**DETAILED AUDIT FINDINGS**

**Immovable Assets**

1. **Immovable assets: Disclosure note for immovable asset misstated Ex 306**

**Audit Finding**

Laws, rules and regulations

a) In terms of section 40(1) (c) and 55(1) (c) of the Public Finance Management Act, the financial statements submitted to the Auditor General and Treasury must be complete and accurate.

b) In terms Chapter 9 –Accounting for Capital Assets page 34 states that for Opening balance:

*The opening balance is the closing balance reported on the 2010/11 disclosure note, and must agree to the closing balance in the Note: “MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2011”. This column represents the cost/value (as explained above) of the assets captured in the Asset Register (AR) on 1 April 2011. The note for the prior period must be completed first as the closing balance pulls through automatically to this column.*

c) In terms Chapter 9 –Accounting for Capital Assets 34 states that for Cash:

*“The amount paid for any immovable asset procured during the current year must be included in this column. This amount will include payments on projects of capital work-in-progress, made during the year, current year finance lease instalments with respect to immovable assets as well as any cash paid in an exchange transaction with another government entity”.*

d) In terms Chapter 9 –Accounting for Capital Assets 34 states that for Non Cash:

*“This represents the fair value of all assets received in-kind/donated (non-cash items) from sources outside government, during the 2011/12 financial year and items transferred from another government department without payment. All assets received in-kind by a department should be included in the AR at fair value as at date of receipt.*

*Finance lease assets should be taken on as a non-cash addition where the finance lease period has expired and the asset is still in use by the department”.*

e) In terms Chapter 9 –Accounting for Capital Assets 34 states that for (Capital work-in-progress current costs and finance lease payments):

*“The payments made during the current reporting period on projects that have not been completed at year end, as well as finance lease instalments for the current year should be included in this column and deducted from the calculation of the total column.*

*The reason for this is that the payments are included under the amount reflected as ‘cash’ and are also reflected in the Statement of Performance (Expenditure for capital assets) but due to the fact that only completed assets and assets that remain in the department on expiry of finance leases are taken on in the AR of departments, the WIP costs and the finance lease instalments for the year are excluded from the note”.*

The amount disclosed in the immovable asset disclosure note was misstated as it contains the following deviation

a) The amount disclosed as the closing balance for immovable asset could not traced to the immovable asset register

b) The disclosure note for additions was misstated as it did not disclose the cash additions of 1 011 407 000 as stated in note 12 while the amount of 618 051 000 disclosed under cash additions related to non-cash additions.

c) The disclosure opening balance was based on the opening balance which was previously qualified and resulting in the current amount not been accurate and complete.

d) The opening balance provided in the Disclosure Note 35 Immovable Tangible Capital Assets could not be reconciled to the Immovable Asset Register presented for audit purposes.

e) We did not receive the Departments reconciliation of the Immovable Asset Register to Disclosure Note 35 on immovable tangible assets.

e) The department stated that in note 35: *“Department has embarked on a programme to enable it to be in a position to present a complete and accurate IAR which is compliant with the applicable accounting framework and relevant legislation by 31 May 2013 and that it does maintain a cumulative list of improvements but this cannot be reconciled to financial records given that a capitalisation policy was not consistently applied in the past”.*

f) The department also state that*: “The DPW programme to reconstruct the IAR intends to apply fair value to all properties as part of the IAR Programme by May 2013 as a means of establishing a more meaningful, consistent and reliable base cost at that stage. The current carrying values in Note 35 will be adjusted to reflect fair value as soon as such model has been applied.”*

The finding occurred as a result of the fact that:

The Department has embarked on a programme to enable it to be in a position to present a

complete and accurate Immovable Asset Register which is compliant with the applicable

accounting framework and relevant legislation by 31 May 2013.

Impact of the finding

a) The above finding might result in a department receiving a negative audit opinion due to the fact that the immovable asset register and disclosure note are not accurate and complete.

b) Non-compliance section 40(1) (c) and 55(1) (c) of the Public Finance Management Act

**Internal control deficiency**

Leadership

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

**Recommendation**

The department should as a matter of urgency finalise the process for reconstruction of the immovable asset register and capitalisation policy

**Management Response**

There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR, Asset classification and AFS disclosure note

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | No | |
|  | X | |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | CD:ARM | | |
| Estimated completion date of corrective action: | 31 March 2014 | | |
| 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 | There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR. | | |

Name:   Ms Florence Rabada

Position:  CD: ARM

Date: 03 July 2012

**Auditor’s conclusion**

The department agrees with the findings therefore it will remain in the management report.

1. **Immovable assets: Unsurveyed land not disclosed EX194**

**Audit finding**

In terms of the Sector Specific Guide on Immovable Assets section 3.2

*“The National Department of Public Works (DPW) shall record the following in its asset register;*

*a.   all* ***un-surveyed*** *or* ***surveyed but unregistered*** *state land in the former territory of the Republic of South Africa (pre April 1994) which is* ***not vested*** *in the name of a province or where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA;*

*b.   all land* ***vested*** *with national government and situated in the former TBVC states and Self Governing Territories occupied by a national department in support of its service delivery objectives (e.g. a magistrate’s court or prison) and where DPW performs the custodial functions (barring the disposal thereof) in terms of section 4 of the GIAMA;  and*

*c.   all former South African Development Trust land, which by proclamation vest with DPW.”*

The following deviation was noted:

The immovable asset disclosure note contained in the annual financial statements submitted for auditing purposes on 31 May 2012 does not include any un-surveyed state land in the former territory of the Republic of South Africa (pre April 1994).

The finding occurred as a result of the fact that:

The department did not manage to timeously obtain the required inputs from the Office of the Surveyor-General.

Impact of the finding:

The immovable asset register and immovable asset disclosure note in the annual financial statements are not completely stated as at 31 March 2012.  In the absence of any supporting information in this regard the monetary impact of the finding cannot presently be determined.

**Internal control deficiency**

Leadership

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

**Recommendation**

The department should continue to liaise with the Surveyor-General and the Department of Rural Development and Land Reform in a joint effort between the parties to ensure that all un-surveyed land in the country is accurately accounted for in each department’s financial statements in line with provisions contained the Sector Specific Guide on Immovable Assets.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | The Department is in the process to obtain such information from the Chief Surveyor General (CSG). | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | | No |
|  | | X |
| If yes, what corrections will be made to the population? | Not Applicable (N/A) | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | Chief Director (CD): Asset Register Management (ARM) | | |
| Estimated completion date of corrective action: | 31 March 2014 | | |
| 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 | The CSG is in the process of surveying all the unsurveyed state land and such information will be updated on completion of the process. | | |

Name:   Ms. Florence Rabada

Position:  CD: ARM

Date: 03 July 2012

**Auditor’s conclusion**

The finding will remain in the management report as the department agrees with the finding.

1. **Immovable assets: Foreign assets disclosed in the note EX200**

**Audit finding**

In terms of the letter signed on 28/04/1999 with the reference no R199/0436 address to TJ Radebe then the minister of public works from the minister of public service and administration Dr Z S T Skweyiya - Placement of the function concerning the management and procurement of properties and accommodation abroad, which read as follows:

*a) " After considering all the facts at my disposal and in the interest of the State, I have decided on recommendation by the Public Service Commission in terms of section 3(3)(a) of the Public Service Act,1994 that the function to manage and procure properties and accommodation abroad including aspects regarding leasing, purchasing, disposal, alterations, maintenance, refurbishment and facilities be allocated to the Department of Foreign Affairs with effect from 01 May 1999" and the letter further state that:*

*b) that allocating the function to the Department of Foreign Affairs implies full financial and operational accountability and final decision-making authority for the function;*

*c) that the Department of Public Works and Foreign Affairs arrange, if necessary, among themselves for the possible transfer of posts and personnel to the latter Department; and*

*d) the intention of the Department of Foreign Affairs not to duplicate professional, technical and essential services such as architects and valuers but to continue to services from the Department of Public Works as far as possible*.

The following deviations were noted:

1. The department did not disclose the foreign immovable asset.
2. The department does not perform the reconciliation between the immovable asset register maintained by Department of International Relations and Cooperation (DIRCO) and National Department of Public Works (NDPW) to ensure that they are properly accounted and they are complete.

The finding occurred as a result of the fact that:

1. The department does not perform reconciliation between the foreign assets included in DIRCO’s immovable asset register to the department immovable asset register.
2. The minister of NDPW was not consultant

Impact of the finding:

The assets will be duplicated in the department of public works and foreign affairs.

**Internal control deficiency**

Leadership

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

**Recommendation**

a) The department should ensure that the reconciliation is performed between the immovable asset register maintained by DIRCO and itself to ensure that all the foreign assets are accounted for.

b) The department must provide evidence to the auditors where the minister NDPW concurred to the above discussion between the minister of Department of Public Service Administration (DPSA) and DIRCO.

**Management response**

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

The Department is in possession of a letter from the Minister of DPSA regarding the placement of the function concerning the management and procurement of properties and accommodation abroad by DIRCO. DPW is currently interacting with DIRCO, National Treasury (OAG) and DPSA to clarify the roles of DIRCO and DPW in this issue.

The letter mentioned above was based on the section 3(3) (a) of the Public Service Act, 1994 before the promulgation of GIAMA No. 19 of 2007 with intention:-

To provide for a uniform framework for the management of an immovable asset that is held or used by a national or provincial department: to ensure the coordination of the use of an immovable with the service delivery objectives of a national or provincial department; to provide for issuing of guidelines and minimum standards in respect of immovable asset management by a national or provincial department; and to provide for matters incidental thereto.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | N/A | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | | No |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action: | N/A | | |
| Estimated completion date for corrective action: | N/A | | |
| Does management agree with the root cause indicated | Yes | No | |
|  | X | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | N/A | | |

Name: Siboniso Sokhela

Position: D: ARM

Date: 01 August 2012

**Auditor’s conclusion**

a) The NDPW is the custodian of state owned immovable assets in terms of Government Immovable Asset Management Act, Act No 19 of 2007 (GIAMA 2007).  GIAMA 2007 does not distinguish between the properties that are within the borders of South Africa and abroad properties. There is not legislation that regulates the management of properties held abroad.

b) In the absence of any legislation assigning the custodian functions to other departments, then assets held abroad should be accounted for by NDPW.

1. **Immovable assets: Assets register recorded in NDPW and National Department Rural Development and Land Reform (DRDLR) Ex195**

**Audit finding**

In terms of the Sector Specific Guide on Immovable Assets - Recognition of immovable assets

*“Section 3.1 the National Department of Rural Development and Land Reform (DRDLR) shall record the following in its asset register:*

*a. all un-surveyed or surveyed but unregistered state land in the former TBVC States and Self Governing Territories which is not vested in the name of a province or where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA;*

*b. all land vested with national government and situated in the former TBVC states, including tribal land located in such state;*

*c. all land vested with national government and situated in the former Self Governing Territories, including tribal land located in such territory, but excluding land referred to in, and governed by, the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act No. 3 of 1994):*

*d. all former South African Development Trust land unless title clearly resides with another party in terms of specific legislation; and*

*e. all land held for land reform purposes.”*

*“Section 3.2 the National Department of Public Works (NDPW) shall record the following in its asset register;*

*a. all un-surveyed or surveyed but unregistered state land in the former territory of the Republic of South Africa (pre April 1994) which is not vested in the name of a province or where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA;*

*b. all land in the former territory of the Republic of South Africa (pre 27 April 1994) registered I the name of the National Government of the Republic of South Africa, where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA; DRDLR is responsible for ensuring that all such assets are identified. Where the property cannot be quantified a description of the property should be disclosed in the notes to the financial statements 31 March 2012*

*c. all land in the former territory of the Republic of South Africa (pre 27 April 1994) registered in the name of any of the historical holders of state land (e.g. Governor of the Cape of Good Hope; Union of South Africa; Minister of Lands, Republic of South Africa; etc) before the advent of the democratic dispensation in 1994, that vest or is deemed to best in the national government, where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA;*

*d. all land vested with national government and situated in the former TBVC states and Self Governing Territories occupied by a national department in support of its service delivery objectives (e.g. a magistrate’s court or prison) and where DPW performs the custodial functions (barring the disposal thereof) in terms of section 4 of the GIAMA;*

*e. all former South African Development Trust land, which by proclamation vest with DPW; and f. all properties acquired by DPW for the discharge of its mandate.*

*f. all properties acquired by DPW for the discharge of its mandate.”*

The following deviation was noted:

The comparison between the immovable assets register of DRDLR and NDPW revealed duplication of 30 immovable assets.

The finding occurred as a result of the fact that:

A comprehensive reconciliation has not been performed between the immovable asset registers of the respective departments (DRDLR and NDPW) after figures were finalised for the financial year ended 31 March 2012.

Impact of the finding:

The asset register of NDPW might include immovable assets that should be accounted for by DRDLR in turn resulting in the immovable asset disclosure being overstated.

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

1. The department must perform a comprehensive reconciliation between the asset register of Rural Development and Public Works and duplications must be investigated and resolved and the immovable asset register must be updated accordingly.
2. The duplications identified through Computer Assisted Audit Techniques (CAATs) testing attached as an annexure should be resolved and the required adjustments made to the immovable asset register.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR, Asset classification and AFS disclosure note | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | | No |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | CD: ARM | | |
| Estimated completion date of corrective action: | 31 March 2014 | | |
| 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 | There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR. | | |

Name:   Ms Florence Rabada

Position:  CD: ARM

Date: 03 July 2012

**Auditor’s conclusion**

The findings will remain in the management report as management agrees to the finding.

1. **Immovable assets: Heritage assets not disclosed ex199**

**Audit finding**

In terms of section 40(1) (c) and 55(1) (c) of the Public Finance Management Act, the financial statements submitted to the Auditor General and Treasury must be complete and accurate.

The following deviations were noted:

1. The heritage assets was disclosed for the amount of 4 547 000,00 for the current year on disclosure note 35 but no number of the heritage assets was disclosed on the R1 value disclosure note 35.4 and there was no indication that the heritage assets were disposed off during the current year disclosure note of the financial statements.
2. The asset register does not indicate the different categories of immovable asset.

The finding occurred as a result of the fact that:

The numbers of heritage assets were not disclosed in the disclosure note for immovable asset.

The impact of the finding:

1. The immovable asset disclosure note is not complete.
2. Failure to submit accurate Annual Financial Statements constitutes noncompliance with the aforementioned sections of the Public Finance Management Act, and may be seen as an act of Financial Misconduct in terms of Section 81 and 83 of the Public Finance Management Act

**Internal control deficiency**

Financial and performance management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

**Recommendation**

The department should provide evidence that the heritage assets were disposed off and should adjust the disclosure note of the immovable asset.

**Management response**

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

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR, Asset classification and AFS disclosure note | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | No | |
|  | X | |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action: | CD: ARM | | |
| Estimated completion date for corrective action: | 31 March 2014 | | |
| 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 | There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR. | | |

Name:   Ms Florence Rabada

Position:  CD: ARM

Date: 03 July 2012

**Auditor’s conclusion**

The finding will in the management report as the heritage assets is not disclosed.

1. **Immovable asset: No reconciliation performed between NDPW and Provincial immovable asset registers EX218**

**Audit finding**

In the narrative notes to the Disclosure note of the immovable asset stated that:

*a) "In November 2011, the Department embarked on a Programme to re-build the Immovable Asset Register (“IAR”) given that it contains unverified information and does not meet business and regulatory requirements. The Department has embarked on a programme to enable it to be in a position to present a complete and accurate IAR which is compliant with the applicable accounting framework and relevant legislation by 31 May 2013".*

*b) " The programme includes the following key milestones which coincide with the 2011/12 reporting deadline; Reconciliation of the number of properties contained in DPW’s asset register to Deeds, IAR’s of other custodians and the nine Provinces.*

*c) "Confirmation of land parcel details to Aktex records in order to establish the Registered Owner, extent and other required descriptions."*

*d) "Development of a custodian framework that is compliant with Government Immovable Asset Management Act (“GIAMA”) and other legislation, and the Departmental Financial Reporting Framework prescribed by National Treasury".*

*e) "Ensuring that the number of properties to be reflected by National DPW and the Provinces is in line with the requirements of the National Treasury Sector Specific Guide".*

The following deviation was noted:

The department has not at the time of preparing the financial statements not completed a reconciliation between the national and provincial immovable asset registers, and a reconciliation between the notes to the financial statements and the immovable asset registers has not been completed as required by paragraph 3.4 of the Immovable Asset Sector Guidance

The finding occurred as a result of the fact that:

1. The number of properties to be reflected by NDPW is not in line with the requirements of the National Treasury Sector Specific Guide no unserveyed land were disclosed as required by the sector specific guide.
2. The department developed a plan to address internal and external audit findings, but adherence to the plan is not monitored on a timely basis by the appropriate level of management.

The impact of the finding:

The immovable assets disclosure may not be accounted in accordance with the sector specific guide.

**Internal control deficiency**

Leadership

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

**Recommendation**

The department should perform reconciliation between the national and provincial immovable asset registers as a matter of urgency.

**Management response**

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

Reconciliations have been done and further investigations / verification on discrepancies identified is currently underway as per the IAR programme.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | | No |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | CD: ARM | | |
| Estimated completion date of corrective action: | 31 March 2014 | | |
| 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 | There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR. | | |

Name:   Ms. Florence Rabada

Position:  CD: ARM

Date: 03 July 2012

**Auditor’s conclusion**

The findings will remain in the management report until the department provides the reconciliation performed at end March 2012.

1. **Immovable asset: Assets disclosed at R1 value EX219**

**Audit finding**

Laws, rules and regulation

In terms of the department accounting policy chapter 9 Capital page 29 states that.

***“Initial recognition***

*A capital asset is recorded on receipt of the item at cost.  Cost of an asset is defined as the total cost of acquisition.  Where the cost cannot be determined accurately, the immovable capital asset is stated at R1 unless the fair value for the asset has been reliably estimated.”*

“The option of valuing the capital asset at R1 as the take-on value in the asset register and in the disclosure notes is only permissible if it is not possible to determine the cost or fair value of the asset. As part of the internal control systems and as required by the PFMA all invoices should be available in order to determine the cost of an asset. If invoices are not available beyond the control of the department, the fair value of the asset should be calculated. The option of valuing the asset at R1 may only be exercised where it is impossible to assess fair value.

The following deviation was noted:

From the inspection of the immovable asset register it was noted that the cost can be determined but the department disclosed the assets at R1 value without determine the cost price of the assets in terms of their accounting policy.

The finding occurred as a result of the fact that:

The department developed a plan to address internal and external audit findings, but adherence to the plan is not monitored on a timely basis by the appropriate level of management.

The impact of the finding:

The immovable disclosure note incorrectly disclosed.

**Internal control deficiency**

Leadership

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

**Recommendation**

The department should apply their own accounting policy or if they want applied it differently they should go National Treasury for exemption to the accounting policy.

**Management response**

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

There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR, Asset classification and AFS disclosure note

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | No | |
|  | X | |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | CD:ARM | | |
| Estimated completion date of corrective action: | 31 March 2014 | | |
| 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 | There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR. | | |

Name:   Ms Florence Rabada

Position:  CD: ARM

Date: 03 July 2012

**Auditor’s conclusion**

The department agrees with the findings therefore it will remain in the management report.

1. **Immovable asset: Not all the disposals were included in the note. EX220**

**Audit finding**

In terms of chapter 9 - Accounting for capital assets page 33 - Disposals

*“Disposal in terms of the Asset Register includes any asset that needs to be written off from the Asset Register as the said asset is no longer under the control of the department including items destroyed for any reason. The cost and not the carrying amount of all assets disposed of for cash and at no value during the 2011/12 financial year, must be reported in this column.*

*The disposals must agree to the total amount in the “DISPOSALS OF IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2012” note.”*

The following deviation was noted:

The erf no 37, 38, 39, 40, 41, and 42 Sterewag measuring 12 552 m2 with the value of 6 140 000.00 in the immovable asset register were transferred to the State Security Agents for R10.00 but it was disclosed in the immovable asset disclosure note and it was also not removed from the immovable asset register of department of public works.

The finding occurred as a result of the fact that:

The department did not update the immovable asset register with the Erf disposed to State Security Agency.

The impact of the finding:

1. The immovable register may not be accurate and complete.

b) Non-compliance with the framework for preparation of the financial statements.

**Internal control deficiency**

Leadership

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

**Recommendation**

a) The department should ensure that all the assets disposed are disclosed in the disclosure note for immovable asset and also removed from the asset register.

b) The department must review the immovable asset register to ensure that all the disposed assets are removed from the register and evidence should be provided to the auditors that the department reviewed the whole population to ensure that are no disposed assets in the immovable asset register.

**Management response**

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

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | CD: ARM | | |
| Estimated completion date of corrective action: | 31 March 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  | X | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Ms Florence Rabada

Position: CD: ARM

Date: 03 July 2012

**Auditor’s conclusion**

The issue will remain in the management letter as the department did not amend the disclosure not include the disposals and also evidence that there are no other disposals not included in the disclosure note

1. **Immovable asset: The asset not appearing in the deeds register ex 231**

**Audit finding**

In terms of the departmental guide sector specific guide for immovable asset dated 31 March 2012 section 3 Recognition of immovable assets which states that in:

*“Section 3.1 the National Department of Rural Development and Land Reform (DRDLR) shall record the following in its asset register:*

*a. all un-surveyed or surveyed but unregistered state land in the former TBVC States and Self Governing Territories which is not vested in the name of a province or where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA;*

*b. all land vested with national government and situated in the former TBVC states, including tribal land located in such state;*

*c. all land vested with national government and situated in the former Self Governing Territories, including tribal land located in such territory, but excluding land referred to in, and governed by, the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act No. 3 of 1994):*

*d. all former South African Development Trust land unless title clearly resides with another party in terms of specific legislation; and*

*e. all land held for land reform purposes.”*

*“Section 3.2 the National Department of Public Works (DPW) shall record the following in its asset register;*

*a. all un-surveyed or surveyed but unregistered state land in the former territory of the Republic of South Africa (pre April 1994) which is not vested in the name of a province or where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA;*

*b. all land in the former territory of the Republic of South Africa (pre 27 April 1994) registered I the name of the National Government of the Republic of South Africa, where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA; DRDLR is responsible for ensuring that all such assets are identified. Where the property cannot be quantified a description of the property should be disclosed in the notes to the financial statements 31 March 2012*

*c. all land in the former territory of the Republic of South Africa (pre 27 April 1994) registered in the name of any of the historical holders of state land (e.g. Governor of the Cape of Good Hope; Union of South Africa; Minister of Lands, Republic of South Africa; etc) before the advent of the democratic dispensation in 1994, that vest or is deemed to best in the national government, where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA;*

*d. all land vested with national government and situated in the former TBVC states and Self Governing Territories occupied by a national department in support of its service delivery objectives (e.g. a magistrate’s court or prison) and where DPW performs the custodial functions (barring the disposal thereof) in terms of section 4 of the GIAMA;*

*e. all former South African Development Trust land, which by proclamation vest with DPW; and*

*f. all properties acquired by DPW for the discharge of its mandate.”*

The following deviations were noted:

1. The immovable asset recorded in the register of the department of public works submitted for audit, included the 776 which did not appear in the deeds asset register
2. The title deeds number of the immovable asset recorded in the register of the department of public work could be confirmed with the deeds records.

The finding occurred as a result of the fact that:

The department developed a plan to address internal and external audit findings, but adherence to the plan is not monitored on a timely basis by the appropriate level of management.

The impact of the finding:

The immovable asset submitted for audit might not be accurate and complete.

**Internal control deficiency**

Leadership

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

**Recommendation**

The department should investigate the above mention discrepancies and report back to the auditors.

**Management response**

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

Properties on the list have valid title deed numbers and LPI codes. The Department will provide all Aktexes required as proof that these properties exist on deeds.

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Corrective action to be taken: |  | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | No |
|  | X |
| If yes, what corrections will be made to the population? | N/A | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | |
| Position of official responsible to take corrective action | CD: ARM | |
| Estimated completion date of corrective action: | 31 March 2014 | |
| 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 | As indicated the Aktexes are available to prove that properties exist on deeds. | |

Name:   Ms. Florence Rabada

Position:  CD: ARM

Date: 03 July 2012

**Auditor’s conclusion**

The finding will remain in the management report, as not all the properties were included in Aktexes report provided by the department.

1. **Immovable asset: Valuation of the asset performed EX233**

**Audit finding**

 The following deviation was noted:

During the audit we noted that the supplier Umkhaya Investments CC was appointed on the 03/05/2010 to perform the valuation of state owned properties for the period 12 months, the reason for the services stated *"for some time now the Department of Public Works has received qualified audit reports from the Auditor-General, in particular with regards to the Asset register, and as a result, SMS members did not receive performance bonuses."*

The department also stated in the disclosure note 35 immovable notes that*"The DPW programme to reconstruct the IAR intends to apply fair value to all properties as part of the IAR Programme by May 2013 as a means of establishing a more meaningful, consistent and reliable base cost at that stage. The current carrying values in Note 35 will be adjusted to reflect fair value as soon as such model has been applied"*

The effects of the results were not shown on the immovable asset register.

The finding occurred as result of the fact that:

NDPW programme to reconstruct the IAR intends to apply fair value to all properties as part of the IAR Programme by May 2013

The impact of finding:

The expenditure incurred as result of the services provided for valuation might result in a fruitless and wasteful expenditure.

**Internal control deficiency**

Leadership

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

**Recommendation**

The department should ensure that were valuation of immovable asset were performed, that those assets valuated are correctly disclosed in the disclosure note.

**Management response**

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

The valuation referred to above was conducted by Pretoria Regional Office only for their specific purposes. The valuation was conducted on a sample basis. The Department will be applying the Fair Value to be determined on a desktop exercise for the entire DPW Immovable Asset Register. The Fair value model will not be a completely separate exercise but something hinging on the physical verification which is going to be done by Secondary Service Provider and therefore there will be no wasteful expenditure as suggested. For consistency purposes, the department will have to apply the Fair Value Model to all DPW Immovable Assets at the same date.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | N/A | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | | No |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action: | N/A | | |
| Estimated completion date for corrective action: | N/A | | |
| Does management agree with the root cause indicated | Yes | No | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | There is a misinterpretation of what the document referred to. | | |

Name: Florence Rabada

Position: CD: ARM

Date: 11 July 2012

**Auditor’s conclusion**

The matter will remain in the management report as the department could not provide evidence that the Pretoria regional office assets affected the disclosure not.

1. **Immovable assets: Assets register recorded in National Department of Public Works and Provincial Department of Public Works Ex 250**

**Audit finding**

In terms of the departmental guide sector specific guide for immovable asset dated 31 March 2012 section 3 Recognition of immovable assets which states that in:

*“Section 3.2 The National Department of Public Works (DPW) shall record the following in its asset register;*

*a. all un-surveyed or surveyed but unregistered state land in the former territory of the Republic of South Africa (pre April 1994) which is not vested in the name of a province or where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA;*

*b. all land in the former territory of the Republic of South Africa (pre 27 April 1994) registered I the name of the National Government of the Republic of South Africa, where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA; DRDLR is responsible for ensuring that all such assets are identified. Where the property cannot be quantified a description of the property should be disclosed in the notes to the financial statements 31 March 2012*

*c. all land in the former territory of the Republic of South Africa (pre 27 April 1994) registered in the name of any of the historical holders of state land (e.g. Governor of the Cape of Good Hope; Union of South Africa; Minister of Lands, Republic of South Africa; etc) before the advent of the democratic dispensation in 1994, that vest or is deemed to best in the national government, where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA;*

*d. all land vested with national government and situated in the former TBVC states and Self Governing Territories occupied by a national department in support of its service delivery objectives (e.g. a magistrate’s court or prison) and where DPW performs the custodial functions (barring the disposal thereof) in terms of section 4 of the GIAMA;*

*e. all former South African Development Trust land, which by proclamation vest with DPW; and*

*f. all properties acquired by DPW for the discharge of its mandate.”*

The following deviation was noted:

It was noted that 4 189 immovable assets were included in both the asset register for Provincial public works and National of Public Works.

The finding occurred as a result of the fact that:

The finding occurred as a result of the fact that a comprehensive reconciliation has not been performed between the immovable asset registers of the respective departments (Provincial public works) after figures were finalised for the financial year ended 31 March 2012.

The impact of the finding:

The asset register of public works might include immovable assets that should be accounted for by provincial public works in turn resulting in the immovable asset disclosure being overstated.

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

a) The department must perform a comprehensive reconciliation between the asset register of Provincial public works and National Public Works and duplications must be investigated and resolved and the immovable asset register must be updated accordingly.

b) The duplications identified through CAATs testing attached as an annexure should be resolved and the required adjustments made to the immovable asset register.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR, Asset classification and AFS disclosure note | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | | No |
|  | |  |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | CD: ARM | | |
| Estimated completion date of corrective action: | 31 March 2014 | | |
| 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 | There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR. | | |

Name:   Ms Florence Rabada

Position:  CD: ARM

Date: 03 July 2012

**Auditor’s conclusion**

The findings will remain in the management report as management agrees to the finding.

1. **Immovable Assets: IDT asset transaction not appropriately disclosed Ex 267**

**Audit Finding**

Laws, rules and legislation:

1. Public Finance Management Act 1 of 1999 paragraph 38(1)(d) states that:

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

*(d) is responsible for the management, including the safe-guarding and the maintenance   
 of the assets, and for the management of the liabilities, of the department, trading   
 entity or constitutional institution;”*

1. Public Finance Management Act 1 of 1999 paragraph 40(3)(a) states that:

*“The annual report and audited financial statements referred to in subsection (1) (d) must -*

*(a) 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;”*

1. Public Finance Management Act 1 of 1999 paragraph 42 states that:

***“Accounting officers’ responsibilities when assets and liabilities are transferred.****—*

*(1)  When assets or liabilities of a department are transferred to another department or other institution in terms of legislation or following a reorganisation of functions, the accounting officer for the transferring department must—*

*(a) draw up an inventory of such assets and liabilities; and*

*(b) provide the accounting officer for the receiving department or other institution with substantiating records, including personnel records of staff to be transferred.*

*(2)  Both the accounting officer for the transferring department and the accounting officer for the receiving department or other institution must sign the inventory when the transfer takes place.*

*(3)  The accounting officer for the transferring department must file a copy of the signed inventory with the relevant treasury and the Auditor-General within 14 days of the transfer.”*

The following has been identified upon inspection of the annual financial statements:

1. Upon inspection of the annual financial statements, disclosure note 35.1 relating to immovable tangible capital assets, it has been identified that the projects indicated below have not been capitalised upon completion.

| **REGION** | **PROJECT NUMBER** | **PROJECT NAME** | **AWARDED CONTRACTOR** | **PROJECT STATUS** | **FINAL CONTRACT AMOUNT**  **R** |
| --- | --- | --- | --- | --- | --- |
| **Alternative Construction Methods for Schools** | | | | | |
| EC | DPWA06EC10001 | Nomkolokoto JSS | Uvuyo Group | Practical completion achieved | 11 114 136,55 |
| EC | DPWA06EC10003 | Gulandoda SPS | Uvuyo Group | Practical completion achieved | 8 170 476,34 |
| EC | DPWA06EC10004 | Willowvale SSS | Uvuyo Group | Schools construction completed | 13 037 523,22 |
| EC | DPWA06EC10007 | Nduku JSS | Uvuyo Group | Final completion achieved | 7 692 414,57 |
| EC | DPWA06EC10006 | Hlwahlwazi JSS | Novodomous Group | Practical completion achieved | 9 813 586,21 |
| EC | DPWA06EC10011 | Mqanqeni JSS | Novodomous Group | Practical completion achieved | 2 621 205,56 |
| **TOTAL** | |  |  |  | **52 449 342,45** |

1. It is therefore also not evident if the department has complied with section 42 of the PMFA. If the assets were transferred to the provincial departments then it should have been added as an addition and the transfer to the provincial departments should have been disclosed as a disposal. The certificates in terms of section 42 should be completed and signed by IDT, DPW and the receiving provincial departments.
2. Upon inspection of the annual financial statements, disclosure note 35.1 additions to immovable tangible capital assets did not include the current year expenditure of R126 220 003,65 and it was not deducted as work in progress. The additions related to the Alternative Schools Methods programme.

