign-off and final approval by the Accounting Officer. Chief Directorate ICT has a process which is follow to ensure that backups and retentions are done properly and in time. Full backup of ICT systems including EPWP system are done on weekly basis as per the backup procedure. Off-site storage is done at our Johannesburg regional office. Chief Directorate ICT has started a process to upgrade the overall backup solution to ensure that other features such as electronic archiving are available.

**Auditor’s conclusion**

Management comments are noted; however, an assessment of the corrective actions agreed upon by management will be performed during the next financial audit

1. User access management EPWPRS system – Inadequately implementation of the user account management policy on EPWPRS

**Nature**

The following weaknesses were identified:

*The approved system user account management state that for user to be assigned access to the EPWPRS have to complete the request for access form and entities letter head signed by the user’s supervisor*. However, request for access form and letter head signed by the user’s supervisor was not yet implemented for the new user that requires access to be assigned on the EPWPRS. (Repeat finding)

*The approved system user account management state that user that require profile to be change, they supervisors has to send email to the system administrator.* However, user profiles were changed without supervisor sending email to the system administrator as the control was not yet implemented.

*The approved system user account management state that privileged user access rights shall be review every six months and the activities of the privileges user account (Helpdesk and system administrator) shall be closed monitored and review by the senior manager: Data Quality and modelling on a monthly basis*. However, review of privileged user access rights and their activities were not performed for the period under review.

They were six super administrators with conflict access such as admin, user/capture, authorizer, project owner and participant approver on the system. (Repeat finding)

The password configuration on EPWPRS system was not configured according to DPW password policy as the password attempts threshold and history was not set furthermore, review of login violations was not performed. (Repeat finding)

**Impact of the finding**

Users with unauthorised access to EPWPRS system might results in unauthorised project capture that could negatively impact data integrity and quality on the EPWPRS system.

Lack of review of the privilege activities and privilege user access right might result in ghost users created on the system that might have unauthorised access to confidential information or might compromise the data quality on EPWPRS system.

Unauthorised access to the EPWPRS system may be gained via weak password configuration management which could impact on the integrity and quality of data.

**Internal control deficiency**

*Financial and performance management*

Formal controls over IT Systems

EPWRS senior manager prioritised to implement action plan to the AGSA 17/18 findings in the new version to be rolled-out in 01 April 2019 as the current version had limitation.

**Recommendation**

It is recommended that:

Management should work together with the service provider to ensure that when the new version of the EPWPRS system is implemented the findings above are addressed and resolved.

**Management response**

User access requests for the current EPWP Phase 3 reporting system are done via email. A request is sent to system administrator. After verifications on the authenticity of the request, system access is granted. The implementation of the above mentioned policy is effective 1st April 2019 for the EPWP Phase 4 reporting system.

The current EPWP Phase 3 system has limitations and the above findings will be addressed in the new version of the EPWPRS system to be implemented during EPWP Phase 4.

The privileges of the system administrator and the helpdesk personnel were reviewed twice during the 2018/19 financial year. The first review was in September 2018 where no changes in privileges were effected as the functions of the officials did not change. The second review was at the end of the financial year whereby four helpdesk officials’ accounts were revoked as their employment contracts has come to an end.

The single role of system administration is shared among the six helpdesk officials. The functions of the helpdesk is to effectively and efficiently assist system users’ with challenges encountered during data capturing. The nature of the assistance necessitates full access by the helpdesk officials to the system in order to effectively assist users. This is due to the nature of the system design. All helpdesk activities are logged and are traceable. Reporting public bodies have full access to their information captured in the system and are able to monitor and track changes to their information. Only authorised and validated data is published. The updated version 2 EPWP Phase 4 system will address the above mentioned finding by separating the access rights of helpdesk officials from those of the system administrator. This implies that the system admin role will not have the ability to capture, update or authorise information.

The EPWPRS is only accessible to registered users. Configuration of the password strength is in line with the department’s requirements for system access control, as per the department’s password policy. It is noted that the system is not complying in terms of password attempts threshold. This has been reviewed to comply accordingly in the updated EPWP version 2 reporting system which will be implemented during the 2019/20 financial year.

**Auditor’s conclusion**

Management responses are noted; however, the corrective actions agreed upon by management will be followed-up during the next audit.

However kindly provide evidence to the auditor for review of privileged user access rights and their activities performed for the period under review as per your comments above.

18. Program Change Management – Lack change control on EPWPRS

**Nature**

The department did not have a change management process in place for EPWPRS, as result change log was not provided for audit purposes.

**Impact of the finding**

Without an adequate change management process, unauthorised change might be implemented to the production without the acknowledgement of the department and this could result in compromised information systems that do not fully support the business requirements and service interruptions.

**Internal control deficiency**

*Financial and performance management*

Formal controls over IT Systems

The system was not yet handover to the department.

**Recommendation**

It is recommended that:

Management should ensure that the system is handover to the department and change controls are developed and implemented so that only authorised change are implemented to the live environment.

**Management response**

The EPWP system will be handed over to the Department in May 2019. The ICT has started the process for ensuring that the process of handover happens without challenges. The ICT change management process will be in effect as of May 2019.

**Auditor’s conclusion**

Management responses are noted; however, the corrective actions agreed upon by management will be followed-up during the next audit