The finding occurred as a result of the fact that:

Sufficient detailed information is not timeously obtained from IDT to ensure that transactions are accurately and timeously recorded in the financial statements.

Impact of the finding:

1. Non-compliance with PFMA paragraph 40(3) (a) and paragraph 38(1) (d).
2. Compliance with section 42 of the PFMA could not be confirmed.
3. Immovable assets in disclosure note 35.1 were understated with R52 449 342,45
4. Additions and work in progress in disclosure note 35.1 were understated with R126 220 003, 65.

**Internal control deficiency**

Leadership

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

Financial and performance management

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

**Recommendation**

1. The financial statements should be corrected to reflect the additions.
2. Management must ensure that the certificates in terms of section 42 is completed both when the schools are transferred from IDT to DPW and then again between DPW and the provincial departments.
3. Management need to implement better control to ensure that sufficient information is obtained from IDT to record transactions in the financial statements of DPW.

**Management response**

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

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  |  |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

*Name:*

*Position:*

*Date:*

1. **Immovable Assets: The department did not disclose the schools in the disclosure note EX290**

**Audit Finding**

In terms of the Sector Specific Guide on Immovable Assets section 3.2

*“The National Department of Public Works (DPW) shall record the following in its asset register;*

*a.    all* ***un-surveyed*** *or* ***surveyed but unregistered*** *state land in the former territory of the Republic of South Africa (pre April 1994) which is* ***not vested*** *in the name of a province or where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA;*

*b.    all land* ***vested*** *with national government and situated in the former TBVC states and Self Governing Territories occupied by a national department in support of its service delivery objectives (e.g. a magistrate’s court or prison) and where DPW performs the custodial functions (barring the disposal thereof) in terms of section 4 of the GIAMA;  and*

*c.     all former South African Development Trust land, which by proclamation vest with DPW.”*

The immovable asset disclosure note contained in the annual financial statements submitted for auditing purposes on 31 May 2012 does not include any schools.

The finding occurred as a result of the fact that:

A comprehensive reconciliation has not been performed between the immovable asset registers of the respective departments (Provincial public works and National Public Works) after figures were finalized for the financial year ended 31 March 2012.

The impact of the finding:

The asset register of public works does not include immovable assets that should be accounted for by public works resulting in the immovable asset disclosure being understated.

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

The department must perform a comprehensive reconciliation between the asset register of Provincial Public Works and National Public Works to ensure that the immovable asset register is updated accordingly

**Management Response**

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

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  |  |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |
| **DESCRIPTION** | **RESPONSE** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

The findings will remain in the management report as management agrees to the finding.

1. **Immovable assets: No evidence could be obtained that the asset sold at the market related prices Ex 253**

**Audit Finding**

*In terms of Treasury Regulation section 16A7.3 any sale of immovable State property must be at market-related value, unless the relevant treasury approves otherwise.*

The following deviation was noted:

No evidence could be obtained that the immovable asset sold for the amount of 3 154 000,00- Erf 2123 Paarl, Erf 2126 and Erf 2127 Paarl sold at the market related prices

Impact of the finding:

Non-compliance with Treasury Regulation

The finding occurred as a result of the fact that:

The department did not value their immovable assets before it was sold.

**Internal control deficiency**

Leadership

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

**Recommendation**

The department should provide evidence to the auditors that the immovable assets were sold at the market related prices.

**Management Response**

I am not in agreement with the finding for the following reasons

The immovable assets indicated in the table above were sold at public tender wherein the highest bidder was awarded the bid therefore the price is regarded as a market related.

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |  |
| Corrective action to be taken | N/A | |  |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |  |
|  | X |  |
| If yes, what corrections will be made to the population | N/a | |  |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | |  |
| Position of official responsible to take corrective actions | N/A | |  |
| Estimated completion date for corrective action | N/A | |  |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | N/A | |

Name:   Florence Rabada

Position:  CD: ARM

Date: 15 August 2012

**Auditor’s Response**

The department agreed with the finding the matter will remain in the management report.

1. **Immovable assets: Inconsistence recording in the immovable asset register IE Works Ex 198**

**Audit finding**

In terms of section 40(1) (c) and 55(1) (c) of the Public Finance Management Act, the financial statements submitted to the Auditor-General and Treasury must be complete and accurate.

The following deviation was noted:

During the verification of the immovable asset register a “naming convention” for completing fields in the “National tab” of the MASTERFILE – 35872 – Consolidated of the IAR was not predefined to ensure consistency throughout; for example:

| **Column reference** | **Column description** | **Error identified** | **Error example** |
| --- | --- | --- | --- |
| Column C | Land Number | Not all the information is in the same format - some is numbers, title deed number | T17569/1987, 1 |
| Column G | Land/Facility Description | Not all the information is in the same format - some is numbers, Street addresses, Erf numbers, property description | CARPORT, 1 EXTENSION 2, WIMBLES DRAAI S A M R RESERWE 37, DWELLING 5518E – 00000470, FARM 270, COMPEX:SAPS STATION, HOUSE (ERF 71), ERF 2890, 9999999 |
| Column I | Erf Farm Number | Not all the information is in the same format - some is Erf or farm numbers, date | ST 92, 1/1/1967 |
| Column O | Registration Division | Not all the information is in the same format  some is in  district abbreviations, districts names in full, squares | FU, ABERDEEN RD, 1487.0000 SQM |
| Column Q | Regional District | Not all the information is in the same format - some is numbers, local municipality names | 810095600, ABDOLS BAY, 58 |
| Column S | LPI Code | Not all the information is in the same format - some is numbers and combination of numbers and letters | 43500000, C01200000000013200000, |
| Column T | Registration Date (as it appears on title deed) | Not all the information is in the same format - some is in  different date formats, LPI code reference,  title deed number | 4/5/1989, 19360416, T0JO00040000076400000, SECT 239-200/93, T10573/1994 |
| Column U | Registered Owner (as it appears on title deed), | Not all the information is in the same format - some is in  ?, dates, rand values,  owner names | ?, 19300325, ADAMS CHARLES GEORGE, R 1 090 000,00 |
| Column AA | Street Name | Not all the information is in the same format - some is in  numbers, erf numbers, street addresses | 46, 166, (GED VAN GED 13), AMERSFOORT, ERF 224, SMOUKSTR 27 |

The finding occurred as a result of the fact that:

The Department has embarked on a programme to enable it to be in a position to present a complete and accurate IAR which is compliant with the applicable accounting framework and relevant legislation by 31 May 2013.

Impact of the finding:

Failure to submit accurate Annual Financial Statements constitutes non-compliance with the aforementioned sections of the Public Finance Management Act, and may be seen as an act of Financial Misconduct in terms of Section 81 and 83 of the Public Finance Management Act

**Internal control deficiency**

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

**Recommendation**

*The department must verify that all the fields are completed before the asset register can be submitted for audit purposes.*

**Management response**

I am not in agreement with the finding for the following reasons:

The finding was based on the entire population and not the disclosed AFS Category 1 “include in IAR” as per the narrative disclosure note.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | | No |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | CD: ARM | | |
| Estimated completion date of corrective action: | 31 March 2014 | | |
| 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 | There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR. | | |

Name: Ms. Florence Rabada

Position:  CD: ARM

Date: 03 July 2012

**Auditor’s conclusion**

The findings will remain in the report until the department submit immovable asset register which is accurate and columns are consistent.

1. **Immovable asset register: The register columns are not completed (PMIS) Ex 217**

**Audit finding**

In terms of section 40(1) (c) and 55(1) (c) of the Public Finance Management Act, the financial statements submitted to the Auditor General and Treasury must be complete and accurate.

The following deviations were noted:

Register discrepancies as per supplied “ZIP files”

1. Discrepancies as per PROPXZ file submitted

i)    Following columns have blank cells:

File numbers, STREET ADDRESS, SUBURB/DISTRICT, ACQUISITION DATE, ACQUISITION PRICE, PROP STATUS, COMPLEX CODE, COMPLEX NAME, LOCAL AUTHORITY, PROPERTY DESCRIPTION, IMPROVEMENT FUNCTION, BOOK VALUE, LESSOR NUMBER, LESSOR NAME, RESTRICTION NOTES, SPECIAL CONDITIONS, MARKET VALUATION, GLOBAL POS1, GLOBAL POS2, GLOBAL POS3, GLOBAL POS4, and EX TBVC SGT.

ii) Following columns contain inconsistent information:

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Column** | **Issue** | **Example** |
| 1 | File numbers | File numbers are not all recorded in the same format | 6719/0027/8, 5223, Z6730/0025, 4, 6225/0348, 6225/0348, |
| 2 | SUBURB/DISTRICT | Not all info in the same format | LYNNWOOD, 1&2 KLOOFPARK, 128 JO, 10 WAGNER STR |
| 3 | LOCAL AUTHORITY | Not all info in the same format | AA COHAN (C/O SAP RIETBRON), JHI PROPERTY SERVICES, ZEERUST CITY COUNCIL, 743 PRETORIA PTY LTD, ABSA TRUST |
| 4 | BOOK VALUE | Not all info in the same format | 1078400ý100, 1.00 |
| 5 | SPECIAL CONDITIONS | Not all info in the same format | 1/23/2008, (30DAYS WRITTEN NOTICE), (32KM) AND UITENHAGE (16KM), 7, 1 BEDROOM USED AS A STORE |
| 6 | GLOBAL POS1 | Not all info in the same format |  |
| 7 | GLOBAL POS2 | Not all info in the same format |  |
| 8 | GLOBAL POS3 | Not all info in the same format |  |
| 9 | GLOBAL POS4 | Not all info in the same format |  |

b) Discrepancies as per LANDXZ file submitted

i)  Following columns have blank cells:

LAND NO, OCF, FILE NUMBER, COMPLEX CODE, COMPLEX NAME, STREET, SUBURB, TOWN, DISTRICT, FARM NAME, USER DEPT CODE, USER DEPARTMENT, EXTENT (HA), TITLE DEED, PORTION, REGOWNER, LOCAL AUTHORITY, REGIONAL DISTRICT, PURPOSE, BOOK VALUE, ACQUISITION PRICE, RESTRICTION NOTES, SPECIAL CONDITIONS, MARKET VALUATION, LAND VALUE, IMPROVEMENT VALUE, COMBINED VALUE, DEPARTMENT LAND VALUE, DEPARTMENT IMPROVE VALUE, DEPARTMENT COMBINED VALUE, TRANSFERRED FROM PROPCODE, SG DIAGRAM NO, RATES ACCOUNT NO, RESPONSIBLE DEPARTMENT, NATIONAL/PROVINCIAL, PROP STATUS, ACQUIRE DATE, FREEHOLD/LEASEHOLD, ZONING, URBAN/RURAL, IMPROVE (YN), SUBMITTED TO PSLDC, RECOMMENDED BY PSLDC, CONFIRMED BY MINISTER, SUBMITTED TO ATTORNEY, REGISTERED DATE, TITLE DEED ENDORSEMENT#, VESTED REGISTERED OWNER, NOTES, RESOLUTION#, LPI CODE, GLOBAL POS1, GLOBAL POS2, GLOBAL POS3, GLOBAL POS4, EX TBVC SGT.

ii)   Following columns contain inconsistent information:

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Column** | **Issue** | **Example** |
| 1 | FILE NUMBER | Not all  in the same format | Z6717/0094/6, 23, 6203/0200, Z2360/0610 |
| 2 | SUBURB | Not all  in the same format | ACACIA PARK, 128 JO, 2 BIRKHOLTZ STREET, 8301 ZONE G |
| 3 | FARM NAME | Not all  in the same format | GOLDEN FLEESE, LOT B8, SCHAAPKRAAL, 1 |
| 4 | REGIONAL DISTRICT | Not all  in the same format | 58, 0VISTON, RIVIERA |
| 5 | BOOK VALUE | Not all  in the same format | 1.00, 100.00, 22500000ý100 |
| 6 | RESTRICTION NOTES | Not all  in the same format | VESTED NATIONAL GOV ZN 78/2011, 1 JAN 1999 PROP WAS CARRIED OVER TO SANPARKS, (SF35), |
| 7 | DEPARTMENT LAND VALUE | Not all  in the same format | 100, 10000ý |
| 8 | DEPARTMENT IMPROVE VALUE | Not all  in the same format | 15185, 15226ý |
| 9 | RATES ACCOUNT NO | Not all  in the same format | SITE 3482, RA 9968,  2, TSAKANE, 4300730111, 4173362756 |

The finding occurred as a result of the fact that:

The Department has embarked on a programme to enable it to be in a position to present a complete and accurate IAR which is compliant with the applicable accounting framework and relevant legislation by 31 May 2013.

Impact of the finding:

Failure to submit accurate Annual Financial Statements constitutes non-compliance with the aforementioned sections of the Public Finance Management Act, and may be seen as an act of Financial Misconduct in terms of Section 81 and 83 of the Public Finance Management Act

**Internal control deficiency**

Leadership

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

**Recommendation**

*The department must verify that all the fields are completed before the asset register can be submitted for audit purposes.*

**Management response**

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

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR. However please note that some columns are not relevant for a financial IAR but are for admin and management purposes e.g. file no., Rates A/c no  Also note that some blank cells are genuine because some information does not apply to some properties for example a farm name is not relevant to an erf. | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | | No |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | CD: ARM | | |
| Estimated completion date of corrective action: | 31 March 2014 | | |
| 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 | There is an Immovable Asset Register Enhancement programme currently underway to address all the inconsistencies in the IAR. | | |

Name:   Ms. Florence Rabada

Position:  CD: ARM

Date: 03 July 2012

**Auditor’s conclusion**

Management agrees with the finding therefore it will remain in the management report.

Predetermined objectives

1. **Predetermined objectives: Reasons for major variances not supported by sufficient appropriate evidence Ex 259**

**Audit Finding (AR)**

The National Treasury *Guide for the preparation of the annual report* requires that explanations for major variances between the planned and reported (actual) targets should be provided in all instances and should also be supported by adequate and reliable corroborating evidence.

Adequate and reliable corroborating evidence could not be provided for 65 % major variances as disclosed in the annual performance report.

Programme 2: 24 of the 37 adequate and reliable corroborating evidence could not be provided for 65 % major variances as disclosed in the annual performance report.

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual achievement** |
| --- | --- | --- | --- |
| **Provide strategic leadership in effective and efficient Immovable Asset and in the delivery of infrastructure programmes** | Percentage of Asset Register information fields populated with essential data out of the present 108 562 properties | 90% populated  97 705 properties | 86% (93692 out of 108 562 properties). |
| Approved Amnesty Call Strategy and Campaign | 100% of cases reported verified and updated on AR | No cases reported |
| Populated templates for 26 National Departments and 7 entities. | 90% complete. | 75.7% achieved.  UAMP Templates were completed for 25 national Departments and entities. |
| Signed agreements | 20% revenue increase on leased out State-owned properties | 10.9% in revenue increase |
| Accessible buildings to people with disability | 110 buildings identified and made accessible | 51 buildings completed |
| Approved disposal program | Target not achieved - The 4 Properties identified but not disposed | In process of being disposed |
| Target not achieved - Approval for disposal of 4 properties obtained | Approval for disposal of 4 properties obtained |
| Letters of release to regional land claims commission  \*MOUs signed with RD&LR, Human Settlement, Agriculture,  \* List of properties sent to relevant Departments  \*Signed agreements to release land | 55 Properties to be disposed of for land reform purposes | No properties disposed |
| 2000 hectares of land parcels for human settlements | 1,7 hectares released  7 properties measuring 926 hectares for human settlement in process of being finalised |
| Approved range of delivery models for construction projects | Appointment of consultants by April 2011  Toolkit completed by March 2012 | Not achieved |
| Trained learners, Interns and young professionals absorbed into the staff establishment | 20 trainees | 4 Young Professionals, 2 Management Trainees and 6 Interns for Valuation Services were recruited |
| Precincts development in Pretoria, and other prioritised rural towns | Bulk infrastructure development of precincts including Salvokop, Church Square and others | Planning for the Bulk infrastructure commenced  Salvokop site fully fenced |
| Effective and efficient response to customer varying needs | Monthly reports on progress, challenges experienced in delivering their projects | The overall performance of expenditure for infrastructure budget is 79% on all programs in line with monthly expenditure reports.  There was an adjustment allocation of R 260 827 606 from DCS Capital. |
| Appointment of HDI, Co-operatives and ABE as main contractors or/ and as sub-contractors through CPG programme | Minimum of 35% of project value should be subcontracted to ABE – this should translate to 35% of allocated budget | R883 718 639 (19.9%) was awarded through CPG provision and accrued to ABE sub-contractors |
| Completion of capital and refurbishment projects in accordance with the Capital Works implementation program | 100% completion of projects within time, cost and quality in line with socio-economic objectives of Government | No of projects completed are 162, and 297 continues to 2012 at construction stage  **Budget:**  R 3 769 721 343  **Expenditure:**  R2 741 791 709  **72.7%** |
| Completion of maintenance projects in accordance with the planned maintenance implementation plan | 100% completion of projects within time, cost and quality in line with socio-economic objectives of government | No of projectscompleted are 75 and 353 continues at construction stage in 2012  **Budget:**R2 388 363 000  **Expenditure:**  R 2 119 635 838  **89%** |
| Acquisition of state property and conclusion of new leases, renewals and management of existing leases in accordance with the Leasing Implementation Programme | 80% of leases managed within time, cost and prescripts in line with socio-economic objectives of government | **No of leases: 2263**  **Budget:**  R2 931 948 670  **Expenditure:**  R2 910 716 628  **99%** |
| Improved revenue and debtors management on PMTE | Reduced debtors book | Debtor’s book has increased by how much? – awaiting conclusion of audit process  150% Revenue received (awaiting conclusion of audit process).  R7,1 billion |
| Collected revenue | 150% Revenue received (awaiting conclusion of audit process).  R7,1 billion |
| Vesting, condition assessments, and Asset Register updating | 100% compliance for asset register updating | 13 116 Item 28(1) certificates issued (DRDLR) - 37% out of 35 562 |
| Posts suitably filled and human resource management reports submitted | 100% posts filled | No appointments made |
| 250 Students accommodated and 583 jobs | Completed design documentation, project 70% | Designs completed |
| 350 jobs | No jobs were created |
| Reduction of clients complaints | 60% reduction of complaints | Target not achieved - 1.84% reduction in client complaints (28 655 calls logged in 2010/11 vs. 28 129 calls logged in 2011/12 - reduction of 526) |

Programme 3: 2 of 2 Adequate and reliable corroborating evidence could not be provided for 100 % major variances as disclosed in the annual performance report.

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual achievement** |
| --- | --- | --- | --- |
| **Promote an enabling environment for the creation of both short term and longer term work opportunities, so as to contribute to the national goal of job creation and poverty alleviation** | Work opportunities and FTE | 868,000 Work Opportunities and | 843 459 Work Opportunities |
|  | 361,739 Full Time Equivalents | 251 127 Full Time Equivalents |

Programme 4: 4 of 7 Adequate and reliable corroborating evidence could not be provided for 57 % major variances as disclosed in the annual performance report.

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual achievement** |
| --- | --- | --- | --- |
| **Ensure transformation and regulation of the Construction and Property industries to ensure economic growth and development** | Strategy1 approved by Minister for publication | Annual report published | No progress |
| Agrément SA listed as a public entity in terms of the PFMA | Table draft Agrément SA Bill in Parliament | Revised Business Case routed in November 2011 for internal approval for submission to National Treasury.  Business Case subsequently withdrawn in January 2012 and currently being further revised to remove regulatory role of ASA. |
| Progress report on development of regulatory framework and roll-out plan[[1]](#footnote-1) | Regulatory framework developed | Detailed analysis undertaken of most appropriate approach to extend the principles of GIAMA to Local Government |
| Review[[2]](#footnote-2) approved by Minister | Review of White Papers 100% completed | The review of the White Papers could not be completed |

The finding occurred as a result of the fact that:

The supporting documentation for reasons for major variances was not provided.

The impact of the finding

a) The reasons for major variances might not be valid.

b) Non-compliance with National Treasury *Guide for the preparation of the annual report,*

**Internal control deficiency**

Leadership

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

**Recommendation**

*The department should provide all information to support actual achievements which have been reported in the Annual Report to the auditor general as a matter of urgency*

**Management Response**

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

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken | In future, once budget allocations have been received and should there be a need to revise business plan, approval of such amendments shall be sought. Further, written confirmation to be sought on directives to support variances occurred. | |
| 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 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 | DDG: Construction and Property Policy Regulation | |
| Estimated completion date for corrective action | During 2012/13 FY. Training and guidance was provided by National Treasury to ensure compliance with its requirements. | |

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

*Name:* Lydia Bici

*Position: DDG: Construction and Property Policy Regulation*

*Date: 31 August 2012*

**Auditor’s conclusion**

No management response was received; the finding will remain in the management letter.

1. **Predetermined objectives: Reasons for major variances not explained Ex185**

**Audit Finding (AR)**

In accordance with the National Treasury *Guide for the preparation of the annual report,* auditee’s should disclosereasons for variances between planned targets and actual achievements.

If the variance between planned targets and actual achievements is 10% or more, then it will constitute a major variance and reasons for such variances should be disclosed in the annual performance report.

A total of 39% of major variances between planned and actual achievements were not explained in the annual performance report for the year under review as per the National Treasury annual report preparation guide.

Programme 2: 22 of the 47 (47%) instances where reasons for major variances between planned and actual performance are not included

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual achievement** |
| --- | --- | --- | --- |
| **Provide strategic leadership in effective and efficient Immovable Asset and in the delivery of infrastructure programmes** | Percentage of Asset Register information fields populated with essential data out of the present 108 562 properties | Approximately 22 posts for Contract workers (ASD level) in the regions to monitor and evaluate the work done by the Programme Manager | **Not achieved** |
| Two Contract workers at Head Office to manage the work done in regions and Programme Manager | **Not achieved** |
| Service provider to approximately appoint 150 relevant graduates to collect, verify and update data on immovable assets (24 month contract). | **Not achieved** |
| Vested State land | Fifty-two posts for vesting contract works (1 year renewable until vesting is completed in 2012) | **Not achieved** |
| Approved Amnesty Call Strategy and Campaign | Twelve investigators (6months contract renewable) | **Not achieved** |
| Approved CAMP document addressing User and custodian objectives | 80% CAMP completed | 100% of CAMP completed |
| Approved and funded implementation program (PMIP) | 30 384 work opportunities from prioritised and funded projects | 5157 work opportunities were created |
| Reduced energy consumption on retrofitted state-owned buildings | 7% reduction on kilowatts/hour used on the identified state-owned buildings (65 000kw/h) | Over 100% (8 025 752 kw/h) energy saving was achieved in buildings retrofitted by IDT for 2011/12 |
| Reduced water consumption on retrofitted state-owned buildings | 4% reduction on kilolitres consumed on identified state buildings | 22% reduction on kilolitres was achieved in Bloemfontein and Johannesburg. The above is a cumulative value from April 2011 |
| Rehabilitated buildings | 20 Buildings identified for the implementation of rehabilitation programme within MTEF | 11 projects completed in the first year of the MTEF |
| Rural areas offices | 3 office precincts planned as per IDPs / SDFs | Inputs provided into the Development of Precinct - Balfour, Cofimvaba, Engcobo and Mount Frere |
| Completed and approved analyses with recommendations for the DPW immovable asset portfolio, properties and projects | 50% completion of requests for feasibility studies | 113% requests for feasibility studies completed |
| Approved market valuations for the acquisition and disposal of properties | 75% completion of valuation requests | 97% completed market valuations (139) |
| Successful negotiations with local authorities on municipal valuations to realise a reduction in municipal rates & taxes | 50% of valuations on the annual municipal valuation calendar appraised and negotiated | 100% Municipal Valuations appraised (481) |
| Letting, cleaning services, day-to-day maintenance | 80% of prescript requirements and contractual obligations met | CLEANING & GARDENING  No of contracts:1054  Budget:  R204 583 574  Expenditure:  R165 435 574  81% spend  DAY TO DAY Maintenance  No of projects:28287  Budget:  R831 600 000  Expenditure:  R826 771 510  99% spend |
| Payment of municipal services | 100% payment of current invoices within 30 days | Municipal Services  115%  Number of payments: 91457  Expenditure:  R2 618 390 089  100% |
| Utilisation and disposal of state owned property | 100% compliance for asset register updating | 86% (93692 out of 108 562 properties). |
| Provision of security in accordance with prescripts and contractual obligations | 80% of prescript requirements and contractual obligations met | No of payments:1575  Expenditure:  R41 552 864  All contracts paid. |
|  | Precinct planning for Pretoria prioritising Salvokop | The development of the precinct plan project for Pretoria inner city, and the completion of Salvokop precinct | Tshwane Precinct Master Planning has commenced and completion is due in the third quarter of 2012/2013  Project Inception Report completed  Inner City Quo Report completed  Draft schedule for project completed Salvokop Interim Development Guidelines produced  Salvokop Site location produced and presented to Correctional Services  Location Report for StatsSA produced and implemented  Salvokop Precinct Plan commenced and completion is scheduled for Q3 2012/13 |
| Partnership and MoUs with Metros to improve or to find alternative utilisation of identified facilities in line with inner city regeneration | Agreements with 3 cities | Western Cape Department of Economic Development and Tourism MoU implementation is work in progress; completion is due Q2 2012/13  Salvokop Infrastructure SLA with City of Tshwane is work in progress; completion is due Q4 2012/13  MoU with Durban Metropolitan is work in progress; completion is due Q2 2012/13 |
| Conditions surveys | 60% implementation of maintenance plan | 70% implementation of the maintenance plan achieved |
| Allocates Assets | 80% Utilisation | 91% buildings utilised |

Programme 3: 1 of the 5 (20%) instances where reasons for major variances between planned and actual performance are not included

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual achievement** |
| --- | --- | --- | --- |
| **Promote an enabling environment for the creation of both short and longer term work opportunities so as to contribute to the national goal of job creation and poverty alleviation** | **Annual Designated Group Targets:**  **55% women**  **40% youth**  **2% people with disabilities (PWD)** | **40% youth** | **60% youth** |

The finding occurred as a result of the fact that:

a) This was due to a lack of documented and approved internal policies and procedures to address reporting processes and events pertaining to performance management and reporting

b) No review of the presentation of the annual performance report by management and audit committee.

The impact of the finding

Non-compliance with National Treasury *Guide for the preparation of the annual report,*

**Internal control deficiency**

Leadership

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

**Recommendation**

*The department should provide all information to support actual achievements which have been reported in the Annual Report to the auditor general as a matter of urgency*

**Management Response**

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

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  |  |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |

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

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

Not all management responses were received; the finding will remain in the management letter.

1. **Predetermined objectives: Planned and reported targets are not specific Ex 17**

**Audit Finding (AR)**

The National Treasury *Framework for managing programme performance information (FMPPI)* requires that performance targets be specific in clearly identifying the nature and required level of performance.

The following deviations were noted:

A total of 23% of the targets relevant to [include reference to name of programmes 2, 3 and 4 were not specific in clearly identifying the nature and the required level of performance.

Programme 2: 17 of the 65 (26%) of the targets are not specific:

| **Programme** | **Predetermined objectives** | **Performance measure/indicator** | **Target** |
| --- | --- | --- | --- |
| Programme 2 | Provide strategic leadership in effective and efficient Immovable Asset Management and in the delivery of infrastructure programmes. | Populated templates for 26 National Departments and 7 entities. | 90% complete. |
| Completed portfolio strategies | 100 % of property portfolio strategies developed |
| Approved C-AMP document addressing User and custodian objectives | 80% C-AMP completed |
| Approved disposal program | 4 foreign properties identified for disposal |
| 37 properties to be disposed for commercial purposes |
| Letters of release to regional land claims commission | 55 Properties to be disposed of for land reform purposes |
| \*MOUs signed with RD&LR, Human Settlement, Agriculture,  \* List of properties sent to relevant Departments  \*Signed agreements to release land | 2000 hectares of land parcels for human settlements |
| Accepted inputs into the accounting framework, strategies and policies | 100% of required inputs |
| Completed pilot study in Pretoria for PPS on 10 State-owned buildings | 100% complete |
| Precincts development in Pretoria, and other prioritised rural towns | Bulk infrastructure development of precincts including Salvokop, Church Square[[3]](#footnote-3) and others |
| Letting, cleaning services, day-to-day maintenance | 80% of prescript requirements and contractual obligations met |
| Improved revenue and debtors management on PMTE | Reduced debtors book  Collected revenue |
| Utilisation and disposal of state owned property | 100% compliance for asset register updating |
| Vesting, condition assessments, and Asset Register updating | 100% compliance for asset register updating |
| Provision of security in accordance with prescripts and contractual obligations | 80% of prescript requirements and contractual obligations met |
| Project inspection conducted on state owned property | Project inspection conducted on state owned property |
| Allocated Assets | 80% Utilisation |

Programme 4: 1 of the 8 (13%) of the targets are not specific:

|  |  |  |  |
| --- | --- | --- | --- |
| **Programme** | **Predetermined objectives** | **Performance measure/indicator** | **Target** |
| Programme 4 | Ensure transformation and regulation of the Construction and Property industries to ensure economic growth and development | Strategy1 approved by Minister for publication | Annual report published |

The Finding occurred as a result of fact that:

This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.

Impact of the finding:

a) Non-compliance with for Managing Programme Performance Information

b) It might lead to a qualified audit opinion of performance information

**Internal control deficiency**

Leadership

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

**Recommendation**

The department needs to arrange training on principles of performance information for senior management.

**Management Response**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | Training to be provided to senior managers (Chief Directors) on the FMPI | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
| X | |  |
| If yes, what corrections will be made to the population? | n/a | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | n/a | | |
| Position of official responsible to take corrective action | Chief Director: Strategic Management Unit | | |
| Estimated completion date of corrective action: | December 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Anbigay Naicker

Position: Director: Strategic Planning

Date: 09 July 2012

**Auditor’s conclusion**

Management agrees with the finding and will implement corrective actions to rectify the matter.

1. **Predetermined objectives: Planned and reported targets are not measurable Ex 69**

**Audit finding (AR)**

The National Treasury *Framework for managing programme performance information (FMPPI)* requires that performance targets be measurable.

The following deviations were noted:

The required performance could not be measured for a total of 39% of the targets relevant to programmes 2, 3 and 4.

Programme 2: 30 of the 65 (46%) targets were not measurable

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual achievement** |
| --- | --- | --- | --- |
| **Provide strategic leadership in effective and efficient Immovable Asset and in the delivery of infrastructure programmes** | Vested State land | 70%  25 022 land parcels | 13 116 Item 28(1) certificates issued (DRDLR)  37% out of 35 562 |
| Completed portfolio strategies | 100 % of property portfolio strategies developed | 100% of property portfolio strategies developed |
| Approved C-AMP document addressing User and custodian objectives | 80% C-AMP completed | 100% of CAMP completed |
| Approved and funded implementation program (PMIP) | 100% Approved and signed-off implementation programmes for 2011/12 | PMIP and DPW CWIP approved and signed -off |
| Reduced energy consumption on retrofitted state-owned buildings | 7% reduction on kilowatts/ hour used on identified State-owned buildings  (65 000 KW/H) | Over 100% (8 025 752KW/H) energy saving was achieved in buildings retrofitted by IDT for 2011/12 |
| Reduced water consumption on retrofitted state-owned buildings | 4% reduction on kilolitres consumed on identified State buildings | 22% reduction on kilolitres was achieved in Bloemfontein and Johannesburg. The above is a cumulative value from April 2011 |
| Completed and approved analyses with recommendations for the DPW immovable asset portfolio, properties and projects | 50% completion of requests for feasibility studies | 113% requests for feasibility studies completed (49). |
| Accepted inputs into the accounting framework, strategies and policies | 100% of required inputs | 100% of required inputs submitted |
| Approved market valuations for the acquisition and disposal of properties | 75% completion of valuation requests | 97% completed market valuations (139) |
| Successful negotiation with local authorities on municipal valuations to realise a reduction in municipal rates & taxes | 50% of valuations on the annual municipal valuation calendar appraised and negotiated | 100% Municipal Valuations appraised (481) |
| Approved range of delivery models for construction projects | Appointment of consultants by April 2011  Toolkit completed by March 2012 | Target not achieved |
| Completed pilot study in Pretoria for PPS on 10 State-owned buildings | 100% complete | 100% completion  Laboria House, Civitas Building, New Library, Pretoria Police Station, Pretoria high court, Pretoria Prison, Home Affairs Marabastad, Police Barracks Arcadia, Forensic Laboratories Arcadia and Waterkloof Air Force base  Project ready for hand over to PP&M for roll out and  Implementation |
| Effective and efficient response to customer varying needs | Monthly reports on progress, challenges experienced in delivering their projects | The overall performance of expenditure for infrastructure budget is 79% on all programs in line with monthly expenditure reports.  There was an adjustment allocation of R 260 827 606 from DCS Capital. |
| Appointment of HDI, Co-operatives and ABE as main contractors or/ and as sub-contractors through CPG programme | Minimum of 35% of project value should be subcontracted to ABE – this should translate to 35% of allocated budget | R883 718 639 (19.9%) was awarded through CPG provision and accrued to ABE sub-contractors |
| Completion of capital and refurbishment projects in accordance with the Capital Works implementation program | 100% completion of projects within time, cost and quality in line with socio-economic objectives of Government | No of projects completed are 162, and 297 continues to 2012 at construction stage  **Budget:**  R 3 769 721 343  **Expenditure:**  R2 741 791 709  **72.7%** |
| Completion of maintenance projects in accordance with the planned maintenance implementation plan | 100% completion of projects within time, cost and quality in line with socio-economic objectives of government | No of projectscompleted are 75 and 353 continues at construction stage in 2012  **Budget:**R2 388 363 000  **Expenditure:**  R 2 119 635 838  **89%** |
| Acquisition of state property and conclusion of new leases, renewals and management of existing leases in accordance with the Leasing Implementation Programme | 80% of leases managed within time, cost and prescripts in line with socio-economic objectives of government | **No of leases: 2263**  **Budget:**  R2 931 948 670  **Expenditure:**  R2 910 716 628  **99%** |
| Letting, cleaning services, day-to-day maintenance | 80% of prescript requirements and contractual obligations met | **CLEANING & GARDENING**  No of contracts:1054  **Budget:**  **R204 583 574**  **Expenditure:**  R165 435 574  81% spend  **DAY TO DAY Maintenance**  No of projects:28287  **Budget:**  R831 600 000  **Expenditure:**  R826 771 510  99% spend |
| Payment of municipal services | 100% payment of current invoices within 30 days | **Municipal Services**  115%  No of payments: 91457  **Expenditure:**  R2 618 390 089  100%  **RATES & TAXES**  87%  No of payments:8834  **Expenditure:**  R513 755 577  79% |
| Utilisation and disposal of state owned property | 100% compliance for asset register updating | 86% (93692 out of 108 562 properties). |
| Vesting, condition assessments, and Asset Register updating | 100% compliance for asset register updating | 13 116 Item 28(1) certificates issued (DRDLR) - 37% out of 35 562 |
| Provision of security in accordance with prescripts and contractual obligations | 80% of prescript requirements and contractual obligations met | No of payments:1575  **Expenditure:**  R41 552 864  All contracts paid. |
| Building inspections conducted on state owned and leased accommodation | Regional:  880 per cycle  220 per quarter  20 per region | No of building inspected:  State: 795  Leased: 899  TOTAL: 1694 |
| Project inspection conducted on state owned property | Project inspection conducted on state owned property | No of running projects inspected: 587 |
| Sites identified aligned to local authorities’ IDP’s | 100% of complaint sites identified, aligned to IDP, client requirements and needs permitting | 100% sites identified  Investigations completed for Durban, Mthatha, Mmabatho, Nelspruit, Polokwane, Johannesburg, Kimberley, Bloemfontein, and Mount Frere |
| Posts suitably filled and human resource management reports submitted | 100% reports submitted in time | 100% Human Resources report submitted |
| Approved risk register | 100% of risks identified and control measures implemented | 100% compliance |
| Condition surveys | 60% implementation of maintenance plan | 70% implementation of the maintenance plan achieved |
| Allocated Assets | 80% Utilisation | 91% buildings utilized |

Programme 4: 1 out of 8 (12.5%) targets were not measurable

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual achievement** |
| --- | --- | --- | --- |
| **Ensure transformation and regulation of the Construction and Property industries to ensure economic growth and development** | Strategy approved by Minister for publication | Annual report published | No progress |

Finding occurred as a result of the fact:

This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.

Impact of the finding:

a) Non-compliance with for Managing Programme Performance Information

b) Misstatement of information reported on the Annual Performance Report

**Internal control deficiency**

Leadership

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

**Recommendation**

The department needs to arrange training on principles of performance information for senior management.

**Management response**

I am in agreement with the finding

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | Training to be provided to senior managers on the Framework for Managing Performance Information | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | n/a | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | n/a | | |
| Position of official responsible to take corrective action | Chief Director: Strategic Management Unit | | |
| Estimated completion date of corrective action: | December 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Anbigay Naicker

Position: Director: Strategic Planning

Date: 12 July 2012

**Auditor’s conclusion**

Management agrees with the finding and the finding will remain in the management letter.

1. **Predetermined objectives: Planned and reported performance indicator not well-defined Ex 142**

**Audit finding (AR)**

The National Treasury *Framework for managing programme performance information (FMPPI)* requires that indicators/measures should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use.

A total of 80% of the indicators relevant to programmes 2, 3 and 4 were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently.

A total of 80% of the indicators relevant to Programme 2, 3 and 4 were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently.

Programme 2: 51 of the 54 (94%) indicators are not well-defined:

| **Programme** | **Predetermined objectives** | **Performance measure/indicator** | **Target** |
| --- | --- | --- | --- |
| Programme 2 | Provide strategic leadership in effective and efficient Immovable Asset Management and in the delivery of infrastructure programmes | Vested state land | 70%  25 022 land parcels |
| Approved Amnesty Call Strategy and Campaign | Strategy completed and launched  100% of cases reported verified and updated on AR |
| Signed SLA by 30 National Departments and 11 entities | Monitor delivery of 50% SDS for 41 users |
| Completed portfolio strategies | 100% of property portfolio strategies developed |
| Approved C-AMP document addressing User and custodian objectives | 80% C-AMP completed |
| Approved and funded implementation program (PMIP) | 100% approved and signed-off implementation programmes for 2011/2012  30 384 work opportunities from prioritised and funded projects |
| Signed agreements | 20% revenue increase on leased out State-owned properties |
| Reduced energy consumption on retrofitted state-owned buildings | 7% reduction on kilowatts/hour used on identified State-owned buildings (65 000 KW/H) |
| Reduced water consumption on retrofitted state-owned buildings | 4% reduction on kilolitres consumed on identified State building |
| Accessible buildings to people with disability | 110 buildings identified and made available |
| Rehabilitated buildings | 20 buildings identified for the implementation of rehabilitation programme within MTEF |
| Approved disposal program | 4 foreign properties identified for disposal  37 properties to be disposed for commercial purposes |
| Letters of release to regional land claims commission  MOUs signed with RD&LR, Human Settlement, Agriculture and others  List of properties sent to relevant Departments Signed agreements to release land | 55 Properties to be disposed of for land reform purposes  2000 hectares of land parcels for human settlements |
| Rural areas offices | 3 office precincts planned as per IDPs / SDFs |
| Completed and approved analyses with recommendations for the DPW immovable asset portfolio, properties and projects | 50% completion of requests for feasibility studies |
| Accepted inputs into accounting framework, strategies and policies | 100% of required inputs |
| Approved market valuations for the acquisition and disposal of properties | 75% completion of valuation requests |
| Successful negotiation with local authorities on municipal valuations to realize a reduction in municipal rates & taxes | 50% of valuations on the annual municipal valuation calendar appraised and negotiated |
| Approved range of delivery models for construction projects | Appointment of consultants by April 2011  Toolkit completed by March 2012 |
| Completed pilot study in Pretoria for PPS on 10 State owned buildings | 100% complete |
| Trained learners, Interns and young professionals absorbed into the staff establishment | 20 trainees |
| Precincts Development in Pretoria, and other prioritized rural towns | Bulk infrastructure development of precincts including Salvokop, Church Square[[4]](#footnote-4) and others |
| Effective and efficient response to customer varying needs | Monthly reports on progress, challenges experienced in delivering their projects |
| Appointment of HCI, Cooperatives and ABE as main contractors or/ and as sub-contractors through CPG program | Minimum of 35% of project value should be subcontracted to ABE – this should translate to 35% of allocated budget |
| Sustainable financial and procurement control environment | Reduction in Legal challenges on awarded tenders to 5% |
| Completion of capital and refurbishment projects in accordance with the Capital Works implementation program | 100% completion of projects within time, cost and quality in line with socio-economic objectives of Government |
| Completion of maintenance projects in accordance with the Planned Maintenance implementation plan | 100% completion of projects within time, cost and quality in line with socio-economic objectives of government |
| Acquisition of state property and conclusion of new leases, renewals and management of existing leases in accordance with the Leasing Implementation Programme | 80% of leases managed within time, cost and prescripts in line with socio-economic objectives of government |
| Letting, cleaning services, day-to-day maintenance | 80% of prescript requirements and contractual obligations met |
| Payment of Municipal Services | 100% payment of current invoices within 30 days |
| Improved revenue and debtors management on PMTE | Reduced debtors book  Collected revenue |
| Utilisation and disposal of state owned property | 100% compliance for asset register updating |
| Vesting, condition assessments, and Asset Register updating | 100% compliance for asset register updating |
| Provision of Security in accordance with prescripts and contractual obligations | 80% of prescript requirements and contractual obligations met |
| Building inspections conducted on state owned and leased accommodation | Regional:   * 880 per cycle * 220 per quarter 20 per region |
| Project inspections conducted on state owned property | Project inspection conducted on state owned property |
| Sites identified aligned to local authorities’ IDP’s | 100% of complaint sites identified, aligned to IDP, client requirements and needs permitting |
| Feasibility studies and projects on all prioritized towns, sites and projects | Feasibility studies on 3 prioritised towns/ sites |
| Precinct planning for Pretoria prioritizing Salvokop | The development of the precinct plan project for Pretoria inner city, and the completion of Salvokop precinct |
| Partnerships and MoU’s with Metro’s to improve or to find alternative utilisation of identified facilities in line with inner city regeneration | Agreements with 3 cities |
| Reconciled budget reports | 100% expenditure and no under/ over expenditure on allocated budgets |
| Signed work plans and performance agreements | 100% performance agreements/ work plans and assessment reports |
| No payment outside of 30-day rule without proper reason | 100% of accounts, properly due and correct, paid within 30 days |
| Posts suitably filled and Human resource  Management reports submitted | * 100% posts filled * 100% reports submitted in time |
| Work opportunities for Candidate Town and Regional Planners | 2 Candidates |
| Approved risk register | 100% of risks identified and control measures implemented |
| 250 Students  accommodated  583 jobs | Completed design documentation, project 70%  350 jobs |
| 180 Students accommodated 533 jobs | Completed design documentation, project 70% complete  300 jobs |
| Conditions  Surveys | 60% implementation of maintenance plan |
| Allocated Assets | 80% Utilisation |
| Reduction of clients complaints | 60% reduction of complaints |
|  |

Finding occurred as a result of:

This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.

Impact of the finding:

a) Non-compliance with for Managing Programme Performance Information

b) Inaccurate reporting due to inconsistent collection of data

**Internal control deficiency**

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and regulations and internal controls:

**Recommendation**

The department needs to arrange training on principles of performance information for senior management.

**Management response**

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | Training to be provided to senior managers on the Framework for Managing Performance Information | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | n/a | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | n/a | | |
| Position of official responsible to take corrective action | Chief Director: Strategic Management Unit | | |
| Estimated completion date of corrective action: | December 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Anbigay Naicker

Position: Director: Strategic Planning

Date: 16 July 2012

**Auditor’s conclusion**

Management agrees with the finding and the finding will remain in the management letter.

1. **Predetermined objectives: Planned and reported performance indicator is not verifiable Ex 27**

**Audit finding**

The National Treasury *Framework for managing programme performance information* (FMPPI) requires that it must be possible to validate the processes and systems that produce the indicator.

The following deviations were noted:

A total of 78% of the indicators relevant to programmes 2, 3 and 4 were not verifiable in that valid processes and systems that produce the information on actual performance did not exist.

Programme 2: 50 of the 54 (93%) indicators are not verifiable:

| **Programme** | **Predetermined objectives** | **Performance measure/indicator** | **Target** |
| --- | --- | --- | --- |
| Programme 2 | Provide strategic leadership in effective and efficient Immovable Asset Management and in the delivery of Infrastructure programmes | Approved Amnesty Call Strategy and Campaign | Strategy completed and launched  100% of cases reported verified and updated on AR |
| Signed SLA by 30 National Departments and 11 Entities. | 53% - 22 users signed the SLA document. |
| Completed portfolio strategies | 100% of property portfolio strategies developed |
| Approved C-AMP document addressing User and custodian objectives | 100% of CAMP completed |
| Approved and funded implementation program (PMIP) | PMIP and DPW CWIP approved and signed -off |
| Signed agreements | 10.9% in revenue increase |
| Reduced energy consumption on retrofitted state-owned buildings | Over 100% (8 025 752KW/H) energy saving was achieved in buildings retrofitted by IDT for 2011/12 |
| Reduced water consumption on retrofitted state-owned buildings | 22% reduction on kilolitres was achieved in Bloemfontein and Johannesburg. The above is a cumulative value from April 2011 |
| Accessible buildings to people with disability | 51 buildings completed |
| Rehabilitated buildings | 11 projects completed in the first year of the MTEF |
| Approved disposal program | 4 foreign properties identified for disposal |
| 37 properties to be disposed for commercial purposes |
| Letters of release to regional land claims commission | 55 Properties to be disposed of for land reform purposes |
| \*MOUs signed with RD&LR, Human Settlement, Agriculture,  \* List of properties sent to relevant Departments  \*Signed agreements to release land | 2000 hectares of land parcels for human settlements |
| Rural areas offices | 3 office precincts planned as per IDPs / SDFs |
| Completed and approved analyses with recommendations for the DPW immovable asset portfolio, properties and projects | 50% completion of requests for feasibility studies |
| Accepted inputs into the accounting framework, strategies and policies | 100% of required inputs |
| Approved market valuations for the acquisition and disposal of properties | 75% completion of valuation requests |
| Successful negotiation with local authorities on municipal valuations to realise a reduction in municipal rates & taxes | 50% of valuations on the annual municipal valuation calendar appraised and negotiated |
| Approved range of delivery models for construction projects | Appointment of consultants by April 2011  Toolkit completed by March 2012 |
| Completed pilot study in Pretoria for PPS on 10 State-owned buildings | 100% complete |
| Trained learners, Interns and young professionals absorbed into the staff establishment | 20 trainees |
| Target not achieved | 60% implementation of maintenance plan |
| 100% completion  Laboria House, Civitas Building, New Library, Pretoria Police Station, Pretoria high court, Pretoria Prison, Home Affairs Marabastad, Police Barracks Arcadia, Forensic Laboratories Arcadia and Waterkloof Air Force base  Project ready for hand over to PP&M for roll out and  Implementation | 80% Utilisation |
| 4 Young Professionals, 2 Management Trainees and 6 Interns for Valuation Services were recruited | 60% reduction of complaints |
| Precincts development in Pretoria, and other prioritised rural towns | Bulk infrastructure development of precincts including Salvokop, Church Square[[5]](#footnote-5) and others |
| Effective and efficient response to customer varying needs | Monthly reports on progress, challenges experienced in delivering their projects |
| Appointment of HDI, Co-operatives and ABE as main contractors or/ and as sub-contractors through CPG programme | Minimum of 35% of project value should be subcontracted to ABE – this should translate to 35% of allocated budget |
|  | Reduction in Legal challenges on awarded tenders to 5% |
| Completion of capital and refurbishment projects in accordance with the Capital Works implementation program | 100% completion of projects within time, cost and quality in line with socio-economic objectives of Government |
| Completion of maintenance projects in accordance with the planned maintenance implementation plan | 100% completion of projects within time, cost and quality in line with socio-economic objectives of government |
| Acquisition of state property and conclusion of new leases, renewals and management of existing leases in accordance with the Leasing Implementation Programme | 80% of leases managed within time, cost and prescripts in line with socio-economic objectives of government |
| Letting, cleaning services, day-to-day maintenance | 80% of prescript requirements and contractual obligations met |
| Payment of municipal services | 100% payment of current invoices within 30 days |
|  |  |
| Improved revenue and debtors management on PMTE | Reduced debtors book  Collected revenue |
| Utilisation and disposal of state owned property | 100% compliance for asset register updating |
| Vesting, condition assessments, and Asset Register updating | 100% compliance for asset register updating |
| Provision of security in accordance with prescripts and contractual obligations | 80% of prescript requirements and contractual obligations met |
| Building inspections conducted on state owned and leased accommodation | Regional:   * 880 per cycle * 220 per quarter * 20 per region |
| Project inspection conducted on state owned property | Project inspection conducted on state owned property |
| Sites identified aligned to local authorities’ IDP’s | 100% of complaint sites identified, aligned to IDP, client requirements and needs permitting |
| Feasibility studies and projects on all prioritised towns, sites and projects | Feasibility studies on 3 prioritised towns/ sites |
| Precinct planning for Pretoria prioritising Salvokop | The development of the precinct plan project for Pretoria inner city, and the completion of Salvokop precinct |
| Partnerships and MoUs with Metros to improve or to find alternative utilisation of identified facilities in line with inner city regeneration | Agreements with 3 cities |
| Reconciled budget reports | 100% expenditure and no under/ over expenditure on allocated budgets |
| Signed work-plans and performance agreements | 100% performance agreements/ work plans and assessment reports |
| No payment outside of 30-day rule without proper reason | 100% of accounts, properly due and correct, paid within 30 days |
| Posts suitably filled and human resource management reports submitted | * 100% posts filled * 100% reports submitted in time |
| Work opportunities for candidate town and regional planners | 2 Candidates |
| Approved risk register | 100% of risks identified and control measures implemented |
| 250 Students accommodated and 583 jobs | Completed design documentation, project 70% |
|  | 350 jobs |
| 180 Students accommodated and 533 jobs | Completed design documentation, project 70% complete |
| 300 jobs |

The finding occurred as a result of the following:

a) This was due to the lack of key controls in the relevant systems of verification of actual performance information.

b) Management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.

The impact of the finding:

a) Non compliance with National Treasury Framework for managing programme performance information

b) Might result in adverse/disclaimer opinion.

**Internal control deficiency**

Leadership

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

**Recommendation**

a) The department needs to arrange training on principles of performance information for senior management.

b) Controls regarding the collection/collation/verification/storage of actual performance information need to be established.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | Training to be provided to Senior Managers (Chief Directors) on the principles of performance information | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | n/a | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | n/a | | |
| Position of official responsible to take corrective action | Chief Director: Strategic Management Unit | | |
| Estimated completion date of corrective action: | December 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Anbigay Naicker

Position: Director: Strategic Planning

Date: 09 July 2012

**Auditor’s conclusion**

Management agrees with the finding and the finding will remain in the management letter.

1. **Predetermined Objectives: Reported performance not valid Ex221**

Audit Finding

The National Treasury *Framework for managing programme performance information (FMPPI)* requires that processes and systems which produce the indicator should be verifiable.

A total of 80% of the indicators relevant to programmes 2, 3 and 4 were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently.

A total of 29% of the actual reported performance relevant to the selected programmes 2, 3 and 4 was not valid when compared to the evidence provided.

Programme 2: 18 of the 65 (28%) indicators are not well-defined:

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | | **Actual (2011/12)** | |
| --- | --- | --- | --- | --- | --- |
| Provide strategic leadership in effective and efficient Immovable Asset Management and in the delivery of infrastructure programmes | Conditions survey | 60% implementation of maintenance plan | | 70% implementation of the maintenance plan achieved | |
| Accessible buildings to people with disability | 110 buildings identified and made accessible | | 51 buildings completed | |
| Completed and approved analyses with recommendations for the DPW immovable asset portfolio, properties and projects | 50% completion of requests for feasibility studies | | 113% requests for feasibility studies completed (49) | |
| Approved market valuations for the acquisition and disposal of properties | 75% completion of valuation requests | | 97% completed market valuation (139) | |
| Effective and efficient response to customer varying needs | Monthly reports on progress, challenges experienced in delivering their projects | | The overall performance of expenditure for infrastructure budget is 79% on all programs in line with monthly expenditure reports  There was an adjustment allocation of R260 827 606 | |
| Completion of capital and refurbishment projects in accordance with the Capital Works implementation programme | 100% completion of projects within time, cost and quality in line with socio-economic objectives of Government | | Number of projects completed are 162, and 297 continues to 2012 at construction stage  Budget:  R3 769 721 343  Expenditure:  R2 741 791 709  72.7% | |
| Acquisition of state property and conclusion of new leases, renewals and management of existing leases in accordance with the Leasing Implementation Programme | 80% of leases managed within time, cost and prescripts in line with socio-economic objectives of Government | | No of leases: 2263  Budget R2 931 948 670  Expenditure:  R2 910 716 628  99% | |
| Letting, cleaning services, day-to-day maintenance | 80% of prescript requirements and contractual obligations met | | CLEANING & GARDENING  Number of contracts: 1054  Budget:  R204 583 574  Expenditure:  R165 435 574  81% spend  DAY TO DAY Maintenance  Number of projects: 28287  Budget:  R831 600 000  Expenditure:  R826 771 510  99% spend | |
| Payment of municipal services | 100% payment of current invoices within 30 days | | Municipal Services  115%  Number of payments: 91457  Expenditure:  R2 618 390 089  100%  RATES & TAXES  87% Number of payments: 8834  Expenditure:  R513 755 577  79% | |
| Utilisation and disposal of state-owned property | 100% compliance for asset register updating | | 86% (93 692 out of 108 562 properties) | |
| Provision of security in accordance with prescripts and contractual obligations | 80% of prescript requirements and contractual obligations met | | Number of payments: 1575  Expenditure:  R41 552 864  All contracts paid | |
| Building inspections conducted on state owned and leased accommodation | Regional:  880 per cycle  220 per quarter  20 per region | | No of buildings inspected:  State:795  Leased: 899  TOTAL’1694 | |
| Project inspection conducted on state-owned property | Project inspection conducted on state owned property | | No of running projects inspected:587 | |
| Sites indentified aligned to local authorities’ IDP’s | 100% of complaint sites identified, aligned to IDP, client requirements and client requirements and needs permitting | | 100% sites identified  Investigations completed for Durban, Mthatha, Mmbatho, Nelspruit, Polokwane, Johannesburg, Kimberley, Bloemfontein, and Mount Frere | |
| Partnerships and MoUs with Metros to improve or to find alternative utilisation of identified facilities in line with inner city regeneration | Agreements with 3 cities | | Western Cape Department of Economic Development and Tourism MoU implementation is work in progress; completion is due Q2 2012/13  Salvokop Infrastructure SLA with City of Tshwane is work in progress; completion is due Q4 2012/13  MoU with Durban Metropolitan is work in progress; completion is due Q2 2012/13 | |
| No payment outside of 30 day rule without proper reason | 100% of accounts, properly due and correct, paid within 30 days | | 100% compliance | |
| 180 Students accommodated 533 jobs | Completed design documentation, the project is 70% complete | | Designs and tender documentation completed until work stage 4  Site Stripping 100%  Site Establishment  Project has been halted | |
| 533 jobs | 300 jobs | | 52 jobs created | |
| Programme 3: 5 of f the 6 (83%) indicators are not well-defined: |
| **Predetermined objectives** | **Performance measure/indicator** | | **Target** | | **Actual (2011/12)** | |
| **Promote an enabling environment for the creation of both short and longer term work opportunities so as to contribute to the national goal of job creation and poverty alleviation** | **Work opportunities and FTE** | | **868,000 work opportunities** | | **843 459 work opportunities** | |
| **361,739 full time equivalents** | | **251 127 full time equivalents** | |
| **Annual Designated Group Targets:**  **55% women**  **40% youth**  **2% people with disabilities (PWD)** | | **55% Women** | | **60% women** | |
| **40% Youth** | | **50% Youth** | |
| **2% people with disabilities** | | **0.19% PWD** | |

The finding occurred as a result of the fact that:

a) This was due to a lack of document management system with regard to the supporting documentation to the reported achievements.

b) This was due to a lack of review for the recording of actual achievements by senior management and internal audit.

The impact of the finding:

The information reported might not valid.

**Internal control deficiency**

Leadership

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

**Recommendation**

*The department should provide all information to support actual achievements which have been reported in the Annual Report to the auditor general as a matter of urgency*

**Management Response**

I am [not] in agreement with the finding for the following reasons [and supply the following/attached

information in support of this]:

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  |  |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |

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

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

No management response was received; the finding will remain in the management letter.

1. **Predetermined Objectives: Reported performance not accurate Ex 262**

**Audit Finding**

The National Treasury *Framework for managing programme performance information (FMPPI)* requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance.

The following deviations were noted:

A total of 28 of the actual reported indicators relevant to programmes 2, 3 and 4 were not accurate when compared to source information.

Programme 2: 29% of the department’s actual achievement against predetermined objectives is not accurate:

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual** | **Auditor’s comment** |
| --- | --- | --- | --- | --- |
| Provide strategic leadership in effective and efficient Immovable Asset Management and in the delivery of infrastructure programmes | Percentage of Asset Register information fields populated with essential data out of the present 108 562 properties | 90% populated  97 705 properties | 86% (93692 out of 108 562 properties). | The figure of 108 562 is not accurate as it does not tie up to the amount disclosed in the disclosure note for the number of properties which is disclosed as 109 037 |
|  | Approved and signed-off implementation programmes (CWIP and PMIP). | 100% approved and signed-off. | 100% achieved.  All nine (9) affected national Departments signed off the Capital Works Implementation Program (CWIP) for 2011/12. Departmental sign off of the Planned Maintenance Implementation Programme (PMIP) | All CWIP and PMIP documents reported on as actual achievement on the annual performance report were signed by the national departments during 2010/2011 reporting period |
| Approved market valuations for the acquisition and disposal of properties | 75% completion of valuation requests | 97% completed market valuations (139) | A total of 139 valuation has been reported on the annual on inspection of schedule provided by the department a total valuations of 138 have been performed at year end |
| Completed and approved analyses with recommendations for the DPW immovable asset portfolio, properties and projects | 50% completion of requests for feasibility studies | 113% requests for feasibility studies completed (49) | The department provided a list of 48 feasibility studies completed during the year and they have reported that a total of 49 feasibility studies were performed during the year |
| Precincts development in Pretoria, and other prioritised rural towns | Bulk infrastructure development of precincts including Salvokop, Church Square and others | Planning for the Bulk infrastructure commenced | The department has reported actual achievement in the incorrect strategic period. Planning for Bulk infrastructure commenced on 1 August 2011 as per supporting documentation submitted for audit purposes. |
| Partnership and MoUs with Metros to improve or to find alternative utilisation of identified facilities in line with inner city regeneration | Agreements with 3 cities | Western Cape Department of Economic Development and Tourism MoU work in progress. Completion is due in Q2 2012/13  Salvokop: SLA with City of Tshwane is work in progress. Completion is due Q4 2012/13  MoUs with 2 urban centres are work in progress. Completion is due Q2 2012/13 | The SLA with the City of Tshwane Metropolitan Municipality was signed on 02 February 2011 and reported on the 2011/12 reporting period |
| Signed agreements | 20% revenue increase on leased out State-owned properties | 10.9% in revenue increase | The percentage disclosed in the annual performance report for revenue increase is incorrect whereas the revenue has increase by 62% based on information disclosed in the annual financial statements |
| Reduced water consumption on retrofitted state owned buildings | 4% reduction on kilolitres consumed on identified state buildings | 22% reduction in kilolitres was achieved in Bloemfontein and Johannesburg. The above is a cumulative value from April 2011 | The department has included water saving from October 2010 to March 2011 which does not fall in the 2011/12 reporting period |
| Accessible buildings to people with disability | 110 buildings identified and made accessible | 51 buildings completed | Some of the building reported on were completed in the 2010/2011 financial year |
| Rural areas offices | 3 office precincts planned as per IDPs / SDFs | Inputs provided into the Development of Precinct - Balfour, Cofimvaba, Engcobo and Mount Frere | The department submitted information for 2010/11 reporting period as audit evidence for Balfour |
| Building inspections conducted on state owned and leased accommodation | Regional:  880 per cycle  220 per quarter  20 per region | No of buildings inspected:  State: 795  Leased:899  TOTAL: 1694 | The total number of inspections conducted during the year differ from schedules inspected on the department’s files |
| Project inspection conducted on state owned property | Project inspection conducted on state owned property | No of running projects inspected:587 | The total number of inspections conducted during the year differ from schedules inspected on the department’s files differ from schedules inspected on the department’s files |
|  | Appointment of HDI, Co-operatives and ABE as main contractors or/ and as sub-contractors through CPG programme | Minimum of 35% of project value should be subcontracted to ABE – this should translate to 35% of allocated budget | R883 718 639 (19.9%) was awarded through CPG provision and accrued to ABE sub-contractors | The information disclosed in the annual report does not agree to supporting documentation provided by the department. Supporting documentation amount to R420 049 520 and the amount disclosed is R883 718 629 |
|  |  | Reduction in Legal challenges on awarded tenders to 5% | 324 projects awarded. 3 legal challenges received (0.9%). | The total percentage of legal challenges is 1.20% per information submitted by the department and it does not agree to the 0.90% disclosed in the annual performance report |
|  | Completion of capital and refurbishment projects in accordance with the Capital Works implementation program | 100% completion of projects within time, cost and quality in line with socio-economic objectives of Government | No of projects completed are 162, and 297 continues to 2012 at construction stage  **Budget:**  R 3 769 721 343  **Expenditure:**  R2 741 791 709  **72.7%** | The information submitted does not agree to information disclosed in the annual performance report |
|  | Completion of maintenance projects in accordance with the planned maintenance implementation plan | 100% completion of projects within time, cost and quality in line with socio-economic objectives of government | No of projectscompleted are 75 and 353 continues at construction stage in 2012  **Budget:**R2 388 363 000  **Expenditure:**  R 2 119 635 838  **89%** |
| Sites identified aligned to local authorities’ IDP’s | Sites identified aligned to local authorities’ IDP’s | 100% of complaint sites identified, aligned to IDP, client requirements and needs permitting | 100% sites identified  Investigations completed for Durban, Mthatha, Mmabatho, Nelspruit, Polokwane, Johannesburg, Kimberley, Bloemfontein, and Mount Frere | In the audit evidence provided the is no reporting on Kimberley, Bloemfontein and Mount Frere |
|  | 180 Students accommodated and 533 jobs  300 jobs | Completed design documentation, project 70% | Site stripping 100%  Site Establishment 100%  Project has been halted  52 jobs created | The department has reported appointments of consultants as jobs created |

b) Programme 3: 75% Source information supporting actual performance not complete

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual** | **Auditor’s comment** |
| --- | --- | --- | --- | --- |
| Promote an enabling environment for the creation of both short and longer –term work opportunities, so as to contribute to the national goal of job creation and poverty alleviation. | Work opportunities and FTE | 868,000 Work Opportunities and | 843 459 Work Opportunities |  |
| Work opportunities and FTE | 361,739 Full Time Equivalents | 251 127 Full Time Equivalents |  |
| Annual Designated Group Targets:   * 55% women * 40% youth   2% people with disabilities (PWD | * 55% women * 40% youth   2% people with disabilities (PWD) | * 60% Women * 50% Youth   0.19% PWD |  |

The finding occurred as result of the fact that:

This was due to a lack of review for the recording of actual achievements by senior management and internal audit.

Impact of the finding:

The targets not achieved will not be detected timeously.

**Internal control deficiency**

Leadership

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

**Recommendation**

*The department should ensure that the information recorded in the annual performance report is agreed to the supporting evidence before it is submitted to the auditor-general for auditing.*

**Management Response**

I am in agreement with the finding for the following reasons [and supply the following/attached information in support of this]: City Councils are between 4 to 6 months behind with their invoicing and this delay the submission of water savings by the Regional Offices. A copy of an email reflecting the above is attached. The savings from October 2010 – March 2011 were received from the Regions in 2011/12.

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  |  |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |
| **DESCRIPTION** | **RESPONSE** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
| Yes |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

*Name:* MAGDELINE TSHABALALA

*Position: ACTING CD: PPM*

*Date: 31 JULY 2012*

**Auditor’s response**

Management response was partially received and the matter will remain unresolved

1. **Predetermined Objectives: Source information supporting actual performance not complete Ex 257**

**Audit Finding**

The National Treasury *Framework for managing programme performance information (FMPPI)* requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained.

The following deviations were noted:

Source information for 45% of the actual reported performance, for the selected programmes 2, 3 and 4, was not completely recorded.

Programme 2: 29% of the department’s actual achievement against predetermined objectives is not accurate:

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual** | **Auditor’s comment** |
| --- | --- | --- | --- | --- |
| Provide strategic leadership in effective and efficient Immovable Asset Management and in the delivery of infrastructure programmes | Percentage of Asset Register information fields populated with essential data out of the present 108 562 properties | 90% populated  97 705 properties | 86% (93692 out of 108 562 properties). | The figure of 108 562 is not accurate as it does not tie up to the amount disclosed in the disclosure note for the number of properties which is disclosed as 109 037 |
|  | Approved and signed-off implementation programmes (CWIP and PMIP). | 100% approved and signed-off. | 100% achieved.  All nine (9) affected national Departments signed off the Capital Works Implementation Program (CWIP) for 2011/12. Departmental sign off of the Planned Maintenance Implementation Programme (PMIP) | All CWIP and PMIP documents reported on as actual achievement on the annual performance report were signed by the national departments during 2010/2011 reporting period |
| Approved market valuations for the acquisition and disposal of properties | 75% completion of valuation requests | 97% completed market valuations (139) | A total of 139 valuation has been reported on the annual on inspection of schedule provided by the department a total valuations of 138 have been performed at year end |
| Completed and approved analyses with recommendations for the DPW immovable asset portfolio, properties and projects | 50% completion of requests for feasibility studies | 113% requests for feasibility studies completed (49) | The department provided a list of 48 feasibility studies completed during the year and they have reported that a total of 49 feasibility studies were performed during the year |
| Precincts development in Pretoria, and other prioritised rural towns | Bulk infrastructure development of precincts including Salvokop, Church Square and others | Planning for the Bulk infrastructure commenced | The department has reported actual achievement in the incorrect strategic period. Planning for Bulk infrastructure commenced on 1 August 2011 as per supporting documentation submitted for audit purposes. |
| Partnership and MoUs with Metros to improve or to find alternative utilisation of identified facilities in line with inner city regeneration | Agreements with 3 cities | Western Cape Department of Economic Development and Tourism MoU work in progress. Completion is due in Q2 2012/13  Salvokop: SLA with City of Tshwane is work in progress. Completion is due Q4 2012/13  MoUs with 2 urban centres are work in progress. Completion is due Q2 2012/13 | The SLA with the City of Tshwane Metropolitan Municipality was signed on 02 February 2011 and reported on the 2011/12 reporting period |
| Signed agreements | 20% revenue increase on leased out State-owned properties | 10.9% in revenue increase | The percentage disclosed in the annual performance report for revenue increase is incorrect whereas the revenue has increase by 62% based on information disclosed in the annual financial statements |
| Reduced water consumption on retrofitted state owned buildings | 4% reduction on kilolitres consumed on identified state buildings | 22% reduction in kilolitres was achieved in Bloemfontein and Johannesburg. The above is a cumulative value from April 2011 | The department has included water saving from October 2010 to March 2011 which does not fall in the 2011/12 reporting period |
| Accessible buildings to people with disability | 110 buildings identified and made accessible | 51 buildings completed | Some of the building reported on were completed in the 2010/2011 financial year |
| Rural areas offices | 3 office precincts planned as per IDPs / SDFs | Inputs provided into the Development of Precinct - Balfour, Cofimvaba, Engcobo and Mount Frere | The department submitted information for 2010/11 reporting period as audit evidence for Balfour |
| Building inspections conducted on state owned and leased accommodation | Regional:  880 per cycle  220 per quarter  20 per region | No of buildings inspected:  State: 795  Leased:899  TOTAL: 1694 | The total number of inspections conducted during the year differ from schedules inspected on the department’s files |
| Project inspection conducted on state owned property | Project inspection conducted on state owned property | No of running projects inspected:587 | The total number of inspections conducted during the year differ from schedules inspected on the department’s files differ from schedules inspected on the department’s files |
|  | Appointment of HDI, Co-operatives and ABE as main contractors or/ and as sub-contractors through CPG programme | Minimum of 35% of project value should be subcontracted to ABE – this should translate to 35% of allocated budget | R883 718 639 (19.9%) was awarded through CPG provision and accrued to ABE sub-contractors | The information disclosed in the annual report does not agree to supporting documentation provided by the department. Supporting documentation amount to R420 049 520 and the amount disclosed is R883 718 629 |
|  |  | Reduction in Legal challenges on awarded tenders to 5% | 324 projects awarded. 3 legal challenges received (0.9%). | The total percentage of legal challenges is 1.20% per information submitted by the department and it does not agree to the 0.90% disclosed in the annual performance report |
|  | Completion of capital and refurbishment projects in accordance with the Capital Works implementation program | 100% completion of projects within time, cost and quality in line with socio-economic objectives of Government | No of projects completed are 162, and 297 continues to 2012 at construction stage  **Budget:**  R 3 769 721 343  **Expenditure:**  R2 741 791 709  **72.7%** | The information submitted does not agree to information disclosed in the annual performance report |
|  | Completion of maintenance projects in accordance with the planned maintenance implementation plan | 100% completion of projects within time, cost and quality in line with socio-economic objectives of government | No of projectscompleted are 75 and 353 continues at construction stage in 2012  **Budget:**R2 388 363 000  **Expenditure:**  R 2 119 635 838  **89%** |
| Sites identified aligned to local authorities’ IDP’s | Sites identified aligned to local authorities’ IDP’s | 100% of complaint sites identified, aligned to IDP, client requirements and needs permitting | 100% sites identified  Investigations completed for Durban, Mthatha, Mmabatho, Nelspruit, Polokwane, Johannesburg, Kimberley, Bloemfontein, and Mount Frere | In the audit evidence provided the is no reporting on Kimberley, Bloemfontein and Mount Frere |
|  | 180 Students accommodated and 533 jobs  300 jobs | Completed design documentation, project 70% | Site stripping 100%  Site Establishment 100%  Project has been halted  52 jobs created | The department has reported appointments of consultants as jobs created |

Programme 3: 75% Source information supporting actual performance not complete

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual** | **Auditor’s comment** |
| --- | --- | --- | --- | --- |
| Promote an enabling environment for the creation of both short and longer –term work opportunities, so as to contribute to the national goal of job creation and poverty alleviation. | Work opportunities and FTE | 868,000 Work Opportunities and | 843 459 Work Opportunities |  |
| Work opportunities and FTE | 361,739 Full Time Equivalents | 251 127 Full Time Equivalents |  |
| Annual Designated Group Targets:   * 55% women * 40% youth   2% people with disabilities (PWD | * 55% women * 40% youth   2% people with disabilities (PWD) | * 60% Women * 50% Youth   0.19% PWD |  |

The impact of the finding:

The information submitted not submitted might to scope limitation for the indicators and result in a disclaimer of opinion.

The finding occurred as a result of the fact that:

This was due to a lack of document management system with regard to actual performance achievements.

**Internal control deficiency**

Leadership

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

**Recommendation**

*The department should provide all information to support actual achievements which have been reported in the Annual Report to the auditor general as a matter of urgency*

**Management Response**

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

a) Due to a labour dispute process, currently underway, certain constraints were place upon the Manager that prohibited communication with the aggrieved official whom is in control of the maintenance of the information required.

b) The aggrieved official has carried out certain actions that hinder the manager to access and provide the information unless those actions are undone

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken | Yes | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  | X |
| If yes, what corrections will be made to the population | Disciplinary actions to be taken against official concerned.  A supplementary electronic database to be maintained at the manager’s office | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | |
| Position of official responsible to take corrective actions | Director: Investment Analysis | |
| Estimated completion date for corrective action | 30/08/2012 | |
| Does management agree with the root cause indicated | **Yes** | **No** |
| X |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | N/A | |

Name: H Ndlovu

Position: Acting Chief Director: Portfolio Analysis

Date: 15 August 2012

**Auditor’s conclusion**

Management response was partially received and the matter will remain unresolved

1. **Predetermined Objectives: Achievement of planned targets Ex 29**

**Audit Finding**

Of the total number 79 of planned targets, only 36 were achieved during the year under review. This represents 54% of total planned targets that were not achieved during the year under review.

Programme 2: The 33 of the 65 (51%) planned targets were not achieved:

| **Programme** | **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual** |
| --- | --- | --- | --- | --- |
| Programme 2 | Provide strategic leadership in effective and efficient Immovable Asset Management and in the delivery of infrastructure programmes | Percentage of Asset Register information fields populated with essential data out of present 108 562 properties | 90% populated | 86% (89 620 out of 109 293 properties) |
| Approximately posts for Contract workers (ASD level) in the regions to monitor and evaluate the work done by the Programme Manager | Not achieved |
| Two Contract workers at Head Office to manage the work done in regions and Programme Manager | Not achieved |
| Service provider to approximately appoint 150 relevant graduates to collect, verify and update data on immovable assets (24 month contract). | Not achieved |
| Vested State land | 70%  25 022 land parcels | 13 116 Item 28(1) certificates issued DRDLR  37% out of 35 562 land parcels |
| Fifty-two posts for vesting contract works (1 year renewable until vesting is completed in 2012) | Not achieved |
| Approved Amnesty Call Strategy and Campaign | Twelve investigators (6months contract renewable) | Not achieved |
| Populated templates for 26 National Departments and 7 entities | 90% complete | 75.7% achieved.  UAMP Templates were completed for 25 national Departments and entities |
| Signed agreements | 20% revenue increase on leased out state – owned properties | 10.9% in revenue increase |
| Accessible buildings to people with disabilities | 110 buildings identified and made accessible | 51 buildings completed |
| Rehabilitated buildings | 20 buildings identified for the implementation of rehabilitation programme within MTEF | 11 projects completed |
| Approved disposal program | 4 foreign properties identified for disposal | In process of being disposed |
| Approved disposal program | 37 properties to be disposed for commercial purposes | Approval for disposal of 4 properties obtained |
| Letters of release to regional land claims commission | 55 Properties to be disposed of for land reform purposes | No properties disposed |
| List of properties sent to relevant Departments  Signed agreement to release land | 2000 hectares of land parcels for human settlements | 1,7 hectares disposed |
| Rural areas offices | 3 office precincts planned as per IDPs / SDFs | Inputs provided into the Development of Precinct - Balfour, Cofimvaba, Engcobo and Mount Frere |
| Approved range of delivery models for construction projects | Appointment consultants by April 2011 | Not achieved |
| Trained learners, Interns and young professionals absorbed into the staff establishment | 20 trainees | 4 Young Professionals, 2 Management Trainees and 6 Interns for Valuation Services were recruited |
| Reduction of client complaints | 60% reduction of complaints | Target not achieved. (1,84% reduction in client complaints (28 655 calls logged in 2010/11 vs. 28 129 calls logged in 2011/12: reduction of 526) |
| Precincts development in Pretoria and other prioritised rural towns | Bulk infrastructure development of precincts including Salvokop, Church Square and others | The development of the Site has not started |
| Appointment of HDI, Cooperatives and ABE as main contractors or/and as subcontractors through CPG | Minimum of 35% of project value should be subcontracted to ABE – this should translate to 35% of allocated budget | R883 718 639 (19.9%) was awarded through CPG provision and accrued to ABE subcontractor |
| Completion of capital and refurbishment projects in accordance with Capital Works implementation program | 100% completion of projects within time, cost and quality in line with socio-economic objectives of Government | No of projects completed are 162, and 297 continues to 2012 at construction stage  Budget: R3 769 721 343  Expenditure: R2 741 791 709  72.7% |
| Completion of maintenance projects in accordance with the planned maintenance implementation plan | 100% completion of projects within time, cost and quality in line with socio-economic objectives of government | No of projects completed are 75 and 353 continues at construction stage  Budget: R2 388 363 000  Expenditure:  R2 119 635 838  89% |
| Payment of municipal services | 100% payment of current invoices within 30 days | RATES & TAXES  87%  No of payments 8834  Expenditure  R513 755 577 |
| Utilisation and disposal of state owned property | 100% compliance for asset register updating | 86% (89 620 out of 109 293 properties) |
| Vesting, condition assessments and Asset Register updating | 100% compliance for asset register updating | 13 116 Item 28(1) certificates issued (DRDLR) – 37% out of 35 562 |
| Precinct planning for Pretoria prioritising Salvokop | The development of the precinct plan project for Pretoria inner city, and the completion of Salvokop precinct | Salvokop Interim Development Guidelines produced.  Salvokop Site location produced and presented to Correctional Services. |
| Reconciled budget reports | 100% expenditure and no under/over expenditure on allocated budgets | 100% compliance |
| Posts suitably filled and human resource management reports submitted | 100% posts filled | No appointments made |
| 250 Students accommodated and 583 jobs | Completed design documentation, project 70% complete | Designs completed No jobs were created |
| 350 jobs | No jobs were created |
| 180 Students accommodated and 533 jobs | Completion documentation, project 70% complete | Designs completed until stage 4  Site Stripping 100%  Site Establishment 100%  Project has been halted  52 jobs created |
|  |  | 300 jobs | 52 jobs created |

Programme 3: The 3of the 6 (50%) planned targets were not achieved:

| **Programme** | **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual** |
| --- | --- | --- | --- | --- |
| **Programme 3** | **Promote an enabling environment for the creation of both short and longer-term work opportunities, so as to contributor to the national goal of job creation and poverty alleviation** | **Work opportunities and FTE** | **869,000 Work Opportunities and** | **843 459 Work Opportunities** |
| **361,739 Full Time Equivalents** | **251 127 Full Time Equivalents** |
| **Annual Designated Group Targets:**  **55% women**  **40% youth**  **2% people with disabilities** | **2% people with disabilities (PWD)** | **0.19% PWD** |

Programme 4: The 7 of the 8 (88%) planned targets were not achieved:

| **Programme** | **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual** |
| --- | --- | --- | --- | --- |
| Programme 4 | Ensure transformation and regulation of the Construction and Property industries to ensure economic growth and development | Strategy approved by Minister for publication | Annual report published | No progress |
| Enactment and successful implementation of revised Expropriation Act | Promulgation of Expropriation Act, 2011 | Draft Regulatory Impact Assessment (RIA) developed.  Comprehensive presentations made to relevant internal authorities. Expropriation Bill (Draft 7) released to DRDLR for comment (February 2012) |
| Agrement SA listed as a public entity in terms of the PFMA | Table draft Agrement SA Bill in Parliament | Revised Business Case routed in November 2011 for internal approval for submission to National Treasury  Business Case subsequently withdrawn in January 2012 and currently being further revised to removed regulatory role of ASA |
| Review approved by Minister | Review completed and report submitted to Minister | Review completed |
| Immovable asset life cycle management guideline for national and provincial users and custodians covering:  Planning  Acquisition  Management  Maintenance and  Disposal | Guidelines developed and approved | Draft Immovable Asset Life Cycle Management Guidelines developed |
| Progress report on development of regulatory framework and roll-out plan | Regulatory framework developed | Detailed analysis undertaken of most appropriate approach to extend the principles of GIAMA to Local Government |
| Review approved by minister | Review of White Papers  100 completed | No progress |

The finding occurred as a result of the fact that:

a) This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

b) This was as a result of the institution not considering relevant systems and evidential requirements during the annual strategic planning process.

c) This was due to underspending of the conditional grant relevant to the following programme 2 and 3.

The impact of the finding:

These may result in a department not meeting in long-term service delivery goals as set out in the

strategic plan.

**Internal control deficiency**

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

**Recommendation**

*The department should consider relevant systems and evidential requirements during the annual strategic planning to ensure that the targets are monitored regularly*

**Management Response**

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

| **DESCRIPTION** | **RESPONSE** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | Training to be provided to Senior Managers (Chief Directors) on the principles of performance information | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | n/a | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | n/a | | |
| Position of official responsible to take corrective action | Chief Director: Strategic Management Unit | | |
| Estimated completion date of corrective action: | December 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Anbigay Naicker

Position: Director: Strategic Planning

Date: 09 July 2012

**Auditor’s conclusion**

Management agrees with the finding however not all management response was received, therefore the matter unresolved.

1. **Predetermined Objectives: Material adjustments to the annual performance report Ex300**

**Audit Finding**

Material audit adjustments in the annual performance report were identified during the audit, of which some were corrected by management and those that were not corrected are included in the basis for qualified and adverse conclusion paragraphs.

The following are material adjustments identified

Programme 2

| **Performance measure/indicator** | **Target** | **Actual achievement (Original APR)** | **Actual achievement (Final APR)** |
| --- | --- | --- | --- |
| Percentage of Asset Register information fields populated with essential data out of the present 108 562 properties | 90% populated  97 705 properties | 82% (89 620 out of 109 293 properties) | 86% (93 692 out of 108 562 properties) |
| Approximately 22 posts for Contract workers (ASD level) in the regions to monitor and evaluate the work done by the Programme Manager |  | Not achieved |
| Two Contract workers at Head office to manage the work done in regions and Programme Manager |  | Not achieved |
| **Service provider to approximately appoint 150 relevant graduates to collect, verify and update data on immovable assets (24 months)** |  | Not achieved |
| **Vested State land** | 70%  25 022 land parcels | 13 116 Item 28(1) certificates issued (DRDLR) | 13 116 Item 28(1) certificates issued (DRDLR)  37% out of 35 562 land parcels |
| Fifty-two posts for vesting contract works (1 year renewable until vesting is completed in 2012) |  | Not achieved |
| **Approved Amnesty Call Strategy and Campaign** | Strategy completed and launched |  | Strategy completed and launched |
|  | 100% of cases reported verified and updated on AR | No calls received | No cases reported |
|  | Six posts for call centre operators (6 month contract) |  | Achieved |
|  | Twelve investigators (6 months contract renewable) |  | Not achieved |
| Approved and funded implementation program (PMIP) | 30 384 work opportunities from prioritised and funded projects |  | 5 157 opportunities were created |
| **Signed agreements** | 20% revenue increase on leased out State-owned properties | 9.8% in revenue increase | 10.9% in revenue increase |
| Reduced energy consumption on retrofitted state-owned buildings | 7% reduction on kilowatts/hours used on identified State-owned buildings (65 000KW/H) | An estimated 39% savings was realised in buildings retrofitted by IDT for 2011/12 | Over 100% (8 025 752 KW/H0 energy saving was achieved in buildings retrofitted by IDT FOR 2011/12 |
| **Approved disposal programme** | 4 foreign properties identified for disposal | In process of being disposed | The 4 Properties identified but not disposed |
| MOUs signed with RD&LR, Human Settlement, Agriculture  List of properties sent to relevant Departments  Signed agreements to release land | 2000 hectares of land parcels for human settlements | **1**,7 hectares disposed | 1,7 hectares disposed  7 properties measuring 926 hectares for human settlement in the process of being finalised |
| Approved market valuations for the acquisition and disposal of properties | 75% completion of valuation requests | 102% completed market valuations (147) | 97% completed market valuations (139) |
| **Successful negotiations with local authorities on municipal valuations to realise a reduction in municipal rates & taxes** | 50% valuations on the annual municipal valuation calendar appraised and negotiated | 100% Municipal valuations appraised (297) | 100% Municipal Valuations appraised (481) |
| **Precincts development in Pretoria, and other prioritised rural towns** | Bulk infrastructure development of precincts including Salvokop, Church Square and others | The development of the Site has not started | Planning for the Bulk infrastructure commenced by ICR & CITY OF Tshwane  Salvokop Fencing Project started, to be completed in 2012/13 financial year |
| Appointment of HDI, Cooperatives and ABE as main contractors or/and as sub contractors through CPG programme | Minimum of 35% of project value should be subcontracted to ABE – this should translate to 35% of allocated budget | Contracts with contract value above 30 million have a provision of Contract Participation Goal (CPG) | R883 718 639 (19.9%) was awarded through CPG provision and accrued to ABE subcontractors |
|  | Reduction in Legal challenges on awarded tenders to 5% | The process is ongoing | 324 projects awarded 3 legal challenges received (0.9%) |
| Completion of capital and refurbishment projects in accordance with the Capital Works implementation program | 100% completion of projects within time, cost and quality in line with socio-economic objectives of Government | 64% completion  No of projects completed are 162, and 297 continues to 2012 at construction stage  Expenditure:  R2 285 185 102  77% | Number of projects competed are 162, and 297 continues to 2012 at construction stage  Budget:  R3 769 721 343  Expenditure:  R2 741 791 709 |
| **Completion of maintenance projects in accordance with the planned maintenance implementation plan** | 100% completion of projects within time, cost and quality in line with socio-economic objectives of government | 74% completion  No of projects: completed are 75 and 353 continues at construction stage in 2012  Expenditure:  R1 906 129 887  92% | Number of projects completed are 75 and 353 continues at construction stage in 2012-08-21  Budget: R2 388 363 000  Expenditure:  R2 119 635 838  89% |
| Acquisition of state property and conclusion of new leases, renewals and management of existing leases in accordance with the Leasing Implementation Programme | 80% of leases managed within time, cost and prescripts in line with socio-economic objectives of government | 89%  No of leases: 2263  Expenditure:  R2 910 716 628  99% | No of leases: 2263  Budget:  R2 931 948 670  Expenditure:  R2 910 716 628  99% |
| Letting, cleaning services, day-to-day maintenance | 80% of prescript requirements and contractual obligations met | CLEANING  82%  No of contracts: 1054  Expenditure:  R165 435 574  81%  DAY TO DAY Maintenance  89%  No of projects: 28287  Expenditure:  R826 771 510  99% | CLEANING & GARDENING  Number of contracts: 1054  Budget:  R204 583 574  Expenditure:  R165 435 574  81% spend  DAY TO DAY Maintenance  Number of projects: 28287  Budget R831 600 000  Expenditure:  R826 771 510  99% spend |
| Improved revenue and debtors management on PMTE | Reduced debtors book | Debtors book has increased | Debtor’s book has increase by how much? Awaiting conclusion of audit process |
| Collected revenue | 150% Revenue received (awaiting conclusion of audit process)  R7,1 billion |
| Utilisation and disposal of state owned property | 100% compliance for asset register updating | 82% (89 620 out of 109 293 properties) | 86% (93 692 out of 108 562 properties) |
| Vesting, condition assessment, and Asset Register updating | 100% compliance for asset register updating | 13 116 Item 28(1) certificates issued (DRLR)  A position paper on vesting has been developed to accelerate the vesting of land parcels | 13 116 Item 28(1) certificates issued (DRDLR) – 37% out of 35 562 |
| Sites identified aligned to local authorities IDP’s | 100% of complaint sites identified, aligned to IDP, client requirements and needs permitting | 100% sites identified | 100% sites identified  Investigations completed for Durban, Mthatha, Mmabatho, Nelspruit, Polokwane, Johannesburg, Kimberley, Bloemfontein and Mount Frere |
| Feasibility studies and projects on all prioritised towns, sites and projects | Feasibility studies on 3 prioritised towns/sites | In collaboration with Town Planning Services & Asset Management Branch, urban centre status quo reports guiding DPW’s recommended core objective involvement and suggested investment in regeneration and infrastructure improvement are work in progress for 8 new Regional Offices/government precincts, that is Durban, Polokwane, Johannesburg, Mmabatho, Bloemfontein, Nelspruit, Mthatha and Mount Frere | Feasibility studies completed for Nelspruit, Mmabatho, Durban, Salvokop DCS, and Salvokop DAC |
| Precinct planning for Pretoria prioritising Salvokop | The development of the precinct plan project for Pretoria inner city, and the completion of Salvokop precinct | Tshwane Master Planning has commenced. Completion is due in the third quarter of 2012/2012  Salvokop Precinct Plan work has commenced. Completion is due Q2 2012/13 | Tshwane Precinct Master Planning has commenced and completion is due in the third quarter of 2012/2013 Project Inception Report completed inner City Status Quo Report completed  Draft schedule for project completed Salvokop Interim Development Guidelines produced  Salvokop Site location produced and presented to Correctional Services Location Report for StatsSA produced and implemented  Salvokop Precinct Plan commenced and completion is scheduled for Q3 2012/13 |
| Partnerships and MoUs with Metros to improve or to find alternative utilisation of identified facilities in line with inner city regeneration | Agreements with 3 cities | MoU with 2 urban centres are work in progress; completion is due Q2 2012/13 | MoU with Durban Metropolitan is work in progress; completion is due Q2 2012/13 |
| Reconciled budget reports | 100% expenditure and no under/over expenditure on allocated budgets | 100% compliance | Monthly budget review performed no over expenditure on overall budget |
| Posts suitably filled and human resource management reports submitted | 100% posts filled |  | Target not achieved – no appointments made |
| 250 Students accommodated and 583 jobs | Completed design documentation, project 70% complete and 350 jobs | Designs completed | Building measured and provisional bills of quantities done |

Programme 3

| **Performance measure/indicator** | **Target** | **Actual achievement (Original APR)** | **Actual achievement (Final APR)** |
| --- | --- | --- | --- |
| **Work opportunities and FTE** | **868,00 Work Opportunities** | **686 933 Work Opportunities** | **843 459 work opportunities** |
| **361,739 Full Time Equivalents** | **174 746 Full Time Equivalents** | **251 127 full time equivalents** |
| **Annual Designated Group Targets:**  **55% women**  **40% youth**  **2% people with disabilities** | **55% women**  **40% youth**  **2% people with disabilities** | **61% women**  **48% youth**  **0.20% PWD** | **60% Women**  **50% Youth**  **0.19% PWD** |
| **Percentage of wage incentive disbursed** | **65% disbursement across all sectors** | **64% of the integrated incentive paid out** | **73% of the integrated incentive paid out** |

Programme 4

| **Performance measure/indicator** | **Target** | **Actual achievement (Original APR)** | **Actual achievement (Final APR)** |
| --- | --- | --- | --- |
| **Review approved by Minister** | **Review completed and report submitted to Minister** | **Review completed**  **Analysis of options to address challenges in built environment professions finalised in March 2012** | **Review completed** |
| **Review approved by Minister** | **Review of White Papers**  **100 completed** | **No Progress** | **The review of White Papers could not be completed** |

The finding occurred as a result of the fact that:

This was due to a lack of review for the recording of actual achievements by senior management and internal audit.

The impact of the finding

Non-compliance sections 40(1) (a) and 55(1) (a) of the PFMA requires that the auditee maintain full and proper records of the financial affairs of the institution

**Recommendation**

*The management and internal audit must review the annual performance report against the supporting documentation in avoid the non-compliance matter.*

**Internal control deficiency**

*Leadership*

Exercise oversight responsibility regarding financial and performance reporting and compliance and regulations and internal controls:

**Management Response**

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

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken | In future, review will be conducted prior to submission of Original APR to avoid non-compliance with PFMA requirements. | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  | No |
| If yes, what corrections will be made to the population |  | |
| 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 | DDG: Construction and Property Policy Regulation | |
| Estimated completion date for corrective action | During 2012/13 FY. Training and guidance was provided by National Treasury to ensure compliance with PFMA requirements. | |
| **DESCRIPTION** | **RESPONSE** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
| Yes |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

*Name:* Lydia Bici

*Position: DDG: Construction and Property Policy Regulation*

*Date: 31 August 2012*

**Auditor’s conclusion**

No all the response were received and the finding will remain in the management letter

1. **Predetermined Objectives: Reported performance not complete Ex 261**

**Audit Finding**

The National Treasury *Framework for managing programme performance information (FMPPI)* requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained.

The following deviations were noted:

I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the completeness of the actual reported performance relevant to 18% of programme 2, 3 and 4.

Programme 2: 9 out of 65 achievements (14%) did not have supporting documentation

| **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual achievement** |
| --- | --- | --- | --- |
| **Provide strategic leadership in effective and efficient Immovable Asset and in the delivery of infrastructure programmes** | Percentage of Asset Register information fields populated with essential data out of the present 108 562 properties | 90% populated  97 705 properties | 86% (93 692 out of 108 562 properties) |
| **Allocated assets** | **80% utilisation** | **91% buildings utilized** |
| **Reduction of clients’ complaints** | **60% reduction of complaints** | **Target not achieved**  **(1.84% reduction achieved in client complaints (28 655 calls logged in 2010/11 vs. 28 129 calls logged in 2011/12 – reduction of 526** |
| **Approved and funded implementation programme (PMIP)** | **30 384 work opportunities from prioritised and funded projects** | **5 157 work opportunities were created** |
| **Accepted inputs into accounting framework, strategies and policies** | 100% of required inputs | 100% of required inputs submitted |
| **Improved revenue and debtors management on PMTE** | Reduced debtors book  Collected revenue | Debtors’ book has increases by how much? – awaiting conclusion of audit  150% Revenue received (awaiting conclusion of audit process)  R7,1 billion |
| **Utilisation and disposal of state-owned property** | 100% compliance for asset register updating | 86% (93 692 out of 108 562 properties) |
| **Posts suitably filled and human resource management reports submitted** | 100% reports submitted in time | 10% Human Resources report submitted |
| **Work opportunities for candidate Town and Regional Planners** | **2 Candidates** | **100% compliance** |

Programme 3: 5 out of 6 (83%) did not have supporting documentation

| **Programme** | **Predetermined objectives** | **Performance measure/indicator** | **Target** | **Actual achievement** |
| --- | --- | --- | --- | --- |
| **Programme 3** | **Promote an enabling environment for the creation of both short term and longer term work opportunities, so as to contribute to the national goal of job creation and poverty alleviation** | Work opportunities and FTE | 868,000 work opportunities | 843 459 work opportunities |
| **361 739 full time equivalents** | **251 127 full time equivalents** |
|  | **Annual Designated Group Targets:**  **55% women**  **40% youth**  **2% people with disabilities (PWD)** | **55% women** | **60% women** |
|  | **40% youth** | **50% youth** |
|  | **2% people with disabilities** | **0.19% PWD** |

The finding occurred as a result of the fact that:

This was due to limitations placed on the scope of my work by the absence of the institution’s records not permitting the application of alternative audit procedures.

Impact of the finding:

The targets not achieved will not be detected.

**Internal control deficiency**

Leadership

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

**Recommendation**

The department should ensure that the information recorded in the annual performance report is agreed to the supporting evidence before it is submitted to the auditor-general for auditing.

**Management Response**

I am in agreement with the finding for the following reasons [and supply the following/attached information in support of this]: City Councils are between 4 to 6 months behind with their invoicing and this delay the submission of water savings by the Regional Offices. A copy of an email reflecting the above is attached. It is for this reason that no savings for November 2011 – March 2012 in Bloemfontein and October 2011 – March 2012 in Johannesburg were reported.

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  |  |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |
| **DESCRIPTION** | **RESPONSE** | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| Yes |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | | |

Name: MAGDELINE TSHABALALA

Position: ACTING CD: PPM

Date: 31JULY 2012

**Auditor’s conclusion**

Management response was partially received and the matter will remain unresolved

1. **Predetermined objectives: Planned and reported targets are not time-bound Ex 153**

**Audit finding**

The National Treasury *Framework for managing programme performance information (FMPPI)* requires that the time period or deadline for delivery be specified.

A total of 1% of the targets relevant to programmes 2, 3 and 4 were not time bound in specifying a time period or deadline for delivery.

Programme 4: 1 of the 8 (13%) targets is not time-bound:

|  |  |  |  |
| --- | --- | --- | --- |
| **Programme** | **Predetermined objectives** | **Performance measure/indicator** | **Target** |
|  |
| Programme 4 | Ensure transformation and regulation of the Construction and Property industries to ensure economic growth and development | Strategy1 approved by Minister for publication | Annual report published |

The finding occurred as a result of:

This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.

Impact of the finding:

Non-compliance with Framework for Managing Programme Performance Information.

**Internal control deficiency**

*Leadership*

Exercise oversight responsibility regarding financial and performance reporting and compliance and regulations and internal controls:

**Recommendation**

We recommend that the department should prepare the indicators in accordance with the guidelines issued by the National Treasury.

**Management Response**

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

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken | In future, targets will comply with the SMART criteria of FMPI. | |
| 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 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 | DDG: Construction and Property Policy Regulation | |
| Estimated completion date for corrective action | During 2012/13 FY. Training and guidance was provided by National Treasury to ensure compliance with FMPI requirements. | |
| **DESCRIPTION** | **RESPONSE** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
| X |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

*Name:* Lydia Bici

*Position: DDG: Construction and Property Policy Regulation*

*Date: 22 August 2012*

**Auditor’s conclusion**

Management agrees with the finding, the matter will remain in the management letter and follow up in the next financial year audit.

1. **Predetermined objectives - Consistence of budget and strategic plan Ex14**

**Audit finding**

In terms of TR 5.2.2(a), *“The strategic plan must cover a period of three years and be consistent with the institution’s published medium term expenditure estimates;”*

Upon recalculation of the breakdown of the infrastructure budget, a difference of R379 130 490 was identified. The total infrastructure budget amount per the strategic plan of R 1 064 814 510 does not correspond with the total of R1 443 945 reflected in the ENE.

The strategic plan is therefore not consistent with the medium term expenditure estimates for the infrastructure budget.

|  |  |  |  |
| --- | --- | --- | --- |
| **Total per strategic plan (DPW Capital Infrastructure per type)** | | **Total per ENE** | **Difference** |
| Departmental | R 338 557 669 | - |  |
| Accessibility | R 25 000 | - |  |
| Dolomite Risk Management | R 30 000 | - |  |
| Land Ports of Entry | R 200 510 | - |  |
| Inner-City Regeneration | R 124 000 | - |  |
| Special and Major Projects | R 725 877 331 | - |  |
| **TOTAL** | **R 1 064 814 510** | **R 1 443 945 000** | **-R 379 130 490** |

The finding occurred as a result of the fact that:

Through inquiries with management, it was indicated that when the department reviewed the various draft strategic plans, they did not consider the ENE.

The impact of the finding:

Non compliance with Treasury Regulation 5.2.2. (a)

**Internal control deficiency**

Leadership

## Oversight responsibility

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

**Recommendation**

The department should ensure that legislative requirements are kept in mind when reviewing the strategic plan.

**Management response**

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

The amount indicated under strategic plan document should read as millions and not thousand. The error of amounts making million were omitted during the printing process and could not be rectified and therefore led to discrepancies.

In future the document will be reviewed prior to the final printing of the required documents.

Name:   Aaron Mazibuko

Position: Director

Date: 14 February 2012

**Auditor’s conclusion**

Management agrees with the finding and the matter will remain in the management letter.

1. **Predetermined Objectives: Policy not comprehensive Ex85**

**Audit Finding**

Laws, Rules and Regulation

***In terms of section 38 of the PFMA,   General responsibilities of accounting officers.****—*

*(1)  The accounting officer for a department, trading entity or constitutional institution—*

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

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

*(ii) a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of* [*sections 76*](http://inmagicserver/nxt/gateway.dll/jilc/kilc/xjsg/7zkfb/8zkfb/c2kfb?f=templates$fn=document-frameset.htm#0) *and* [*77*](http://inmagicserver/nxt/gateway.dll/jilc/kilc/xjsg/7zkfb/8zkfb/d2kfb?f=templates$fn=document-frameset.htm#0)*;*

*(iii) an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;*

*(iv) a system for properly evaluating all major capital projects prior to a final decision on the project;*

*(b) is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution;*

*Chapter 5.2 of the Framework for Managing Programme Performance Information states the following: "Performance Information systems should be integrated within existing management processes and systems. The accounting officer is responsible for ensuring that the department has appropriate systems to collect, collate, verify and store information”.*

It was noted that the policy on performance information does not include standard operating procedures to collect, record, process and report on performance information at the branch level. Neither is there a procedures document addressing the aforementioned.

 The impact of the finding:

* Non-compliance with the Framework for Managing Programme Performance Information
* Non-compliance with section 38 of the PFMA.

This has the consequence of putting doubt on the accuracy, validity and completeness of performance information reported on both the quarterly and annual report.

The finding occurred as a result of the fact:

The department does not have comprehensive manual systems which will assist in collecting, recording, processing and reporting on performance information at the branch level.

**Internal control deficiency**

Leadership

The accounting officer has not established and communicates policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities:

**Recommendation**

The department should establish a formalised process of ensuring that the systems of generating performance information have controls that address the accuracy, validity and completeness of the information.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| DESCRIPTION | RESPONSE | | |
| Corrective action to be taken: | An integrated approach in managing performance information will be considered during the 2012/13 reporting cycle. An action plan reflecting key activities and specific timelines has been developed and will be rolled out. | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | | **No** |
|  | | **X** |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action: | Acting Director General | | |
| Estimated completion date for corrective action: | 31 March 2013 | | |
| Does management agree with the root cause indicated | Yes | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Ms. Petula Makhetha

Position: Chief Director Monitoring and Evaluation

Date: 03rd July 2012

**Auditor’s conclusion**

The management agrees with the finding and the finding will remain in the management letter

1. **Predetermined objectives: No information systems to monitor progress of the targets Ex132**

**Audit Finding**

Laws, rules and regulations

***In terms of section 38 of the PFMA,   General responsibilities of accounting officers.****—*

*(1)  The accounting officer for a department, trading entity or constitutional institution—*

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

1. *effective, efficient and transparent systems of financial and risk management and internal control;*
2. *a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of* [*sections 76*](http://inmagicserver/nxt/gateway.dll/jilc/kilc/xjsg/7zkfb/8zkfb/c2kfb?f=templates$fn=document-frameset.htm#0) *and* [*77*](http://inmagicserver/nxt/gateway.dll/jilc/kilc/xjsg/7zkfb/8zkfb/d2kfb?f=templates$fn=document-frameset.htm#0)*;*
3. *an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;*
4. *a system for properly evaluating all major capital projects prior to a final decision on the project;*

*(b) is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution;*

***In terms of the Public Service Regulations Chapter 1 part IIIB.1 (f) (i) (ii) & J.1, J.3 – (Dept),”***

*An executing authority shall prepare a strategic plan for her or his department -specifying information systems that-*

*(i) enable the executing authority to monitor the progress made towards achieving those goals, targets and core objectives;*

*(ii) support compliance with the reporting requirements in regulation III J and the National Minimum Information Requirements, referred to in regulation VII H;”.*

The following deviations were noted:

During the audit of performance information it was confirmed through enquiry with the Director: Monitoring and Evaluation that the department does not have an information system in place to monitor the progress made towards achieving the set goals, targets and core objectives and also during the year it was noted that the quarterly reports were not prepared and approved timeously..

The finding occurred as a result of the fact that:

a) No system to monitor the progress made towards achieving these goals, targets and core objective

b) The accounting officer did not ensure that the department had and maintained an effective, efficient and transparent system of internal control regarding performance management, which described and represented how the department's processes of performance planning, monitoring, measurement, review and reporting were conducted, organized and managed as required by section 38(1)(a) and (b) of the PFMA

Impact of the finding:

a) Non-compliance with the Public Service Regulations

b) Non-compliance with Public Finance Management Act section 38

**Internal control deficiency**

## Leadership

## Oversight responsibility

The accounting officer does not exercise oversight responsibility over compliance with laws and regulations and internal control.

**Recommendation**

The department should implement manual or electronic system which will monitor the submission of the quarterly reports and progress of achieving of the target.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| DESCRIPTION | RESPONSE | | |
| Corrective action to be taken: | The department is currently in the process of securing an integrated Strategic Performance Management (SPM) tool to monitor programme performance | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | | No |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action: | Acting Director-General | | |
| Estimated completion date for corrective action: | 31 March 2013 | | |
| Does management agree with the root cause indicated | Yes | No | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Petula Makhetha

Position: Chief Director: Monitoring & Evaluation

Date: 03rd July 2012

**Auditor’s Response**

The management agrees with the finding and the finding will remain in the management letter

1. **Predetermined objectives: No indicators and targets for programme 5 Ex184**

**Audit finding**

Treasury Regulation TR 5.2.2(d) requires that the strategic plan must include the measurable objectives, expected outcomes, programme outputs, indicators (measures) and targets of the institution’s programmes.

The strategic plan for the Department of Public Works did not include the measurable objectives, expected outcomes, outputs and targets for Programme 5: Auxiliary and Associated Services.

Impact of the finding:

a) Non compliance with the abovementioned Treasury Regulations.

b) Incomplete reporting on performance on predetermined objectives relating to programme 5.

The finding occurred as result of the fact that:

Programme five is an auxiliary programme which deals with supplementary /complimentary issues which are not critical to the service delivery outcomes of the department. Spending in this programme is managed and monitored through monthly reporting to the Executive Committee and the National Treasury.

**Internal control deficiency**

Leadership

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

**Recommendation**

The department must ensure that the strategic plan includes outputs, indicators, (measures) and targets for all budgeted programmes.

**Management response**

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

a) Programme 5 provides for the compensation for losses on government assisted housing scheme, assistance to organizations for the preservation of national memorials, acquisition for logistical facilities for state functions and transfer to SETA for training and skills development throughout the construction industry.

b) The Programme has no staff complement as it does not deal with service delivery outcomes. Some of the activities on the Programme are determined by the Presidency hence DPW is unable to set performance indicators. Furthermore it is difficult to predict expenditure for National Memorials as this is subject to fluctuations in the foreign exchange rate. This will affect the measurability of targets.

It is recommended that the Auditor-General seek concurrence from National Treasury on how Programme 5 should be structured.

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: | **None** | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | **X** |
| If yes, what corrections will be made to the population? | **n/a** | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | **n/a** | | |
| Position of official responsible to take corrective action: |  | | |
| Estimated completion date for corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Anbigay Naicker

Position: Director: Strategic Planning

Date: 29 June 2012

**Auditor’s Response**

Disagree the finding will remain in the management letter, the department need consult treasury if they do not want to include indicators and targets for programme.

1. **Predetermined objectives: Errors on MIS and WBS EPWP systems Ex258**

**Audit Finding**

In terms of Definitions of programme indicators

Demographic Characteristics of Workers

The number of workers that fall within the following categories must be recorded:

• Youth (i.e. 16 – 35 years of age)

• Women

• People with disabilities

The Caats test performed on MIS EPWP and WBS revealed that the department had the following deviations:

It was noted that 6 100 and 6551 beneficiaries had invalid ID numbers and beneficiaries which were less than 16 years old.

It was noted that 6 943 payments to beneficiaries were less than minimum 50 and exceeded 150 pay rate for the day.

Refer to the attached annexure

It was noted that 86 cases beneficiaries had the Persal numbers and 212 beneficiaries exceeded 300 days in one calendar year.

The finding occurred as a result of the fact that:

The MIS EPWP and WBS do not have proper function controls to detect invalid data input.

The impact of the finding:

The information reported on annual performance report might not be valid.

**Internal control deficiency**

Leadership

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

**Recommendation**

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

**Management Response**

I am in agreement with the finding and also agree that corrective action will be under taken.

a) The beneficiary ID numbers are not compulsory In the EPWP Systems (MIS and WBS.) The capturing of their date of birth is compulsory and the ages are derived from these. This field will be compulsory in the new EPWP Integrated System undergoing testing.

b) The response for beneficiaries being paid less than R50 and more than R150 is as follows:

The Ministerial Determination provides for the minimum of R63.18, and does not provide for the maximum. Some public bodies pay below the minimum and some above R150 and the system allows the reporting thereof. However, beneficiaries that are paid below R50 or above R150 are excluded from the calculation of the incentive money payable to all qualifying public bodies. Engagements with Public bodies are being held to improve their compliance to the Ministerial Determination.

c) The response for the beneficiaries having Persal numbers is as follows:

Some of the beneficiaries follow with the follow categories.

* + 1. Beneficiaries are appointed to EPWP projects for a specific period and some beneficiaries along the way leave the projects to get a permanent job in government. For Example;(i.e. Ms Georgina Daniels 07910110242081 was a beneficiary of the project until Sept 2011 & got employed Oct 2011 by the Hartswater hospital She can be reached at (W) 053-4740148 and (S) 083 8710 149)
    2. Beneficiaries that participates in Learnerships may receive their payment from Persal on stipends
    3. Beneficiaries that are employed permanently but provide specialize service to the EPWP projects. In Mpumalanga(Mpu Crocodile tributaries project)-Ms. Goodness Shabane-8112090353082 was also working on the open tender in 2010, but employed on part time in the project to do health and safely. It was expected of a contractor to have a trained health and safety person, hence trained nurses were used.

d) The MIS and Web based systems have controls to detect invalid data but did not have the IDs of beneficiaries as compulsory.

e) The information reported on the annual performance report is based on data that was further validated by the EPWP Monitoring and Evaluation Unit. Data from the systems is transferred to the validation tool which further identifies data that is not fit for use.

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken | Additional validation will be put on the systems. Test will be run on all beneficiaries and remove all inconsistencies from the data | |
| 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 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 | Director: EPWP Monitoring | |
| Estimated completion date for corrective action | 30 October 2012 | |
| **DESCRIPTION** | **RESPONSE** | |
| Does management agree with the root cause indicated | **Yes X** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

*Name:* David Mashaba

*Position:* Acting Chief Director: EPWP Monitoring and Evaluation

Date: 23rd August 2012

**Auditor’s Response**

The management agrees finding, the finding will remain in the management letter and follow up in the next financial year audit.

1. **Predetermined objectives: The findings relating to control environment of the Epwp projects on site Ex298.**

**Audit Finding**

In terms of page 5 of Guidelines for the Implementation of Labour Intensive Projects under the

Expanded Public Works Programme (EPWP) second edition July 2005 state that:

*“The Consultant shall, for monitoring purposes, keep monthly records of and transmit to the*

*Client data obtained from the contractor on the following indicators with regard to workers*

*employed:*

*• Project budget*

*• Actual Project Expenditure*

*• Number of job opportunities created*

*• Demographics of workers employed (disaggregated by women, youth and persons with disabilities)*

*• Minimum day-task wage rate earned on project*

*• Number of person-days of employment created*

*• Number of persons who have attended a standard EPWP 10 day accredited training course”*

**Eastern Cape**

The following projects were visited; Bufallo City Municipality in East London (BCM) and King Sabatha Dalindyebo Municipality (KSD) in Mthatha, Eastern Cape revealed the following audit findings:

The following projects visited in Eastern Cape revealed the following audit findings:

**a) Project name: Vukani educare, project number: ECSOC020-661, Programme: Early** **Childhood Development, Funding Department: EC - Department of Social**

**Development revealed the following deviations**

1. No information provided for this project

**b) Project name: Mhlontlo (Food for Waste), project number: ecenvfforwec0012,**

**Programme: Food for Waste, Funding Department: Mhlontlo revealed the following Deviations**

1. No information provided for this project

The following projects visited in Eastern Cape; Nkokobe Municipality revealed the following audit findings:

**a) Project name: Debe Marele Community Hall revealed the following deviations**

1. No information provided for this project

**b) Project name: Ndindwa Community Hall revealed the following deviations**

1. No information provided for this project

**c) Project name: Emajwareni Community Hall revealed the following deviations**

1. No information provided for this project

**d) Project name:** **Mxhelo- Skolweni Community Hall revealed the following deviations**

1. No information provided for this project

**e) Project name:** **Lloyd Community Hall revealed the following deviations**

1. No information provided for this project

The following projects visited in Eastern Cape; Sundays River valley Municipality revealed the following audit findings:

**a) Project name:** **Paterson Bulk water supply: Phase 1A: Construction of storage**

**Reservoir in** **Paterson, Project number: J28215 revealed the following deviations**

1. No attendance register provided
2. Form used does show gender and youth employed
3. Form used does not employment days created and the jobs created.

**b) Project name:** **Enon Bersheba upgrading of waste water treatment works,**

**Project number: Form ID: 197544/ec 20110015 revealed the following deviations**

1. No attendance register provided
2. Form used does show gender and youth employed
3. Form used does not employment days created and the jobs created

**c) Project name:** **Enon Bersheba Bulk Water supply,**

**Project number:** **W/EC 7601/08/10 - 7601 revealed the following deviations**

1. No attendance register provided
2. Form used does show gender and youth employed
3. Form used does not show employment days created and the number jobs created.

**d) Project name:** **EPWP: Office accommodation**, **Project number: 10/2010A**

**revealed the following deviations**

1. No attendance register provided
2. Form used does show gender and youth employed
3. Form used does not show employment days created and the number of jobs created.

**e) Project name:** **EPWP: Emsengeni,** **Project number: MIG/EC/2270/05/10**

**revealed the following deviations**

1. No attendance register provided
2. Form used does show gender and youth employed
3. Form used does not show employment days created and the number of jobs created.

The following projects visited in Eastern Cape; Buffalo City Municipality revealed the following audit findings:

**a) Project name:** **NEW QUEENSPARK 132/11kV 40 MVA SUBSTATION,**

**Project number: ED329 revealed the following deviations**

1. No payment register/slips provided
2. Form used does not show employment days created

**b) Project name:** **MV/LV RETICULATION AND HOUSE CONNECTIONS - CAMBRIDGE, Project number: ED 357 revealed the following deviations**

1. No payment register/slips provided
2. Form used does not show employment days created

**c) Project name:** **MAKISI BUILDING CONSTRUCTION,**

**Project number: BCC/DES/MIG/1100/6/2009** **revealed the following deviations**

1. Form used does not show employment days created

The following projects visited in Eastern Cape; King Sabata Dalindyebo Municipality revealed the following audit findings:

**a) Project name:** **NATURE INDALO CLEANING CO-OPERATIVE,**

**Project number: BA38864 revealed the following deviations**

1. Form used does not show employment days created
2. Form used does not show gender and the number of people with disability

**b) Project name:** **MPAPHELA via ELANGCWANGUBA MBOLENI-NDIKELA ACCESS ROAD, Project number:** **MIG/EC3006/RST/09/11** **revealed the following deviations**

1. Form used does not show employment days created
2. Form used does not show the number of people with disability

**c) Project name:** **MAQADINI-MARHUDWINI AND LUDWELE ACCESS ROAD**

**revealed the following deviations**

1. Form used does not show employment days created

**d) Project name:** **HLANGANANI ARTS CENTRE AND TOURISM ATTRACTION, Project number: BA 39574** **revealed the following deviations**

1. Form used does not show employment days created

**e) Project name:** **SLA KSD ROAD MAINTENANCE OF SURFACED MUNICIPALITY (ORT DISTRICT), Project number: CDC/200/10/RMC001-11/12SLS-KSD** **revealed the following deviations**

1. Form used does not show employment days created

The following projects visited in Eastern Cape; Umzibuvu Municipality revealed the following audit findings

**a) Project name:** **Mount Frere Road Surfacing** **revealed the following deviations**

1. No information was reported in March

**b) Project name:** **Horti- Cultural Maintenance** **revealed the following deviations**

1. No information was reported in March

**c) Project name:** **Xoloti Access Road** **revealed the following deviations**

1. No information was reported in March

**d) Project name:** **Magwanca- Nainja Access Road** **revealed the following deviations**

1. No information was reported in March

The following projects visited in Eastern Cape; Port St John’s Municipality revealed the following audit findings

**a) Project name:** **Side Walk: Mpantu to Town** **revealed the following deviations**

1. No information was reported in March

**b) Project name:** **Madadeni Access Road** **revealed the following deviations**

1. No information was reported in March

**c) Project name:** **Nyazi Access Road** **revealed the following deviations**

1. No information was reported in March

**d) Project name:** **Mancu Access Road** **revealed the following deviations**

1. No information was reported in March

**e) Project name:** **Buthulo Access Road** **revealed the following deviations**

1. No information was reported in March

**Western Cape**

The following projects visited in Western Cape revealed the following audit findings:

**a) Project name: OPEN SCHOOLS WORLDWIDE (ACSI),**

**Project number: NATSOC051476,** **Programme: NGO,** **Funding Department: k8**

**revealed the following Deviations**

1. No information was provided for this project

**b) Project name: 10 HA Bulk Services CT, project number: 10ha-2009-2010,**

**Programme: Labour Intensive Programme,** **Funding Department: City of Cape Town Metropolitan revealed the following Deviations**

1. No information was provided for this project

**c) Project name: Delft N2 Gateway Primary School, Corktree Road,**

**Project number: 81048-2005,** **Programme: Facilities and Infrastructure Development Programme,** **Funding Department:** **WC - Department of Education** **revealed the following Deviations**

1. No information was provided for this project

**d) Project name: Zoar Municipal buildings, project number: 11066-53,**

**Programme: Labour Intensive Programme,** **Funding Department:** Kannaland

**revealed the following Deviations**

1. No information was provided for this project

The following projects visited in Western Cape; Stellenbosch revealed the following audit findings:

**a) Projects name: Sustainable Landbased Livelihoods (Paradyskloof fire Protection), Project number: 09-0323-1-05c revealed the following deviations**

1. No Payment Registers attached
2. No attendance register provided

**b) Project name: Stellenbosch Alien Clearing, Project number: 3-4300-0705f**

**revealed the following deviations**

1. No attendance register

**c) Project name: Bergzicht Taxi Rank Upgrading (Phase3), Project number: 5-6620-1971**

**revealed the following deviations**

1. No information was provided for this project

The following projects visited in Western Cape; George Municipality revealed the following audit findings:

**a) Project name: Civil maintenance of areas, Project number: 1016862532-2a**

**revealed the following deviations**

1. No ID copies provided

**b) Project name: Cleaning of residential areas 16 Wards,**

**Project number: WCENVOS027/2009 revealed the following deviations**

1. No ID copies provided

**Free-state**

The following projects visited in the Free State revealed the following findings

**a) Project name: SPRINGFONTEIN PAVED ROAD, project number:** **mig-fs-0241-r-st-06-06, Programme:** **Labour Intensive Programme, Funding Department: Kopanong Development revealed the following deviations**

1. No information was provided for this project

**b) Project name:** **ITHABELENG HIGH SCHOOL project number:** **pwrdt932010,**

**Programme:** **Labour Intensive Programme, Funding Department: Department of**

**Education revealed the following Deviations**

1. No information was provided for this project

**c) Project name:** **FS Information and Business Centre project number:** **deat-ndt-1-2017-4, Programme: Working for tourism, Funding Department: National Department of Tourism revealed the following Deviations**

1. No information was provided for this project

**Limpopo**

The following project visited in Limpopo revealed the following finding

**Project name: Nkuzana Village sanitation project number:** **vdm-tech-2010-12-1, Programme: Labour Intensive Programme, Funding Department: Vhembe** **revealed the following deviations**

1. No information was provided for this project

**North West**

The following projects visited in the North West; Rustenburg revealed the following audit findings:

**a) Project name: Lethabong Ward 27 Roads and Stormwater drainage phase 3, Project number: MIG/NW1057/R, ST/10/19, and Contractor name: Dimakotso/ M Civils revealed the following deviations**

1. No Payment Registers attached

**b) Project name: Lethabong Ward 27 Roads and Stormwater drainage phase 3, Project number: MIG/NW1057/R, ST/10/18, and Contractor name: Dimakotso/ M Civils revealed the following deviations**

1. No Payment Registers attached

**c) Project name: Construction of Rustenburg Communication Centre, Project number: MIG/NW0932/DM/09/11, Contractor: JST Construction CC**

1. No Payment Registers attached

**d) Project name: Phatsima Fire House Construction, Project number:**

**MIG/NW0862/FF/09/10**

1. No Payment Registers attached

**e) Project name: Rustenburg Beautification Programme (ward based)**

1. No information was provided for this project

**City of Johannesburg**

The following projects visited in Gauteng; Johannesburg revealed the following audit findings:

**a) Project name: Metrobus Professional Driver, Project number: GPSOCMBUS003**

**revealed the following deviations**

1. No Payment Registers attached
2. No attendance register provided for this project

**b) Project name: Jabulani Flats revealed the following deviations**

1. No Information was provided for this project

**c) Project name: Construction of Motsu, Contractor name: Gau Flora Park revealed following deviations**

1. No information was reported in March

**d) Project name: Edenvale Illiondale Outfall Sewer, Project number: 1326206041185-0 revealed the following deviations**

1. Form does not show the total number of employment days created.

**e) Project name: Non- motorised project, Project number: JDA 047.01.01/CN004**

**revealed the following deviations**

1. Form used does not show the employment days created

**Mpumalanga**

The following projects visited in Mpumalanga revealed the following audit findings

**a) Project name: Nkomazi HUB, project number: MPSOCMP18,**

**Programme: Siyadlala Mass Participation, Funding Department: Culture,**

**Sports and Recreation revealed the following Deviations**

1. No information was provided for this project

**b) Project name: Phumlani, project number: MPSOCDOEIG/ECD/EHL/44MP,**

**Programme: Early Childhood Development, Funding Department: Education**

**revealed the following Deviations**

1. No information was provided for this project

**c) Project name: Construction of bethal waighbridge, project number: pwrt-1692-10-mp, Programme: Labour Intensive Programme, Funding Department: MP - Department of Public Works, Roads and Transport revealed the following Deviations**

1. No information was provided for this project

**d) Project name: MIDDELBURG REGIONAL LIBRARY UPGRADE,**

**Project number: pwrt-1268-10-pm-1, Programme: Labour Intensive Programme,**

**Funding Department: MP - Department of Culture, Sport and Recreation**

**revealed the following Deviations**

1. No information was provided for this project

**e) Project name: Shatale, project number: mp325bushbuckridge-1-1,**

**Funding Department: Department of Energy** **revealed the following Deviations**

1. No information was provided for this project

**f) Project name: VICTOR KHANYE MAYORAL MANAGEMENT PROJECT,**

**Project number:** **mpwm003vklm, Programme:** **Urban Renewal-Cleaning of Public Open Spaces, Funding Department:** **Delmas**, **revealed the following Deviations**

1. No information was provided for this project

The following projects visited in Mpumalanga; Chief Albert Luthuli Municipality in Carolina revealed the following audit findings:

**a) Project name: Mechanical and Electrical Refurbishment of Carolina Waste Water Treatment Works, Project number: almt07-2011-mabel revealed the following deviations**

1. No Payment Registers attached
2. No attendance register provided for this project

**b) Project name: Construction** **of Water Reticulation for Zola- Matsulu**

**revealed the following deviations**

1. No information was provided for this project

**c) Project name: Provision of VIP toilets in Chief Albert Luthuli Municipality**

**revealed the following deviations**

1. No information was provided for this project

**d) Project name: Provision of 665 VIP Toilets at Nsikazi North A1**

**revealed the following deviations**

1. No information was provided for this project

The following projects visited in Mpumalanga; Nkomazi Municipality revealed the following audit findings:

**a) Project name: WASTE MANAG LEARNERSHIP,**

**Project number: wastemanagl- ship2012-12 revealed the following deviations**

1. No attendance register provided for this project

**b) Project name: Malelane Roads Phase II**, **Contractor name:** **Manchel**

**revealed the following deviations**

1. No information was provided for this project
2. No information reported in March for this project

**c) Project name: Construction of VIPs toilets in new village of Nkomazi Municipality Project number: 25-2010** **revealed the following deviations**

1. No information was provided for this project

**d) Project name: Ntunda Bus Route, Project number: r-mp-6218-10-11** **Contractor name:** **Doc's Contraction** **revealed the following deviations**

1. No information was provided for this project

The following projects visited in Mpumalanga; Bushbuckridge Municipality revealed the following audit findings:

**a) Project name: Extension of streets and stormwater and relatedworks along the**

**Proposed** **boulevard phase II, Project number: blm-urp-002-240-266-4153** **revealed the following deviations**

1. Form used does not show number of jobs created
2. Form used does not show total number of employment days created

**b) Project name: Catherine Construction revealed the following deviations**

1. Form used does not show number of jobs created
2. Form used does not show the total number of employment days created
3. No information was reported in March

**c) Project name: Lilly dale Bulk Water Supply (bulk line),**

**Project number: mig-mp-w-0687-w-07-11-1-1 revealed the following deviations**

1. Form used does not show number of jobs created
2. Form used does not show total number of employment days created

**d) Project name: Bulk water supply in Hluvukani,**

**Project number: mig-mp0687-w-07-11-c revealed the following deviations**

1. Form used does not show number of jobs created
2. Form used does not show total number of employment days created

**e) Project name: Construction of Bridge at Hluvukani to Share Bridge,**

**Contractor name: Citra Shine Construction revealed the following deviations**

1. Form used does not show number of jobs created
2. Form used does not show total number of employment days created
3. No information was reported in March

**f) Project name: RE CONSTRUCTION OF MKHUHULU MAIN ROAD,**

**Contractor name: blm-r064-m-w-2010-11 revealed the following deviations**

1. Form used does not show number of jobs created
2. Form used does not show total number of employment days created

The following projects visited in Mpumalanga; Mbombela Municipality revealed the following audit findings:

**a) Project name: Mbombela Landfill tekwane project, Project number: mp-wm003mblm revealed the following deviations**

1. Form used does not show gender and youth employed
2. Form used does not show number of jobs created
3. Form used does not show employment days created

**b) Project name: Tedcor, Project number: mp-wm001mblm**

**revealed the following deviations**

1. No information was provided that shows employment days created, jobs created, gender and number of people

**c) Project name: Mbombela Waste Strike Project Phase II,**

**Project number: mp-wm005mblm revealed the following deviations**

1. Form used does not show gender and youth employed
2. Form used does not show number of jobs created
3. Form used does not show employment days created
4. No attendance registered provided
5. No payment register attached
6. No copies of IDs submitted

**d) Project name: Tekwane West Central Waste Disposal Facility**

1. No information was provided for this project

**e) Project name: TV Nkomazi Road**, **Project number:** **mig-mp0750-rst-08-09, Contractor name: Malo Contractions** **revealed the following deviations**

1. No information was provided for this project

**f) Project name: Sandriver to Nkambeni**

1. No information was provided for this project

**g) Project name: Sizampilo Projects CC**

1. No information was provided for this project

**Kwazulu - Natal**

The following projects visited in KwaZulu Natal revealed the following audit findings:

**a) Project name: Zimisele Hiv/Aids, project number: KNSOC019, Programme:** **Home Community Based Care, Funding Department: Social Welfare and Population**

**Development revealed the following deviations**

1. No information was provided for this project

**b) Project name: Ubuntu Crisis and Family Care Centre, project number: KNSOC014, Programme: Home Community Based Care, Funding Department: Social Welfare and Population Development revealed the following Deviations**

1. No information was provided for this project

**c) Project name: CCG Ethekwini, project number: KNSOC30 Metro,**

**Programme: Home Community Based Care, Funding Department:** **KZN Department of Health** **revealed the following Deviations**

1. No information was provided for this project

**d) Project name: Aids Foundation of South Africa, project number: NATSOC003-464-NPO, Programme:** **NGO, Funding Department:** **Public Works revealed the following Deviations**

1. No information was provided for this project

**e) Project name: KWAMPUNZANA COMPREHENSIVE PRIMARY SCHOOL,**

**Project number: 013681-0001, Programme: Labour Intensive Programme, Funding Department: KN - Department of Education revealed the following Deviations**

1. No information was provided for this project

**f) Project name: UDUMO HIGH SCHOOL, project number: 044703-0001,**

**Programme: Labour Intensive Programme, Funding Department: KN - Department of Education revealed the following Deviations**

1. No information was provided for this project

**g) Project name: Amajuba DM/WSP Water Pipeline Extension, project number:**

**1145004003-amajubadmwsp, Programme: Labour Based Construction Programme, Funding Department: eMadlangeni** **revealed the following Deviations**

1. No information was provided for this project

**h) Project name: KwaDukuza (food for waste), project number: kzneacfforw03,**

**Programme: Food for Waste, Funding Department: KwaDukuza revealed the**

**following Deviations**

1. No information was provided for this project

**i) Project name: Plaat Estate, project number: kznenvplaate1,**

**Programme:** **Invasive Alien Species Programme (IASP), Funding Department: KZN - Department of Agriculture and Environmental Affairs revealed the following Deviations**

1. No information was provided for this project

**j) Project name:** **Cedara, project number: kznenvcedara1,**

**Programme: Invasive Alien Species Programme (IASP), Funding Department: KZN - Department of Agriculture and Environmental Affairs** **revealed the following Deviations**

1. No information was provided for this project

**Northern Cape**

The following projects visited in the Northern Cape revealed the following audit findings:

**a) Project name: EPWP Upgrading of roads in Various Wards, project number: ncep177** **Programme: Facilities and Infrastructure Development Programme**

**Funding Department: Sol Plaatjie revealed the following Deviations**

1. No information was provided for this project

**b) Project name:** **Barkley West Recycling Project,**

**Project number: envnno25-11fbd, Programme: Working on Waste, Funding**

**Department: NC - Department of Environment Nature and Conservation**

**revealed the following Deviations**

1. No information was provided for this project

**City of Tshwane**

The following projects visited in Gauteng; City of Tshwane Municipality in Pretoria revealed the following audit findings:

**a) Project name: Brazaville Electrification Project, Contract Name: Bvelela Engineering** CC **revealed the following deviations**

1. Form used does not show youth employed

**b) Project name: Itereleng electrification, Contractor Name: Demo and cleaning projects revealed the following deviations**

1. Form used does not show youth employed

**c) Project name: Kanana Electrification, Contractor Name: Poto Construction CC**

**revealed the following deviations**

1. Form used does not show youth employed

**d) Project name: Orange Farm Electrification, Contractor Name: Poto Construction CC revealed the following deviations**

1. Form used does not show youth employed

**e) Project name: Thorntreeview, Contractor Name: Safdev SSDC**

**revealed the following deviations**

1. Form used does not show youth employed

**f) Project name: K1 Substation and K3 Substation, Contractor Name: Tshepang**

**Electrical** **revealed the following deviations**

1. Form used does not show youth employed

**g) Project name: Waste Development contract, Project number: GPCOTAEMWMOI**

1. No payment registers/slips provided for this project

**h) Project name: Graveyard maintenance**

1. No information was provided for this project

**i) Project name: Grass Cutting, Contractor name: Njengeleza**

1. No information was provided for this project

**j Project name: Routine maintenance of traffic signs of Pretoria and surrounding areas Project number: 710221-08-09**

1. No attendance register provided for this project

**k) Project name:** **Stanza Bopape**

1. No information provided for this project

**l) Project names:** **Ga-Rankuwa Unit 10-Sewer and Ga-Rankuwa Unit 10-Water**

**Contractor name: Rainbow Properties**

1. No payment register/slips provided for these projects
2. No information reported in March for these projects

**m) Project name: Thorntreeview east ext 6-Road, Project number: 458920(710865)**

**Contractor name: Safrich**

1. No information was provided for this project
2. No information reported in March for this project

**n) Project name: Thorntreeview Water, Project number: 710864**

**Contractor name: Safrich**

1. No payment registers/slips provided for this project
2. No information reported in March for this project

**o) Project name: Stinkwater RDP Stormwater Drainage System, Project number:**

**CB96/2011 Contractor name: Primate Construction**

1. No information was reported in March for this project

The audit findings occurred as a result of the fact that:

1. poor training of the staff that are responsible for the EPWP data and
2. staff shortage
3. Public Bodies do not maintain the supporting documentation for the reported data into the MIS system

The impact of the finding:

1. As a result of poor training, the staffs compiling this data are not well informed of the data that they need to have to ensure completeness of data. In KSD, the EPWP Reporting Template is not used which means that completeness of data is at risk.
2. Staff shortage means when data capturers capture the data, there is no reviewer to detect errors. Data integrity is thus compromised.
3. Incomplete data means that there is a limitation of scope on the auditor as his audit procedures cannot be performed in order to conclude on audit objectives.

**Internal Control Deficiency**

**Leadership:**

The management did not exercise oversight responsibility regarding performance reporting and compliance and related internal controls

**Financial and Performance Management:**

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

**Recommendation**

a) Staff responsible for EPWP on site should be trained on EPWP requirements of National Public Works to ensure that they have a full understanding of what is required of them.

b) There should be more staff recruited to assist in EPWP projects. It is not sufficient that only two data capturers be responsible for capture of data with no one to review the data and ensure data integrity.

c) The public bodies should obtain and maintain copies of the supporting documentation for the contract or consultants for data reported for EPWP on MIS system

**Management Response**

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

**Projects number MIG/EC3006/RST/09/1, MPAPHELA via ELANGCWANGUBA MBOLENI-NDIKELA ACCESS ROAD, site number ED 157 revealed the following deviations**

After numerous request of the payment and attendance registers, this project was captured based on the monthly reports submitted and the copies of ID’s collected from site visit done by the data captures. Payment registers were never done people were paid by the use of envelops.

**b) Project number BA38864 NATURE INDALO CLEANING CO-OPERATIVE, site number ED 157 revealed the following deviations**

The registers are available to be audited. Please find attached signed payment register and signed payment certificate.

1. **Project MAQADINI-MARHUDWINI AND LUDWELE ACCESS ROAD site number ED 157 revealed the following deviations**

The project was reported based on the simplified format submitted monthly to the office.

(See attached copy)

(e) (i) Simplified forms for the submission of monthly reports were used.

(ii) The above projects were captured by the provincial data capturers and checked

by the Coordinators.

(iii) Only KSD data capturers was trained by the provincial EPWP office, the one who was present has not yet been trained as it is an on-going process.

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken | Continuous training will be provided to the EPWP staff at site level to ensure that they fully understand what is required of them.  Depending on the availability of funds, a team of data capturers and a data manager will be appointed in the province to ensure that all data is capture and reviewed before it is submitted.  Communication will be improved with all the implementing bodies. | |
| 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 and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions | Chief Director EPWP Monitoring and Evaluation | |
| Estimated completion date for corrective action | March 2013 | |

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

*Name:* Kgomotso Zantsi

*Position: Acting Chief Director: EPWP Monitoring and Evaluation*

*Date: 31 August 2012*

**Auditor’s conclusion - Eastern Cape**

Not all the findings were addressed and the copy of the register was provided was for the month august 2012 while we requested the register for March 2012, therefore the findings remain until all the issues are resolved.

**Auditor’s conclusion – Western Cape**

No response received

**Auditor’s conclusion – Free State**

No response received

**Auditor’s conclusion - Limpopo**

No response received

**Auditor’s conclusion – North West**

No response received

**Auditor’s conclusion – City of Johannesburg and ikhurheleni**

No response received

**Auditor’s conclusion - Mpumalanga**

No response received

**Auditor’s conclusion – Kwazulu Natal**

No response received the finding will remain in the management letter

**Auditor’s conclusion - Northern Cape**

No response received the finding will remain in the management letter

**Auditor’s conclusion – City of Tshwane**

No response received the finding will remain in the management letter

**Receivables for departmental revenue**

1. **Receivables for departmental revenue: not complete Ex 236**

**Audit Finding**

The following information has been disclosed in the accounting officer’s report section:

*(b)  Reasons why compliance with the minimum requirements have not been achieved and date when this is expected to be achieved.*

*The immovable asset register has incomplete and inaccurate information fields that requires continuous enhancement. Reconciliation of information fields with relevant data sources by the previous immovable asset register enhancement programmes did not focus on all minimum requirements. Currently, the Department has commenced with the immovable asset register enhancement project to ensure compliance to minimum requirements, GRAP, PFMA, GIAMA, NT Sector Specific Guide, NT Chapter 9 – accounting for capital assets as well as management assertions on existence, completeness, rights and obligations, accuracy, valuation and allocation, presentation and disclosure. The project is envisaged to end on 31 March 2014.*

*and also the following information was disclosed in the narrative disclosure note 35 to disclosure to the immovable assets.*

*In November 2011, the Department embarked on a Programme to re-build the Immovable Asset Register (“IAR”) given that it contains unverified information and does not meet business and regulatory requirements. The Department has embarked on a programme to enable it to be in a position to present a complete and accurate IAR which is compliant with the applicable accounting framework and relevant legislation by 31 May 2013.*

The rental debtors which is disclosed under the receivables and receivables for the department revenue relies on the accuracy and complete of the asset register for completeness, Due to the fact that the immovable asset register is not complete which was already acknowledged by management and also based on the findings noted during the audit of immovable assets on completeness, we were unable to determine whether the receivables and receivables for the department revenue amounts disclosed in the financial statements are complete and accurate.

**The impact of the finding**

This may result in receivables and receivables for the department revenue not been complete.

**The finding occurred as a result of the fact that:**

The immovable asset register is not complete and accurate.

**Internal control deficiency**

Leadership

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

**Recommendation**

The department should ensure that the programme to re-build the Immovable Asset Register (“IAR”) is finalized as soon as possible to ensure that all land and buildings belong to DPW are accounted for.

**Management response**

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

I am not in agreement with the finding because it is too general and based on assumptions. Please provide samples of specific debtors from the Rental Module to enable management to respond accordingly.

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken: |  | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | No |
|  |  |
| If yes, what corrections will be made to the population? |  | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | |
| Position of official responsible to take corrective action |  | |
| Estimated completion date of corrective action: |  | |
| Does management agree with the root cause indicated | Yes | No |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | |

Name: Sarah Muthivhi

Position: Director: Property Management Regional Support

Date: 05 July 2012

**Auditor’s conclusion**

1. **Receivable for department revenue: No reconciliation performed rental list and asset register.** **Ex 223**

**Audit Finding**

The department does not perform a reconciliation between the immovable asset register and the list of rental debtors to ensure that rent amount received is complete.

The finding occurred as a result of the fact that:

No reconciliation is performed between the immovable asset register and list of rental debtors.

The impact of the finding:

a) The disclosure note for the receivable for departmental revenue might not be complete.

b) Unauthorised occupation of the premises without paying rent which might result in loss.

**Internal control deficiency**

Financial and Performance Management

The accounting officer did not implement controls over daily and monthly processing and reconciling of transactions

**Recommendation**

*The department must perform reconciliation between the immovable asset register and list of rental debtors on a monthly basis to ensure that all rent is received.*

**Management response**

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | | No |
|  | |  |
| If yes, what corrections will be made to the population? |  | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action |  | | |
| Estimated completion date of corrective action: |  | | |
| Does management agree with the root cause indicated | Yes | No | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

**Auditor’s conclusion**

The finding will remain in the letter as no management response was received.

1. **Receivables for Departmental Revenue: No evidence in debtors file as proof that department has taken steps to recover the debts Ex 47**

**Audit finding**

* 1. Public Finance Management Act section 38(1) (c) states***“****the accounting officer for a department must take effective and appropriate steps to collect all money due to the department.*

*b)*Treasury Regulation 11.2.1 states*, “the accounting office of an institution must take effective and appropriate steps to timeously collect all money due to the institution including, as necessary, maintenance of proper accounts and records of all debtors, including amounts received in part payment; and referral of a matter to the state attorney, where economical, to consider a legal demand and possible legal proceedings in the court of law”*

The following deviations were noted:

The is no signed letter in the debtor file as evidence of the long outstanding debtor having  been handed over to state attorney to recover the amount outstanding.

|  |  |  |
| --- | --- | --- |
| **Details** | **Customer No.** | **Amount** |
| Nabcat | 402539 | 126 241,66 |
| City of Tshwane Metropolitan | 387078 | 347 759,92 |

The finding occurred as a result of the following:

1. Property Management could not provide a signed letter which was sent to the state attorney to recover the outstanding debt for Nabcat.
2. No evidence could be provided that the department has taken appropriate steps to recover the outstanding debt from city of Tshwane.

The impact of the finding:

Non-compliance with Public Finance Management Act and Treasury Regulation

**Internal control deficiency**

Financial and performance management

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 take appropriate steps to collect all money due to the Department and ensure that all correspondence with Legal Services is placed in the debtor’s file as evidence of appropriate steps taken to recover all monies due to the Department.

**Management response**

I am in the agreement with the findings.

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | Yes | | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | Assistant Director: UCA | | |
| Estimated completion date of corrective action: | 06 July 2012 | | |
| Does management agree with the root cause indicated | Yes | No | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Mr. T Tshilwane

Position: Deputy Director

Date: 02 July 2012

**Auditor’s conclusion**

Management agrees with the finding therefore this finding remains valid and will be reported in the management letter

1. **Receivables for departmental revenue: Credibility Check not performed on new contract Ex 227**

**Audit finding**

In terms rental debtors management policy

Section 4.1 all prospective tenants will be subjected to a credit check prior to being approved as tenants, occupation and signing of the lease agreement.

The following deviation was noted:

No credibility checks were performed for the following debtor before the lease agreement was concluded.

|  |  |
| --- | --- |
| **Name** | **Customer Number** |
| Lucy Marithi Mokabane | 405056 |

The finding occurred as a result of the fact that:

No credibility check was performed.

The impact of the finding:

1. The officials renting the properties might not be able afford the rent and which might result in a loss for the department.
2. Non-compliance with rental debtor’s management policy section 4.1

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

The department must ensure that the contract is only signed with the tenant after the credibility is performed.

**Management response**

I am in agreement with the findings

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | Yes | | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | Assistant Director | | |
| Estimated completion date of corrective action: | 06 July 2012 | | |
| Does management agree with the root cause indicated | Yes | No | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Mr. T Tshilwane

Position: Deputy Director (UCA)

Date: 02 July 2012

**Auditor’s conclusion**

Management agrees with the finding therefore this finding remains valid and will be reported in the management letter

1. **Receivable for departmental revenue: Debtor written off but included in the list Ex 229**

**Audit finding**

The following rental debtors were written off but were still appearing on the list of rental debtors for the current financial year at 31 March 2012.

|  |  |  |  |
| --- | --- | --- | --- |
| **Debtor Name** | **Debtor No** | **Date Approved** | **Amount** |
| R van der Heerver | 394416 | 17/08/2011 | 11 136,54 |
| BB Mogatusi | 6527 | 22/03/2012 | 4 668,03 |

The finding occurred as a result of the fact that:

The department indicated that they have obtained confirmation from the respective regional offices to confirm the write offs.

The impact of the finding:

The receivables for departmental revenue might be overstated.

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

The department needs to review the whole population of outstanding rental debtors to ensure that all the rental debtors written off were excluded from the list.

**Management response**

No management response received

**Auditor’s conclusion**

The finding will remain in the letter as no management response was received.

1. **Receivables from Departmental Revenue: Debtor was allocated two debtor numbers Ex 24**

**Audit finding**

The following deviations were noted:

The following debtor was allocated two debtor numbers and therefore appears twice on debtor’s age analysis for the same debt.

|  |  |  |
| --- | --- | --- |
| **Debtor Name** | **Customer Number** | **Balance at 31 March 2012** |
| Lucy Marithi Makobane | 15142 | 5 142.07 |
| Lucy Marithi Makobane | 405056 | 5 017.59 |

The finding occurred as a result of the following:

The debtor was captured twice.

The impact of the finding:

Receivables for departmental revenue might be overstated due to the fact that the debtor has been captured twice.

**Internal control deficiency**

Financial and Performance Management

The accounting officer did not implement controls over daily and monthly processing and reconciling of transactions

**Recommendation**

a) The department must review the list of rental debtors or age analysis to ensure that the information included is accurate and complete.

b) The department must review the list of rental debtors or age analysis for the whole population and provide evidence to the auditors that there are no other duplicated debtors on the age analysis.

**Management response**

Management agree with the findings

| **Description** | **Response** | |
| --- | --- | --- |
| Corrective action to be taken: | Cancel Customer number 15142 on the system | |
| Does the finding affect an amount disclosed in the financial statements? | Yes X | No |
|  |  |
| If yes, what corrections will be made to the population? | The mount will be reversed of the system. | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | State Accountant | |
| Position of official responsible to take corrective action |  | |
| Estimated completion date of corrective action: |  | |
| Does management agree with the root cause indicated | Yes X | No |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | |

Name: Thabang Tshilwane

Position: Deputy Director

Date: 13 July 2012

**Auditor’s conclusion**

Management agrees with the finding therefore this finding remains valid and will be reported in the management letter

1. **Receivables for department revenue: Weakness in rental debtor’s management policy Ex 112**

**Audit Finding**

Laws, rules and regulation

In terms of Treasury Regulation chapter 16

*TR16A7.4 - ensure that all immovable property, (excluding state housing for state officials and political office bearers), is let at market related rates, unless the relevant treasury determines otherwise or approves the letting of property free of charge.*

*TR16A7.5 - at least annually review all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of state property to ensure sound financial planning and management.*

In terms of rental debtors management policy dated 20 February 2008 section 3 - Objectives which states that:

*Section 3.5 Ensure that all debtors pay market related rental, and if below market related rental, approval from National Treasury is required.*

a) The department rental debtors management policy does not state the process of the determining the market rates prices and reviewing of the prices charged to the client to ensure that they are in aligned to the market related prices.

b) No evidence could be obtained that the department performed assessment to ensure that the rental rates are at market related rates.

The impact of the finding:

a) Non-compliance with treasury regulations.

b) The department might be charging the rental below the market related prices without National Treasury Approval.

The finding occurred as a result of the fact that:

The department does not have a standard policy for determining whether the properties are let out at the market related prices.

**Internal control deficiency**

Financial and Performance Management

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

**Recommendation**

The department must review their policy on debtors to ensure that it includes the provision for determining that the rent charged are on market related prices and ensuring that they are updated on a regular basis in line with the market related trends.

**Management response**

I am not in agreement with the finding for the following reason -

The Department’s *Rental Debtors Management Policy* (approved 04 April 2008) should be read with the Department’s *Business Processes for Property Management* (approved 06 February 2007).

The Business Processes dealing with the letting of state-owned immovable assets (both short and long term leases) clearly document the actions to be taken by DPW’s property managers to have the market rental of state property –

a) determined by a registered property valuer, whether employed by the Department (Directorate: Valuations Services) or commissioned from the private sector; and

1. confirmed by the Land Affairs Board (established in terms of the Land Affairs Act, 1987 to advise the Department on the value of properties and rights therein).

Extracts from the Department’s *Business Processes for Property Management* dealing with the letting of state-owned immovable assets (short and long term) are attached hereto.

Andre Meyering

Acting Chief Director: Property Policy Development

06 July 2012

**Auditor’s response**

The finding remain as the department failed to prove that the debtors management policy does not state the process of determining whether the immovable property are leased out at market related prices

**Receivables**

1. **Receivables: Disallowance Miscellaneous Account not cleared ex 256**

**Audit Finding**

1. In terms of section 11.2 of Treasury Regulations

“The accounting officer of an institution must take effective and appropriate steps to timorously collect all money due to the institution including, as necessary-(a) maintenance of proper accounts and records for all debtors, including amounts received in part payment and (b) referral of a matter to the State Attorney, where economical, to consider a legal demand and possible legal proceedings in a court of law.”

1. In terms of Treasury Regulation 17.1: Use of clearing and suspense accounts [Section 40 (1) (a) of the PFMA], the following:

*“17.1.1 All the transactions of an institution must be supported by authentic and verifiable source documents, clearly indicating the approved accounting allocation.*

*17.1.2 Should it be necessary, in exceptional cases, to account for revenue and expenditure transactions in a clearing or suspense account because the classification has not been resolved, the accounting officer must ensure that—*

*(a) The sources of the transactions are readily identifiable;*

*(b) Amounts included in clearing or suspense accounts are cleared and correctly allocated to the relevant cost centers on a monthly basis;*

*(c) Monthly reconciliation’s are performed to confirm the balance of each account; and*

*(d) Reports are provided to the accounting officer about uncleared items on a monthly basis.”*

The following deviations were noted:

There are 80 cases of the receivables which were not cleared timeously and no provision was created.

The finding occurred as a result of that fact that:

The provision was made for long outstanding receivables

Impact of the finding:

a) This may lead to unauthorised expenditure.

b) Non-compliance with Treasury Regulations section 17.1

c) Non-compliance with Treasury Regulations section 11.2

**Recommendation**

1. The department should ensure that the suspense account is cleared on a monthly basis and expenses are correctly allocated to the correct accounts.
2. The department must ensure that provision is made for all long outstanding receivables and that they are written off.

**Management Comments**

**Head Office**

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

Receivables were not cleared timeously, however the department performs monthly reconciliations to confirm balances on each account. Transactions which are not cleared are followed up and investigation are still in progress to get more supporting documents in order to clear and correctly allocate to relevant cost centres. Please see attached annexures for detailed response per amount.

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken: |  | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | **No** |
|  |  |
| If yes, what corrections will be made to the population? |  | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | |
| Position of official responsible to take corrective action |  | |
| Estimated completion date of corrective action: |  | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | |

| **Batch No** | **Date** | **Matching field** | **Description Type** | **Name** | **Amounts** | **Management response** |
| --- | --- | --- | --- | --- | --- | --- |
| GJ 44936 | 2008/03/31 | AFS DEBTS W/O | Audit reverse debts w/off |  | 116 744,20 | This amount is made of the interest portion of the debt which exceeded the capital amount and was erroneously written off. Two journals were processed to correct the error. The duplicated journal will be reversed to clear the amount. |
| AP 25596/ GJ 8810/  GJ 19317 | 2003/06/17  2005/02/14 | 15160303 | CLAIM 938-02/03 |  | 352 238,48 | The amount relate to the Government Garage payment which was processed under Disallowance Miscellaneous account and later journalized to respective cost centers (Regional Offices). The remaining balance was not allocated to the relevant cost centre as a result we are having unallocated which relates to previous years (2003/04). The amounts to be written off as there are no supporting documents. |
| GJ 22303 | 2010/03/31 | 20092010 | Audit adjustments journal 2009/20 |  | 94 485,16 | The amount relates to the payments inclusive of VAT made to non VAT vendors on LOGIS. Debt account will be open to clear the disallowance miscellaneous account. Debtor’s collection processes will be observed to recover the amount. |

Name:

Position:

Date:

**Pretoria**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: | * Submission for a write-off will be written for the **R9 530,34** and **R8 239,84,** * A total of **R37 610,61** belongs to **PMTE** and will be transferred accordingly, * Other cases to the value of **R53 974, 24** will be further investigated. * The **R3 529 915, 00** and **R23 689, 77** have been transferred to the F**raud Account**. | | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | Director: Finance & SCM | | |
| Estimated completion date of corrective action: | 30 September 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: K Tlhakudi

Position: Director: Finance & SCM

Date: 31/07/2012

**Auditor’s Response**

Management agrees with the finding due to the weakness in the internal controls systems which must be addressed in the next financial year, the finding will remain in the letter

1. **Receivables: Debtors not raised** **Ex 134**

**Audit finding**

a) *In terms of the Public Service Act section 38 an amount equal to the amount of overpayment should be recovered from an employee by way of deduction of moneys owing to him/her except if the amount is remitted*

b) *Section 7.1(b) of the Debt Policy requires that “new debts should be raised within thirty (30) days to the Directorate upon recognition: Financial Accounting / Head of Finance (Regions). All relevant documentation pertaining to the debt and which is in favour of the Department must be supplied to the Directorate: Financial Accounting. The relevant documentation required to open a new debt account is set out in an internal memorandum dated 5 October 2010 and can be obtained from the Directorate: Financial Accounting.”*

c) In terms of PFMA *(i) Section 38(1) (a)(i): “The accounting officer for a department, trading entity or constitutional institution 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.”*

The following deviations were noted:

The following employees were identified during the interim audit that were paid salaries after death/transfer to other Departments but were not included in the list of debtors as at 31 March 2012

a) The following salary payment was made to a deceased employee however no evidence could be obtained to indicate that the department has made any attempts to recover the aforementioned i.e. no debtor was raised.

|  |  |  |  |
| --- | --- | --- | --- |
| **Persal No** | **Date of death** | **Overpayment date** | **Overpayment Amount**  **(R)** |
| 15333515 | 27/03/2011 | 15/04/2011 | 36 905,75 |

b) Salary payments were made to the below mentioned employees after they had transferred to other departments. The department failed to raise an interdepartmental debt to recover the amounts from the applicable departments

|  |  |  |  |
| --- | --- | --- | --- |
| **Persal No** | **Transferred Date** | **Overpayment date** | **Overpayment Amount**  **(R)** |
| 22133623 | 11/02/2011 | 15/04/2011 | 44 423,75 |
| 22162348 | 14/05/2011 | 15/06/2011 | 22 422,75 |
| 22684930 | 12/12/2011 | 2015/01/12 | 37 034,38 |

c) The following deviation was noted whilst performing audit procedures on revenue and debtors management:

It was identified that N. Masondo (Persal number 22981578) was dismissed from the employment of Department of Public works as a Cleaner on 01 August 2009. Upon dismissal he owed the department an amount of R10 607, 81 as identified on the debt form.

However an amount of R3 885, 28 only was recovered from the aforementioned employee and it was recognised as revenue received from prior years. A difference of R6 722, 53 has not been accounted for. No information is available to identify whether the outstanding balance will be recovered or is in the process of being recovered.

The finding occurred as a result of:

a) The Acting ASD Human Resource Recruitment and Administration indicated that the department received the death certificate of the deceased employee 7 days after his/her death and at the time the salary had already been paid.

b) The Deputy Director Human Resource indicated that the employees, whose services were terminated, were not timeously removed from the payroll, resulting in overpayments.

c) Follow-ups are not done by management on commitments made to the auditors

The impact of the finding:

a) Non-compliance with the debt policy and section 38 of the Public Service Act.

b) If the person is no longer an employee it will be difficult to recover the overpayment, which may lead to additional costs and losses.  It must be noted that in some of the instances more than a year has lapsed from date of overpayment.

c) Overstatement of salaries and understatement of receivables as at 31 March 2012

**Internal control deficiency**

Leadership

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

**Recommendation**

a) The department should recover the overpayment amount from the employee’s pension payout before it is paid to the deceased’s family.

b) The department should raise an interdepartmental debtor for the amounts owed.  The department should determine who was responsible to timeously remove these employees from the payroll and should take disciplinary action against the official that permitted the oversight.

c) The Department should adjust their debtors’ balance as at 31 March 2012 to include these debtors

d) The entire population of ex-employees (due to death, resignation or transfers) should be reviewed to ensure that all individuals who have resigned from the Department do not owe the Department. If these individuals owe the Department a debt should be raised in these regard and the balance of receivables on the financials updated

**Management response**

I am not in agreement with the finding because of the following reasons:

a) This whole coff was responded to in June under reference number.

b) In our initial response we indicated that regarding (a) the Department would put a claim to recover the money from the pension fund before it is paid out to the employee. This was done and the copy of the claim form was attached to coff 11. We have attached it again for ease of reference.

c) Regarding (b) above we said that the amounts that were paint would be claimed from the Departments concerned. In this regard we indicated that we would request our Finance section to recover the money from the Department concerned. This was done on 07 June 2012 through the attached salary advices to our Finance Section. The delay in removing these employees from our payroll was not caused by any official in the Department but by the Department concerned as they did not do phase two on Persal as per procedure.

c) This office has done the review of all exits and has satisfied itself that no ex-employee owes the Department due to instances like these.

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | |  |
| If yes, what corrections will be made to the population? |  | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action |  | | |
| Estimated completion date of corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

SE Mkhize

Head: HRM

I am in agreement with the finding

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: | Claims have been sent out to departments that these ex-employees went to and claim has been made from the deceased pension fund. (See attached documents for reference). Debt opening advice is still awaited from HR so that the debt could be raised. | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
| √ | |  |
| If yes, what corrections will be made to the population? | Report will made to Financial Accounting directorate to alert them of the detected transactions. | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | D: Finance & SCM | | |
| Estimated completion date of corrective action: | 30 September 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| √ |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

**Auditor’s conclusion**

The finding remain, the debtors were not raised as receivables at 31 March 2012

1. **Receivables: Unconfirmed balances not followed up** **EX175**

**Audit Finding**

a) In terms of PFMA

(i) Section 38(1) (a) (i):

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

(ii) S40 (1) (a) and 40 (1) (b) states:

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

*(a) must keep full and proper record of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards.*

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

The following deviations were noted:

Interdepartmental balances were not timeously reconciled and thus are disclosed as unconfirmed balance in Annexure 4. Subsequent to year end, there appears to be no evidence to indicate that any attempt has been made to confirm these balances owed to the departments, details for which have been included in the table below. The valuation of the balances can therefore not be confirmed.

|  |  |
| --- | --- |
| **Department** | **Amount** |
| Agriculture | 22 000 |
| Cooperative Govt and Traditional Affairs | 42 000 |
| Correctional Services | 27 000 |
| Defence | 904 000 |
| Environmental | 62 232 000 |
| Health | 1 374 000 |
| Home Affairs | 14 000 |
| Labour | 17 000 |
| Other Claims: National Departments | 3 507 000 |
| Provincial Departments | 6 098 000 |
| Public Works (PMTE) | 108 000 |
| Science and Technology | 5 000 |
| Social Development | 39 000 |
| Statistics South Africa | 357 000 |
| The Presidency | 7 000 |
| Treasury | 2 000 |
| Water Affairs | 39 000 |
| Women and Children | 27 000 |
| **Total** | 74 821 000 |

The finding occurred as a result of the fact that:

No follow ups were done by the Department on the unconfirmed balances

Impact of the finding:

Receivables could be overstated due to amounts not being confirmed by other Departments

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

a) The department should follow up all requests for balance confirmations timeously before and/or after year end to ensure no unconfirmed balance exist.

b) The matter of departments not responding to confirmation letters needs to be escalated to a national treasury.

**Management response**

Management **is not** in agreement with the audit finding and the root cause for the following reasons:

a) Reconciliations of interdepartmental balances are performed on a monthly basis and signed schedules are on file.

b) Amount disclosed as receivables are supported by verifiable source documents which are available on file

c) Confirmation letters have been sent to the clients departments by post and also sent to the departmental CFO’s by e-mails around the 15th of May 2012. Tracking numbers and copy of e-mails are available on file for inspection

d) The department does escalate matter to Treasury e.g. the biggest claim under inter departmental claims for Environmental Affairs R62 232 000 has already been referred to Treasury in 2010, regular follow-up are made with Treasury and the proof of follow-ups is on file. It must also be noted that subsequent to year end, the case has since been escalated to the DG Treasury for intervention via the office of the Acting DG (DPW).

e) Although other clients may have not confirmed the balances as at 31 March, there are regular engagements and matters were there are disputes that the department cannot resolve they are escalated to National Treasury case in point the Environmental Affairs balance.

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: | Management **is not** in agreement with the audit finding | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
| X | |  |
| If yes, what corrections will be made to the population? | No correction | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | Amount have been disclosed correctly either as confirmed or unconfirmed balances | | |
| Position of official responsible to take corrective action | N/A | | |
| Estimated completion date of corrective action: | N/A | | |
| 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 | Noncompliance by client department in terms of confirmation of balances at year end | | |

**Mr. K Mashapha**

**DD: ACCOUNTS RECEIVABLE**

**Auditor’s conclusion**

The matter will remain at the management report; the department did not provide the evidence.

**Human Resource Management**

1. **Human Resource Management (Salary overpayment): Salary made to officials no longer for the department EX11**

**Audit finding**

1. In terms of the Public Service Act section 38 an amount equal to the amount of overpayment should be recovered from an employee by way of deduction of moneys owing to him/her except if the amount is remitted

b)   Section 7.1(b) of the Debt Policy requires that “new debts should be raised within thirty (30) days to the Directorate upon recognition: Financial Accounting / Head of Finance (Regions). All relevant documentation pertaining to the debt and which is in favour of the Department must be supplied to the Directorate: Financial Accounting. The relevant documentation required to open a new debt account is set out in an internal memorandum dated 5 October 2010 and can be obtained from the Directorate: Financial Accounting.”

The following deviations were noted:(Pretoria Regional Office)

a)   The following salary payment was made to a deceased employee however no evidence could be obtained to indicate that the department has made any attempts to recover the aforementioned i.e. no debtor was raised.

|  |  |  |  |
| --- | --- | --- | --- |
| **Persal No** | **Date of death** | **Overpayment date** | **Overpayment Amount** |
| 15333515 | 27/03/2011 | 15/04/2011 | 36 905,75 |

b)   Salary payments were made to the below mentioned employees after they had transferred to other departments. The department failed to raise an interdepartmental debt to recover the amounts from the applicable departments

|  |  |  |  |
| --- | --- | --- | --- |
| **Persal No** | **Transferred Date** | **Overpayment date** | **Overpayment Amount** |
| 22133623 | 11/02/2011 | 15/04/2011 | 44 423,75 |
| 22162348 | 14/05/2011 | 15/06/2011 | 22 422,75 |
| 22684930 | 12/12/2011 | 2015/01/12 | 37 434,38 |

The finding occurred as a result of:

a)   The Acting ASD Human Resource Recruitment and Administration indicated that the department received the death certificate of the deceased employee 7 days after his/her death and at the time the salary had already been paid.

b)   The Deputy Director Human Resource indicated that the employees, whose services were terminated, were not timeously removed from the payroll, resulting in overpayments.

The impact of the finding:

a) Non-compliance with the debt policy and section 38 of the Public Service Act.

b) If the person is no longer an employee it will be difficult to recover the overpayment, which may lead to additional costs and losses.  It must be noted that in some of the instances more than a year has lapsed from date of overpayment.

c) Overstatement of salaries and understatement of receivables

**Internal control deficiency**

Financial and Performance Management

Implement controls over daily and monthly processing and reconciling of transactions

**Recommendation**

a) The department should recover the overpayment amount from the employee’s pension payout before it is paid to the deceased’s family.

b) The department should raise an interdepartmental debtor for the amounts owed.  The department should determine who was responsible to timeously remove these employees from the payroll and should take disciplinary action against the official that permitted the oversight.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | Finance section (Salaries section) has been requested to raise interdepartmental debts to recover the monies from the departments concerned | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | No |
| If yes, what corrections will be made to the population? |  | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | ASD:HRand DD:Finance | | |
| Estimated completion date of corrective action: | 30 June 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| Yes |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name:   SE Mkhize

Position:  Head: HRM (PTA)

Date: 4 June 2012

**Auditor’s conclusion**

The finding will remain in the management report as the department agrees with the finding.

1. **Human Resource Management: Incorrect allocation of employer’s contribution: pension fund amount Ex 73**

**Audit finding**

a) The PFMA states in

i)   **Section 45(d) of the PFMA requires that “**an official in the department must take effective and appropriate steps to prevent, within that official’s area of responsibility, any unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure and any under collection of revenue due.”

ii)   Public Finance Management Act s38 (1)(g) states “The accounting officer for a department, trading entity or constitutional institution on discovery of any unauthorised, irregular or fruitless and wasteful expenditure, must immediately report, in writing, particulars of the expenditure to the relevant treasury.”

b) Treasury Regulations states in

i)   Treasury Regulation 9.1.1 states “The accounting officer of an institution must exercise all reasonable care to prevent and detect unauthorised, irregular, fruitless and wasteful expenditure, and must for this purpose implement effective, efficient and transparent processes of financial and risk management.”

ii)   Treasury Regulation 9.1.2 states “When an official of an institution discovers unauthorised, irregular, fruitless and wasteful expenditure, that official must immediately report such expenditure to the accounting officer.”

iii)   Treasury Regulation 9.1.5 states “The amount of the unauthorised, irregular, fruitless and wasteful expenditure must be disclosed as note to the annual financial statements of the institution.”

iv)  Treasury Regulation 11.2.1 states “The accounting officer of an institution must take effective and appropriate steps to timeously collect all money due to the institution including, as necessary, maintenance of proper accounts and records for all debtors, including amounts received in part payment”

c) National Treasury Circular No. SU 5/B dated 18 August 2000 States “Interest ceases to accrue as soon as it equals the capital amount. Once a portion of the interest has been paid, the interest again accrues. If the full amount of interest, plus a portion of the capital debt is paid, the interest will only accrue until it equals the amount of the then outstanding capital debt.”

The following deviations were noted:

a) A payment of R125 706, 06 was made by the department to the Government Employees Pension Fund on behalf of an employee with PERSAL number 19481951 - 980500951 regarding pension contributions in arrears. The total amount was divided into following elements:

Employee R20 650, 29

Interest R21 347, 62

Employer R38 810, 63

Interest R44 897, 51

**Total R125 706, 06**

i) The amount of R125 705, 06 were incorrectly allocated to employer’s contribution: pension fund where as the amount should have been allocated as follows:

| **Description** | **Debit** | **Credit** |
| --- | --- | --- |
| Interest paid | 66 335,13 |  |
| PMG Account |  | 66 335,13 |
|  |  |  |
| Employers contribution: pension fund | 38 810,63 |  |
| PMG Account |  | 38 810,63 |
|  |  |  |
| Debtors | 20 650,00 |  |
| PMG Account |  | 20 650,00 |
| **Total** | **125 706,06** | **125 706,06** |

ii) The department failed to disclose interest paid amounting to R66 245, 13 as fruitless and wasteful expenditure in the fruitless and wasteful expenditure disclosure note in its financial statements for period 31 December 2011 as per Treasury Regulation quote above. This is also after CFO’s comment on the matter which states: “Fruitless expenditure emanating from the interest paid must be properly recorded and reported to the finance sector for urgent auctioning”

iii) The department did not recover the R20 650, 29 which they paid as employee contribution on her behalf and no subsequent steps were taken to recover this amount from the mentioned employee; a debt was also not raised.

iv) The department did not query the statement received from the Government Pension Fund before the payment was made, as the interest charged exceeded the capital outstanding amount which is not allowed in terms of National Treasury Circular No. SU 5/B dated 18 August 2000.

The finding occurred as a result of the fact that:

1. The department failed to review the quotation/statement received from Government Pension Fund before payment was made.
2. The disclosure notes to the financial statements are not reviewed for completeness by the appropriate level of management coupled with a lack of a formal policy and procedure prescribing the process relating to fruitless and wasteful expenditure.

The impact of the finding:

1. Receivables and interest paid accounts are understated
2. Employer’s contribution: pension fund account is overstated
3. Fruitless and wasteful expenditure is understated in the relevant disclosure note to the financial statements.
4. Non-compliance with Public Finance Management Act and Treasury Regulations.

**Internal control deficiency**

Financial and performance management

a) Review and monitor compliance with applicable laws and regulations.

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

c) Implement controls over daily and monthly processing and reconciling of transactions

**Recommendation**

1. Management should raise the debtor to recover the pension fund paid on behalf of former employee as a matter of urgency.
2. Management should ensure that the checklist is implemented where all the statements from *Government Pension Fund* are properly verified for accuracy before payments are made.
3. The register of fruitless and wasteful expenditure should be updated immediately when such cases are discovered and not only when financial statements are being prepared.  A formal policy and procedures relating to fruitless and wasteful expenditure should be drafted, approved and implemented.

**Management response**

* 1. I am not in agreement with the finding

The R125 705.06 was correctly allocated attached please find journal no 28201 that clearly shows the re allocation of the expenditure above.

ii) I am in agreement with this finding

The department acknowledges the audit finding and the register for fruitless and wasteful expenditure has been undated with the interest paid of R66 245.00, the updated register is attached

iii)   I am not in agreement with the finding

 It was indicated on the submission to the CFO that is attached on the payment that the amount of R20 650.00 will be recovered from the ex-employee’s pension pay out and there is an attached email from the ex-employee giving the department permission to deduct the above contribution from her pension payout. Currently there are engagement between finance and HR as to the status of the pension payout.

iv) I am not in agreement with the finding

      The National Treasury Circular No. SU 5/B dated 18 August 2000 which AG is referring to only applies to situations where money is being owed to the state.

Name Lesiba Ledwaba

Position: DD Financial Reporting

Date: 02 March 2012

**Auditor’s conclusion**

Management disagree with the finding, however the money was not recovered as at 31 March 2012 therefore the finding will remain in the management report

1. **Human Resource Management: High vacancy rate Ex 125**

**Audit finding**

Laws, rules and regulations

*In terms of section 40(1) (c) of the Public Finance management Act, “the financial statements submitted to the Auditor General and Treasury must be completed and accurate”*

The following deviations were noted:

1. The department has a high rate of posts which remained vacant at 31 March 2012 as detailed below

|  |  |  |  |
| --- | --- | --- | --- |
| **Salary band** | **Number of posts** | **Number of unfilled vacancies** | **Vacancy rate** |
| Overall | 6795 | 934 | 14% |
| Senior management | 193 | 35 | 18% |

1. The total number of vacancies disclosed for senior managers on the oversight report is inconsistent when compared to Persal information on vacancies for senior managers as at 31 March 2012 (see table below).

|  |  |  |  |
| --- | --- | --- | --- |
| **Annual Report** | | **Persal** | |
| Number of posts | Number of posts filled | Number of posts | Number of posts filled |
| 188 | 159 | 193 | 158 |

The finding occurred as a result of the following:

1. The total employee cost budget allocated to the department is not sufficient to fill all vacant posts.
2. This was due to the oversight from management.

The impact of the finding:

1. Service delivery might be negatively affected if vacancies are not filled timeously. The department may not be able fulfil its mandate or objective due to staff shortages.
2. Information disclosed in the Annual Report is not accurate
3. Failure to submit accurate Annual Financial constitutes non compliance with the aforementioned sections of the Public Finance Management Act, and may be seen as an act of financial misconduct in terms of Section 81 and 83 of the Public Finance Management Act

**Internal control deficiency**

*Leadership*

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

Financial and performance management

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

b) The Annual Report should be reviewed for accuracy before the information is reported on.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: | (a)The Department will prioritize the urgent implementation of DPSA Circular no. 01 of 2012 on the abolishment of unfunded vacant positions and resume filling of funded positions  (b) The Directorate Organizational Development is currently conduct an audit on approved SMS positions on the Establishment and the outcome of the audit will inform the nature of the amendments to be made. It should be noted that the templates and information for the annual report are sourced from Vulindlela which updates after a month from PERSAL | | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | Director: Organisational Development and Director: Human Resource Planning and Recruitment | | |
| Estimated completion date of corrective action: | 1. 30 September 2012 (b) 31 July 2012 | | |
| Does management agree with the root cause indicated | Yes | No | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Mr C. Zaba

Position: Acting Chief Director: HRM

Date: 06 June 2012

**Auditor’s conclusion**

1. **Human Resource Management: Payroll Certificate deviations Ex 106**

**Audit Finding**

Laws, rules and regulations

1. Treasury Regulation 8.3.4 states “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.”
2. Treasury Regulation 8.3.5 states “Within ten days of being certified, the payroll report must be returned to the chief financial officer."

The following deviations were noted:

1. The persons in charge at the pay points listed below did not certify on the date of payment that all persons listed on the payroll reports were entitled to payments.

**Head office**

|  |  |  |
| --- | --- | --- |
| **Paypoint** | **Period** | **Pay group** |
| 1038 | 30 April 2011 | Temporary |
| 1071 | 30 September 2011 | Temporary |

**Pretoria**

|  |  |  |
| --- | --- | --- |
| **Paypoint** | **Period** | **Pay group** |
| 17 | 15 April 2011 | Permanent |
| 37 | 15 March 2012 | Permanent |
| 132 | 15 April 2011 | Permanent |
| 614 | 15 December 2011 | Permanent |
|  |  |  |
|  |  |  |

1. We were unable to obtain evidence that the below mentioned payroll certificates were returned to the chief financial officer within 10 days of being certified, as the certificates were not dated on return to the Chief financial officer.

**Head office**

|  |  |  |
| --- | --- | --- |
| **Pay point** | **Period** | **Pay group** |
| 1003 | 15/04 2011 | Permanent |
| 1038 | 30/04 2011 | Temporaries |
| 1360 | 15/04 2011 | Permanent |
| 1071 | 30/09/2011 | Temporaries |
| 1301 | 15/09/2011 | Permanent |
| 1311 | 15/12/2011 | Permanent |
| 1026 | 15/12/2011 | Permanent |

**Pretoria**

|  |  |  |
| --- | --- | --- |
| **Pay point** | **Period** | **Pay group** |
| 17 | 30/04 2011 | Permanent |
| 132 | 30/04 2011 | Permanent |
| 9906 | 30/04 2011 | Permanent |
| 17 | 30/09/2011 | Permanent |
| 104 | 30/09/2011 | Temporary |
| 132 | 15/09/2011 | Permanent |
| 9906 | 15/12/2011 | Permanent |
| 614 | 15/12/2011 | Permanent |
| 130 | 15/03/2012 | Permanent |
| 95 | 15/03/2012 | Permanent |
| 37 | 15/03/2012 | Permanent |
| 130 | 15/12/2011 | Permanent |

1. The below mentioned payroll reports were not dated by the person in charge of the pay point at the date of certification.

**Head office**

|  |  |  |
| --- | --- | --- |
| **Paypoint** | **Period** | **Pay group** |
| 1360 | 15/04/2011 | Permanent |
| 1301 | 15/09/2011 | Permanent |
| 1026 | 15/12/2011 | Permanent |

**Pretoria**

|  |  |  |
| --- | --- | --- |
| **Paypoint** | **Period** | **Pay group** |
| 9906 | 15/04/2011 | Permanent |
| 104 | 30/09/2011 | Temporarily |
| 9906 | 15/12/2011 | Permanent |
|  |  |  |

1. The below mentioned payroll reports were returned to the Chief financial officer after 10 days of being certified

**Head office**

|  |  |  |
| --- | --- | --- |
| **Paypoint** | **Period** | **Pay group** |
| 1064 | 31/03/2012 | Permanent |
| 9770 | 15/03/2012 | Permanent |
| 9063 | 31/03/2012 | Permanent |
| 1358 | 15/03/2012 | Permanent |

The impact of the finding:

a) Non-compliance with Treasury Regulation 8.3.4 and Treasury Regulation 8.3.5 and in instances where necessary information was not documented an inability to evaluate compliance with the aforementioned Treasury Regulations.

b) Should incorrect payments be present on the payroll reports it will not be timeously detected and corrected and might lead to under/overpayments and incorrect allocations. Possible fictitious payments will not be identified.

.

The finding occurred as a result of the following:

No disciplinary action is taken again the officials who do not return and sign the payroll certificate to the Chief financial officer within 10 of being certified.

**Internal control deficiency**

## Financial and Performance Management

Implement controls over daily and monthly processing and reconciling of transactions

**Recommendation**

1. The person in charge at the respective pay-points should sign and date the payroll report on the day that it is returned
2. The person in charge of the pay point should date the payroll reports on day of certification
3. Payroll control sheets should be certified, dated and returned to the chief financial officer within ten days from the date of certification to ensure that all employees listed on the payroll report are entitled to the payment.

1. The chief financial officer should follow up on a regular basis on all outstanding payroll control sheets not received.

**Management response**

1. Agree, the salaries section is responsible for the distribution of payslips to all employees of the region. The problem this office is facing at the moment is that the pay points are not categorized in terms of sections but in terms of buildings where employees are stationed, for example all employees in AVN building are on the same pay point number 614. Then this makes it difficult to have for all sections to certify the payroll. This office decided to make lists of employees per section for all members of each section to sign for their pay slips on or before the pay day. In turn the sections would return the signed lists to the salaries section. These lists have all along served as certified payroll certificates. In order to resolve this matter going forward the following has been decided; the submission will be drafted to Head Office to request allocation of pay points per section in order to have separate payroll certificates which will be certified by the person in charge of the unit. In the meantime the regional circular will be issued for persons in charge to certify on the lists.
2. Agree, as of June 2012 the certified lists will be returned to the CFO’s within 10 days as prescribed and this office will also ensure that the payroll certificates are properly dated on return to the CFO.
3. Agree, this was an oversight and this office will also ensure that the payroll certificates are properly dated on return to the CFO.

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | |  |
| If yes, what corrections will be made to the population? |  | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action |  | | |
| Estimated completion date of corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

*Name:*

*Position:*

*Date:*

1. **Human Resource Management - Workplan & Performance Score Sheet not dated on signature EX 75**

**Audit finding**

Performance Management and Development Policy for Employees on level 1 – 10 and MMS Members (level 11 - 12) states in Paragraph 7.2.2 that:

*”Existing employees shall have entered into performance agreements and signed Work plans on or before the 15of April of each performance cycle starting from 01 April to 31 March the following year.”*

The following deviation was noted:

The 2010/11 work plans and performance score sheets for the following official was not signed by the deadline prescribed by Performance Management and Development Policy for Employees on level 1 – 10 and MMS Members (level 11 - 12), by 15 April 2010.

|  |  |
| --- | --- |
| **Persal No** | **Date signed** |
| 18942482 | 12/10/2011 |

The finding occurred as a result of the fact that:

The work plans and performance score sheets are reviewed for accuracy and completeness

Impact of the finding:

The performance bonus payments to be made may constitute irregular expenditure.

**Internal control deficiency**

Leadership

The accounting did not implement effective human resource management practices to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.

**Recommendation**

a)   It must be communicated to the employees that before the commencement of the new cycle all performance agreements should be signed by the 15 of April of each year for all existing employees, and newly appointed or promoted employees should sign the Work Plan timeously.

b)   The supervisors should ensure that all work plans and performance score sheets are signed and submitted to Human Resource Development by officials before the set deadline.

c)   Any strategic sessions should be completed in advance to ensure that the work plans and performance score sheets can be compiled and signed within the required timeframes.

d)   Responsibility should be assigned to prepare a register with all the names of the officials in which it is indicated for which officials the performance agreements have been received by HR or document centre and were filed on the personnel files.

e)   Senior managers must be held accountable if HRD does not timeously receive the signed work plans and performance score sheets for the officials whom they are responsible for.

f) The checklist should be implemented to monitor whether the  supervisors ensures that all work plans and performance score sheets are signed timeously and submitted to Human Resource Development by officials before the set deadline.

**Management response**

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

The Workplan for the 2010/11 PMDS cycle was not submitted to HRD, there was however quarterly performance assessments submitted. Please take note that facts pertaining to the deviation stated above is incorrectly, as the date started is not on the 2010/2011 Workplan, it is in actual fact on the 2011/12 Workplan.

As a control measure, punitive measures have been built into a draft revised PMDS policy which is currently under review and SHOULD that policy be signed and replace the current policy then internal control measures to prevent this will be effective and enforceable

The Department on a quarterly basis sends reminders of the PMDS deadlines to all staff via email.

I am not in agreement with the finding pertaining to the impact for the following reason:

I do not agree with the impact of the finding stated as the current PMDS policy does not make provision for punitive measures for non-compliance with the requirements of the PMDS policy.

Name:   JJ Nkwanyana

Position:  Chief Director HR &OD

Date: 1 March 2012

**Auditor’s conclusion**

Management comment noted. As the revised PMDS has not been approved it cannot be applied in the above reported matter. The current approved policy will therefore be applicable until such a time that the revised policy is approved and implemented. The matter will be reported in the management report.

In addition to the quarterly performance assessments submitted for employees, a signed work plan must be submitted by 15 April for the performance period underway therefore the quarterly performance assessment do not replace the signed work plan which is to be signed and  submitted at the beginning of the performance period.

1. **Human Resource Management: Employee verification EX 192**

**Audit finding**

The following deviations were noted:

The below mentioned employees could not be physically verified for existence by the auditors.

Further attempts were made to verify the employees by calling them on cell phone numbers provided by the department also proved fruitless as the calls were not answered on several attempts.

1. Head Office

|  |
| --- |
| **Persal No.** |
| 23335513 |
| 23572892 |
| 23718927 |

The finding occurred as a result of the following:

The officials could not be physically verified and could not be telephonically contacted on the contact numbers given by the department.

The impact of the finding:

Payment of salaries to employees who do not work for the department

**Internal control deficiency**

Financial and Performance Management

The department does 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 ensure that proper records of all employees are maintained and that the employees are contacted when they are needed for physical verification.

**Management response**

No management response

**Auditor’s response**

Management comments and action plans have been noted and management needs to revisit the whole population to ensure that similar findings are corrected. The finding will remain unresolved.

1. **Human Resource Management: The department with the high number of additional post Ex 214**

**Audit finding**

In terms of Public Service Regulations, 2001 (Government Notice No. R. 1 of 5 January 2001 section G ADDITIONAL EMPLOYMENT

*“An executing authority may, within the relevant budget, employ persons additional to the approved establishment where-*

*(a) the incumbent of a post is expected to be absent for such a period that her or his duties cannot be performed by other personnel; or*

*(b) a temporary increase in work occurs; or*

*(c) it is necessary for any other reason to temporarily increase the staff of the department.”*

The following deviations were noted:

The following are the high number of additional post to the establishment created by the department.

|  |  |
| --- | --- |
| **Salary Band** | **Number of posts filled additional to the establishment** |
| Lower skilled 1-2 | 293 |
| Skilled 3-5 | 25 |
| Highy skilled production 6-8 | 88 |
| Highly skilled supervision 9-12 | 51 |
| Senior Management 13-16 | 3 |
| **Total** | **460** |

The finding occurred as result of the fact that:

There appointments of official on the positions which are not funded.

Impact of the finding:

These may result in overspending on compensation of employees.

**Internal control deficiency**

Leadership

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

**Recommendation**

The department must ensure that their organisational amended and approved DPSA to include additional post on the structure, if they are considered critical posts.

**Management response**

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

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | Requests have been made to create permanent positions on the establishment, some of the positions have been approved but not yet implemented due to limited funding | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | |  |
| If yes, what corrections will be made to the population? | Motivation for additional funding for compensation of employees  Human Resource Plan to indicate critical positions that should be funded  Confirming funding prior the filling of positions | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | Directorate: Management Accounting and Human Resource Recruitment and Planning | | |
| Estimated completion date of corrective action: | March 2013 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| Yes |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

**Auditor’s conclusion**

The finding will remain in the management report as the department agrees with the finding.

1. **Human Resource Management: No claim registers for Overtime EX114**

**Audit finding**

1. **Section 40 of the PFMA requires that “**the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards”
2. Section 7.2.4(e) of the department’s overtime policy requires that “a record of attendance is kept and duly signed by immediate supervisor"

The following deviations were noted:

The department failed to provide signed overtime claim registers for the below mentioned employees for audit purposes.

|  |
| --- |
| **PERSAL No** |
| 16499727 |
| 80910203 |

The impact of the finding:

1. Non compliance with section 40 of Public Finance Management Act
2. Non compliance with the department’s overtime policy which may deem the payment irregular expenditure

The finding occurred as a result of the following:

Department failed to keep records of the overtime register claims for the above mentioned employees.

**Internal control deficiency**

Financial and performance management

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 inspect the claim before overtime is paid out to the employee that there is no an authorised overtime claims.

b) The approved overtime claim must be filed in the employee file at finance.

**Management response**

Agree with the finding:

a) The overtime claims are always paid after the claim forms have been authorized by the Regional Manager and the filing of such claims is normally done at this office. It just happened that this particular one (16499727) was misplaced. To prove that overtime duties were actually performed by MJ Selepe (16499727) during the specified period, a print-out of the Bio-matrix has been attached to this submission. The copy of the approved submission is also attached and ready for collection.

b) The copy of the authorized overtime claim for “80910203” is available and ready for collection.

c) The above copies are ready and can be collected at Room 220 AVN.

Name: Mpho Selepe

Position: Deputy Director:

Date: 12 April 2012

**Auditor’s conclusion**

The copy of approval from MJ Selepe was still not available; the finding will remain in the management report finding.

1. **Human Resource Management: Employee Cost: Incapacity leave application forms not signed by HOD.**  **EX139**

**Audit finding**

1. Paragraph 15.8 of DPSA Determination on leave of absence in the Public Sector requires “the Head of Department, must within 5 working days from the receipt of the employee’s application form for temporary incapacity leave conditionally grant a maximum of 30 consecutive working days temporary incapacity leave with full pay subject to the outcome of his/her investigation into the nature and extent of employee’s illness or injury.”
2. Paragraph 15.10 of DPSA Determine on leave of absence in the Public sector requires “the Head of department must within 30 days after receipt of both the application form and medical certificate referred to in paragraph 15.3.2, approve or refuse the temporary incapacity leave granted conditionally. In making a decision, the Head of Department must apply his/her mind to the medical certificate (with or without describing the nature and extent of illness or injury) contemplated in paragraph 15.3.2, medical information/records contemplated in paragraph 15.3.4 (if the employee consented to the disclosure), The Health Risk Manager’s Advice, the information supplied by the employee in terms of paragraph 15.3.3 (if any) and all other relevant information available to the Head of Department and based thereon approve or refuse the temporary incapacity leave granted conditionally, on conditions that the Head of Department may determine.”

The following deviations were noted: **(Pretoria Region)**

The incapacity leave application forms in the employee files of the below mentioned employees was not signed by the HOD to show approval of the temporary incapacity leave as per the requirements of DPSA:

|  |
| --- |
| **Persal No.** |
| 18393543 |
| 18672248 |
| 22745963 |

The impact of the finding:

Non-compliance with DPSA

The finding occurred as a result of the fact that:

The department failed to keep a copy of the signed incapacity leave form before submitting the application to SOMA/Health Risk Manager and after the assessment has been received from SOMA/Health Risk Manager.

**Internal control deficiency**

Financial and performance management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

**Recommendation**

Management should make copies of the signed original application forms before sending them to the Health Risk Manager and send them back to the Region to be placed in the employee file.

**Management response**

In terms of the procedure for the application for Incapacity Leave, the Delegated Authority to sign the application on behalf of the HOD is the Director: HRA, this position (Director: HRA) is at the Head Office only. The Regional Office receives the application from the employee concerned which is then checked for completeness and then forwarded to Head Office for signature and transmission to Health Risk Manager (SOMA) for scrutiny and advice. In the employees file, this office (Regional Office) keeps the copy of the application form which is not yet signed by the delegate of the HOD.

On approval of the application by the HOD on the advice of Health Risk Manager , this office only received the notification (HOD Review and Health Risk Manager’s report ) that the application is approved or not approved and reasons thereof. The application form is never received back.

This office has engaged the Head Office to request at least copies of the signed application form from SOMA and is awaiting the forms concerned from SOMA through the Head Office.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | This office has engaged the Head Office to request at least copies of the signed application form from SOMA and is awaiting the forms concerned from SOMA through the Head Office. | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | No |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | ASD: HRA | | |
| Estimated completion date of corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | Management agrees. | | |

Name: SE Mkhize

Position: Deputy Director: HRM

Date: 06 June 2012

**Auditor’s conclusion**

The finding will remain in the management report as the evidence was not provided to validate that the copy was obtained.

1. **Human Resource Management: Employee Cost: Gratuity payouts (Pretoria Region Office) ex 43**

**Audit Finding**

Laws, rules and regulations

In terms determination on leave of absence in the public service issued July 2009, section 9, the leave payout will be calculated as follows:

**Level 1 - 10**

Payment of current/previous vacation leave days

Notch + 37% X available days/260.714

Payment of capped leave days

Notch X available days/260.7.714

**Level 11 upwards**

Payment of current/previous leave days

Salary package X available days/260.714

Payment of capped leave days

Notch X available days/260.714

The following deviations were noted:

1. The below mentioned leave gratuity payouts were not calculated in accordance with DPSA formula

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Persal No** | **AG recalculation of total leave payout** | **Total payout as per Persal** | **Difference** |
| 1 | 19218214 | R 4 909,11 | R 3 580,63 | R 1 328,48 |
| 2 | 13411039 | R 33 574,32 | R 31 434,00 | R 2 140,32 |
| 3 | 13402897 | R 55 231,62 | R 15 704,20 | R 39 527,42 |

The finding occurred as a result of the fact that:

The Human Resource Department (HRD) sent an incorrect calculation to Finance for the gratuity payout.

The impact of the finding:

a) Understatement of employee cost and

b) Understatement of payables due to the fact the creditors were not raised for underpayment of leave gratuities.

**Internal control deficiency**

Financial and Management Performance

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

**Recommendation**

The department should ensure that the correct information is received and that all calculations are reviewed prior to payments being made to the employee.

**Management response**

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

From the Human Resources Management point of view the salary advices in respect of the employees concerned was correct and in line with the DPSA formula. The salary advices are attached for ease of reference. Therefore this Office stands by the figures as they were based on the prescribed formula calculation.

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | |  |
|  | |  |
| If yes, what corrections will be made to the population? | The understatement of payables will be corrected. | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action |  | | |
| Estimated completion date of corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

As for the Total Payout as per Persal we agree with the finding

1. 19218214 – Two payment advices were submitted on different occasions whereby the initial calculated payout of R 4 905.00 was declared invalid by HR and another one for R 3 580.63 (deemed to be the accurately calculated payout) was submitted and paid. The oversight made was to include the wrongly calculated and unpaid advice in the official file.
2. 13411039 – The difference of R1 732.66 was processed in the following manner (The official was entitled to R 2 137.66, however, he had an outstanding petty cash advance of R405.00 which the receipts were not submitted to the cashier for clearance. Subsequently, after notifying the official, it was deducted from leave gratuity payouts due to him).**See the attached documents for reference.**
3. 13402897 – According to the leave gratuity calculations, the official was entitled to be paid R 55 231.62. However, the payment was split into two; initially a payment advice of R15 704.20 was sent through to Finance to be processed. Amount was submitted to SARS to get the tax portion to be deducted on the payout. The second payment advice was submitted to Finance; the challenge of the SARS system not allowing us the resubmit another payout for the same official for tax directive on tax portion prior to processing the payout was experienced. The option we can apply to process this payment is to calculate the tax portion manually using the applicable tax percentage. We acknowledge that we still owe the official an amount of R39 526.21 which we commit to process on or before 19/07/2012.

Name: Keamogecoe Tlhakudi

Position: Director: Finance and SCM

Date: 2012-07-10

**Auditor’s conclusion**

No supporting documentation were submitted, the finding will remain in the management letter.

1. **Human Resource Management: Employee Cost: Family Responsible Leave ex 127**

**Audit Finding**

1. Section 22.1 of the DPSA states “employees shall be granted 3 days leave per annual leave cycle for utilisation if the employee’s spouse or life partner gives birth to a child or the employee’s child, spouse or life partner is sick”
2. Section 22.2 of the DPSA states “employees shall be granted 5 days leave per annual leave cycle for utilisation if the employee’s child, spouse or life partner dies; or an employee’s immediate family member dies”
3. Section 22.3 of the DPSA states “the number of family responsibility leave days taken according to 22.1 and 22.2 above shall not exceed five (5) days in an annual leave cycle, unless special circumstances warrant further leave at the discretion of the Head of Department”

The following deviations were noted: **(Pretoria Regional Office)**

1. The below mentioned employees took family responsibility leave in excess of the allowable days per DPSA requirements. The excess days were not taken off the employee’s annual leave credits and where the employee had no annual leave credits left, it was not taken as unpaid leave.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Persal No** | **Leave Days taken per annum as per employee file** | **Leave Days allowed as per DPSA** | **Difference** |
| 1 | 13409174 | 6 | 5 | 1 |
| 2 | 22874160 | 6 | 5 | 1 |
| 3 | 13404148 | 7 | 5 | 2 |
| 4 | 22980024 | 8 | 5 | 3 |
| 5 | 23716878 | 7 | 5 | 2 |

The finding occurred as a result of the fact that:

The Acting ASD Human Resource Recruitment and Administration was not aware that the above mentioned employees had exceeded their family responsibility leave days.

The impact of the finding:

Non compliance with DPSA Regulations.

**Internal control deficiency**

Financial and Performance Management

Lack of implementation of controls over daily and monthly processing and reconciling of transactions

**Recommendation**

1. The department should continuously review special leave taken by employees and where leave taken exceeds regulatory leave requirements the difference should be deducted from the employee’s annual leave credits or taken as unpaid leave where the employee has no leave credits left.
2. The department should ensure that the employee completes the relevant leave forms upon return to work and supporting documentation is submitted with the leave form before it is approved and captured on the Persal system. The authorized leave form and supporting document must be kept safely and placed in the employee file.
3. The department should recover the leave from the annual leave and where there is no annual leave available convert to unpaid leave for the leave granted to the employees which were not entitled to the leave (granted in contravention with DPSA prescripts) and also the department needs to review the whole population of family responsibility leave taken to ensure that corrective action is taken should more similar instances be identified (where employees exceeded the allowable family responsibility leave).

**Management response**

We are in agreement with the finding. It needs to be mentioned that normally the Persal System would pick it up if the Family Responsibility leave credit has been exceeded. In such a case the HR Practitioners would then convert the family responsibility leave to either vacation or leave without pay depending on the credit availability.

In all the above cases the Persal System did not pick it up as it normally does and did not reject as it normally would do. Such transactions should naturally not have gone through at all if leave credit had already been exhausted.

In the light of the foregoing, we have undertaken to do leave reconciliation for the purpose of auditing all leave transactions with a view to rectifying all discrepancies that might have occurred as a result of this failure of the system, which has serving as a control all this time.

We however corrected all the above transactions; the proof is attached for ease of reference.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | * Leave reconciliation * Identified transactions have already been rectified. | | |
| Does the finding affect an amount disclosed in the financial statements? | Yes | | No |
|  | | No. |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | Acting ASD: HRA/HRP&R | | |
| Estimated completion date of corrective action: | Reconciliation will be completed in 30 September 2012 | | |
| Does management agree with the root cause indicated | Yes | No | |
| Yes |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | N/A | | |

Name: SE Mkhize

Position: Deputy Director

Date: 22 May 2012

**Auditors’ response**

The finding will remain in the management report as the department agrees with the finding.

1. **Human Resource Management: No verification checks performed for new appointments. Ex168**

**Audit finding**

a) Section 1/VII/D8 of the PSR requires that “before making a decision on an appointment or the filling of a post, an executing Authority shall satisfy herself or himself that the candidate qualifies in all respects for the post and that her or his claims in her or his application for the post have been verified and; recorded in writing that verification.”

b) In terms of DPSA Circular 14/1/1/P dated 23/11/07 paragraph 2 states that “the verification prescribed under Part VII D.8 (a) of Chapter 1 of the PSR 2001 as amended, shall with effect from 1 January 2008 cover at least the following”:

1. Criminal record checks;
2. Citizenship verification;
3. Financial/asset record checks;
4. Qualification/study verification; and
5. Previous employment verification (Reference checks)”

The following deviations were noted:

The table below illustrates instances where no evidence could be provided that the verification process for new appointments took place for checking criminal record, citizenship verifications, financial record checks, qualification verifications and reference checks.

|  |  |
| --- | --- |
| **Persal No** | **Appointment Date** |
| 20591799 | 02/12/2011 |
| 26219051 | 01/12/2011 |

The impact of the finding:

a) Non-compliance with Public Service Regulation Section 1/VII/D8

b) Potential appointment of individuals who do not meet the minimum requirements for the applied position may result in poor work performance.

c) It may lead to all amounts paid including the salaries being irregular expenditure for all those employees appointed without complying with Section 1/VII/D8 of the public service regulation

The finding occurred as a result of the following:

a) The human resource section does not maintain a checklist of the information which must included in the personnel files

b) The human resource section could not locate the verification process forms.

**Internal control deficiency**

Financial and performance management

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 maintain a checklist of the information which must be included in the personnel files.

*b) The human resource should implement the tracking tool for monitoring the movement of information which is already included in the personnel files.*

**Management response**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | * Employment verification documents for candidates who participate in the Skills Development Programmes will from now on be filed in the employment file as opposed to remote filing to ensure compliance to required procedures. * Ensure standardized procedures by amending the current employment checklist to include recorded information on conducted verification that the candidate qualifies for the post * Add the aspect of quality check on all appointment documents before filing and monitor the paper trail | | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | Director | | |
| Estimated completion date of corrective action: | 30 June 2012 | | |
| Does management agree with the root cause indicated | Yes | No | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Ms. V Manzini

Position: Director: Human Capital Investment

Date: 05 June 2012

**Auditor’s conclusion**

The finding will remain in the management report as the department agrees with the finding.

1. **Human Resource Management: an Resource Management: HR Oversight report not accurate ex 269**

**Audit Finding**

**Laws, rules and regulation**

In terms of Annual Report Guide 2011/12 section 4 – Human Resource Management

Service delivery

All departments are required to develop a Service Delivery Improvement (SDI) Plan. The

Tables which must be prepared for annual report reflect the components of the SDI plan as well as progress made in the implementation of the plans.

The following deviation were identified

Table 12.1 and Table 12.2 – Training needs identified and provided 01 April 2011 to 31 March

2012 the total amount indicated 708 while our calculation indicate 714 which resulted in a

difference of 6 and also the training needs identified at start of reporting period was not correctly

calculated horizontally

The finding occurred as a result of the fact that:

The human resource oversight is not properly checked by human resource before being submitted to the auditor-general for auditing.

The impact of the finding:

a) The oversight report might mislead the users of the financial statements.

b) The department may not be able to measure their human resource gap accurately due to the incorrect information submitted.

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

a) The human resource management should verify the oversight before being submitted to the Auditor-General for auditing.

b) The disciplinary action should to the information submitted to the Auditor – General without being verified

**Management Response**

No response received

**Auditor’s conclusion**

Management comment outstanding, the finding remains in the letter

1. **Human Resource Management: Duplicate account numbers. Ex 169**

**Audit finding**

*Section 38(1)(a) of PFMA requires that “the accounting officer for a department, trading entity or constitutional institution 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*

The following deviations were noted:

Employees 26241609 and 26243172 appointed under National Youth Service (EPWP) Program were found to have the same bank account numbers on Persal system. On inspection of employee files for the above mentioned employees it was noted that employee 26241609’s copy of application to pay salary (stamped by the bank) was attached to employee 26243172’s file.

The above mentioned employees could not be physically verified by the auditors as they are situated in Upington.

The impact of the finding:

Payment of salaries to employees who do not work for the department

The finding occurred as a result of the following:

Human Resources Directorate failed to give appropriate reasons why the aforementioned employees have the same bank account number

**Internal control deficiency**

Leadership

Implement controls over daily and monthly processing and reconciling of transactions

**Recommendation**

Management should conduct regular checks of Persal records to identify possible duplication of bank account numbers, identity numbers which should be investigated/followed up with the relevant officials.

**Management response**

I am in agreement with the finding.

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | The banking details of 26241609 were corrected on PERSAL (**attached Persal screen and Bank form)**. Affidavits were also received from 26241935 confirming receipt of overpayment of stipend and to repay the money to the Department (**Attached affidavits**).  Regular audits conducted on PERSAL transactions | | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | Deputy Director: HRM | | |
| Estimated completion date of corrective action: | Banking details already corrected on PERSAL: **30 May 2012**. | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Ronel Mostert

Position: Director HRM

Date: 29 June 2012

**Auditor’s conclusion**

No reason was provided that the other employee and no confirmation could be provided whether the employee did exist; therefore the finding will remain in the management report.

1. **Human Resource Management: Organisational structure not aligned with the strategic plan Ex 255**

**Audit Finding**

Laws, rules and regulation

Public Service Regulations, Part II B 2 states: "Based on the strategic plan of the department, an executing authority shall-

(a)        determine, after consultation with the Minister, the department’s organisational structure in terms of its core and support functions;

(b)        define the posts necessary to perform the relevant functions while remaining within the current budget and medium-term expenditure framework of the department, and the posts so defined shall constitute the department’s approved establishment"

The strategic plan for 2011/14 is not aligned to the organisational structure of the department and also noted that the department employment equity plan and targets included in the strategic pan relate to December 2010.

The following difference were identified between the Organisational structure and strategic plan

|  |  |  |  |
| --- | --- | --- | --- |
| **Salary Level** | **Position in the strategic plan** | **Human Oversight report/ 0rganisational structure** | **Difference** |
| Senior Management 13-16 | 188 | 138 | 50 |
| Salary level 9 -12 | 971 | 1450 | 479 |
| Salary level 1-8 | 3799 | 5180 | 1381 |
| Staff establishment | 4907 | 6818 | 1911 |

The finding occurred as a result of the fact that:

The strategic plan is not updated on a regularly basis to ensure aligned to the human resource plan and organisational structure.

The impact of the finding:

Non-compliance with Public Service Regulations and the inaccurate human resource data (relating to the establishment), inhibits the effectiveness of decision making within the organisation.

**Internal control deficiency**

**Leadership -**

Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored:

**Recommendation**

The department should review their strategic to ensure that it is aligned to the current human resource management

**Management Response**

I am not in agreement with the finding for the following reasons: **Annexure A** in support of this attached:

Based on the analysis of the Audit Finding Provided the info on the Organisational Structure will differ drastically with the strategic Plan of the department for the mere reason that AG’s analysis is based on the comparison of the headcount for 2010 December (3rd quarter) to the total establishment of the department at the end of the financial year 2011 – 2012.

If AG was to provide a clear analysis of the Total Establishment as at December 2010 (6291) comparison to the Total establishment as at the end of the financial year 2011 – 2012 ( 6818), the growth in the department as indicated between the two periods would show a flow and link to the strategic overview as indicated by the Executing Authority and Accounting Officer and also dispute the finding that the strategic plan is not updated on a regular basis to ensure alignment the Human Resources Plan and Organisational Structure.

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken | Request AG to do a re – Analysis of the information provided | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
| Yes |  |
| If yes, what corrections will be made to the population | Corrections not necessary | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | Above explanation regarding differences in periods supported by: **Annexure A** reflecting the comparisons | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |
| **DESCRIPTION** | **RESPONSE** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

Name: Ms L. Skhosana

Position: Director: Organisational Development

Date: 16 August 2012

**Auditor’s conclusion**

The finding remains until the department submit the strategic plan/business plan which is aligned to the organisational structure

1. **Human Resource Management: Posts vacant for over 12 months Ex 193**

**Audit finding**

Laws, rules and regulations

*Section C.1A.2 of the PSR requires that “a funded vacant post, other than a post referred to in regulation C.1A.1, shall be advertised within six months after becoming vacant and be filled within 12 months after becoming vacant.”*

*Section C.1A.3 of the PSR requires that “if a department does not comply with regulation 1/VII/C.1A.1 or 1/VII/C.1A.2, the reasons for non compliance shall be recorded in writing.”*

The following deviations were noted:

1. Positions in senior management were vacant for more than 12 months.

| **Component Description** | **Post Job Title Description** | **Vacant Date** |
| --- | --- | --- |
| HO CD: M&E Specialist | Chief Director: Monitoring & Evaluations Specialist | 01 October 2010 |
| HO CHIEF DIR: CD; Border Control Coordinating Comm | Chief Director Border Control Coodinating Commitee | 01 July 2010 |
| HO DIR: Computer Audits and Special Assignments | Director: Computer Audits & Special Assignments | 24 March 2011 |
| HO DIR: Electrical Engineering | Director: Electrical Engineering Services | 28 February 2007 |
| HO DIR: Industry Research | Director: Industry Research | 17 September 2006 |
| HO DIR: Investment Analysis | Director: Investment Analysis | 31 March 2009 |
| HO DIR: IT Support | Director: Inform. & Comm Technology Support | 01 September 2009 |
| HO DIR: Mechanical Engineering services | Director: Mechanical Engineering Services | 31 October 2010 |
| HO DIR: Monitoring & Evaluation:P1DG | Director: Monitoring & Evaluation | 01 September 2004 |
| HO DIR: Precinct Design and Management | Director Precinct Design & Management | 01 April 2008 |
| HO DIR: Finance EPWP | Director: Finance EPWP | 01 April 2010 |
| HO DIR: Foreign Affairs Portfolio Perform & Monitor | Director: PP & M (Foreign Affairs) | 01 December 2008 |
| HO DIR: Geographical Information System | Director: Geographical Information Systems EPWP | 01 April 2010 |
| HO DIR: Media and Stakeholder Management | Director: Media & Stakeholder Management | 01 April 2010 |
| HO DIR: Monitoring & Evaluation P2:DG | Director: Monitoring & Evaluation | 03 November 2006 |
| HO DIR: Office of the Director-General | Director: Office of the Director-General | 01 June 2008 |
| KIM Regional Manager | Director: Regional Operations: Kimberly | 05 January 2009 |
| NSP Regional Manager | Director: Regional Operations: Nelspruit | 01 April 2008 |

1. Positions in the finance department were vacant for more than 12 months.

| **Component Description** | **Post Job Title Description** | **Vacant Date** |
| --- | --- | --- |
| HO CD: M&E Specialist | Chief Director: Monitoring & Evaluations Specialist | 01 October 2010 |
| HO CHIEF DIR: CD; Border Control Coordinating Comm | Chief Director Border Control Coodinating Commitee | 01 July 2010 |
| HO DIR: Computer Audits and Special Assignments | Director: Computer Audits & Special Assignments | 24 March 2011 |
| HO DIR: Electrical Engineering | Director: Electrical Engineering Services | 28 February 2007 |
| HO DIR: Industry Research | Director: Industry Research | 17 September 2006 |
| HO DIR: Investment Analysis | Director: Investment Analysis | 31 March 2009 |
| HO DIR: IT Support | Director: Inform. & Comm Technology Support | 01 September 2009 |
| HO DIR: Mechanical Engineering services | Director: Mechanical Engineering Services | 31 October 2010 |
| HO DIR: Monitoring & Evaluation:P1DG | Director: Monitoring & Evaluation | 01 September 2004 |
| HO DIR: Precinct Design and Management | Director Precinct Design & Management | 01 April 2008 |
| HO DIR: Finance EPWP | Director: Finance EPWP | 01 April 2010 |
| HO DIR: Foreign Affairs Portfolio Perform & Monitor | Director: PP & M (Foreign Affairs) | 01 December 2008 |
| HO DIR: Geographical Information System | Director: Geographical Information Systems EPWP | 01 April 2010 |
| HO DIR: Media and Stakeholder Management | Director: Media & Stakeholder Management | 01 April 2010 |
| HO DIR: Monitoring & Evaluation P2:DG | Director: Monitoring & Evaluation | 03 November 2006 |
| HO DIR: Office of the Director-General | Director: Office of the Director-General | 01 June 2008 |
| KIM Regional Manager | Director: Regional Operations: Kimberly | 05 January 2009 |
| NSP Regional Manager | Director: Regional Operations: Nelspruit | 01 April 2008 |

1. Positions in the internal audit department were vacant for more than 12 months.

| **Component Description** | **Post Job Title Description** | **Region** | **Vacant Date** |
| --- | --- | --- | --- |
| HO DIR: Computer Audits and Special Assignments | Director: Computer Audits & Special Assignments | Head Office | 24 March 2011 |
| HO DIR: Fraud Awareness & Investigations | Senior Secretary | Head Office | 10 January 2011 |
| HO SUB DIR: Head Office Audits | Assistant Director: Internal Audit | Head Office | 15 January 2010 |

Positions in the critical sections in the department were vacant for more than 12 months

.

|  |  |  |  |
| --- | --- | --- | --- |
| **Critical occupants** | **Number of posts** | **Number of posts filled** | **Vacant posts** |
| Architects town and traffic planners | 48 | 36 | 12 |
| Engineers and related professionals | 312 | 189 | 123 |
| Quantity surveyors & rela prof not class elsewhwere | 44 | 30 | 14 |

The finding occurred as a result of the fact that:

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

The impact of the finding:

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

**Internal control deficiency**

Leadership

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

**Recommendation**

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

**Management response**

I’m in agreement with the finding for the following reasons (and supply the following/attached information in support of this)

| **DESCRIPTION** | **RESPONSE** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | The implementation of DPSA circular no. 01 of 2012 on the abolishment of unfunded vacant position. This process will result in the identification and prioritization of critical vacancies. Unfunded-less critical positions will be identified for possible abolishment. Funded critical position will be prioritized for filling subject to availability of funds. | | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | CD HRD & OD and CD: HRM | | |
| Estimated completion date of corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes X** | **No** | |
| Please note |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | Status of each position below | | |

**A Senior Management Services Positions**

| **Component Description** | **Post Job Title Description** | **Vacant Date** | **Status** |
| --- | --- | --- | --- |
| HO CD: M&E Specialist | Chief Director: Monitoring & Evaluations Specialist | 01 October 2010 | The candidate assumed duty on the 15th April 2012 and resigned end of June 2012, awaiting approval to appoint second recommended candidate. |
| HO CHIEF DIR: CD; Border Control Coordinating Comm | Chief Director Border Control Coordinating Commitee | 01 July 2010 | The position is created within the DDG: Projects, whilst at the same time the position of Director: BCOCC exists with the branch DDG: KAM. This structural anomaly must be resolved before the position is filled so that the relevant DDG can lead and guide the process. |
| HO DIR: Computer Audits and Special Assignments | Director: Computer Audits & Special Assignments | 24 March 2011 | This is a scarce skills position and attempts to fill the position were not successful. The position was advertised 16 Jan 2011and no suitable candidate was found. The position was re-advertised on 22 January 2012. Recruitment process currently awaiting panel approval. |
| HO DIR: Electrical Engineering | Director: Electrical Engineering Services | 28 February 2007 | This is a skills position and attempts to fill the position were not successful. The position was advertised on 18 May 2008 and 10 August 2009 and no suitable candidate was found. The position was approved for filling through Headhunting and this process is currently on going. |
| HO DIR: Industry Research | Director: Industry Research | 17 September 2006 | The position was advertised on 31 January 2011. The relevance of the position was questioned by the then acting DG. The question was referred to the relevant CD and D: OD to clarify. The filling of the position was therefore suspended |
| HO DIR: Investment Analysis | Director: Investment Analysis | 31 March 2009 | This is a scarce skills position and attempts to fill the position were not successful. The position was advertised on 13 Sept 2009 and no suitable candidate was found. The position was approved for filling through Headhunting and the process is currently underway. |
| HO DIR: IT Support | Director: Inform. & Comm Technology Support | 01 September 2009 | This is scarce skills position. The position was advertised on 10th August 2009 and no suitable candidate was found. It was re-advertised on the 30th January 2011 and no suitable candidate was found and later declined and re-advertised in 19th June 2011. Awaiting approval of reviewed panel to proceed with recruitment processes |
| HO DIR: Mechanical Engineering services | Director: Mechanical Engineering Services | 31 October 2010 | This is scarce skills position The position was advertised on 30 January 2011 and its awaiting panel approval and shortlisting. |
| HO DIR: Monitoring & Evaluation:P1DG | Director: Monitoring & Evaluation | 01 September 2004 | The position was advertised in February 2011. The recruitment processes were concluded and the position has been identified for re-advertising. The decision to re-advertise the position was taken of 20 April 2012. |
| HO DIR: Precinct Design and Management | Director Precinct Design & Management | 01 April 2008 | The position falls within Inner City Regeneration and Programme Management previously known Tshwane Inner City Regeneration Programme. The programme was reviewed from focussing on Tshwane alone to other cities as well. The job profile of the position was redesigned last year. This delayed filling also coupled with budgetary challenges |
| HO DIR: Finance EPWP | Director: Finance EPWP | 01 April 2010 | The position was filled on the 1st May 2012. |
| HO DIR: Foreign Affairs Portfolio Perform & Monitor | Director: PP & M (Foreign Affairs) | 01 December 2008 | Initially there was a plan to redesign and redirect the position to Investment Analysis. The plan was disturbed by the creation of a Director position in Investment Analysis. The position is now targeted for filling; a request to advertise has been received by HR Recruitment. However the filling of the position is now affected by budgetary constraints and pending finalisation of budget allocation processes. . |
| HO DIR: Geographical Information System | Director: Geographical Information Systems EPWP | 01 April 2010 | The position was filled on the 16th April 2012. |
| HO DIR: Media and Stakeholder Management | Director: Media & Stakeholder Management | 01 April 2010 | The existence of this position is being investigated. |
| HO DIR: Monitoring & Evaluation P2:DG | Director: Monitoring & Evaluation | 03 November 2006 | The position was advertised in February 2011. The recruitment processes were concluded and the position has been identified for re-advertising. The decision to re-advertise the position was taken of 20 April 2012. |
| HO DIR: Office of the Director-General | Director: Office of the Director-General | 01 June 2008 | This position works directly with the Director-General. There has never been stability at a Director-General level since it was vacated by Mr Moroka and the subsequent suspension of Mr Dongwana. During and since then Director-General responsibilities are performed on acting arrangements. It would be risky to fill the position without the involvement of the appointed Director-General. The position was however advertised on the 8th June 2008, 16th November 2008, 10th Aug 2009 and 27 June 2010. |
| KIM Regional Manager | Director: Regional Operations: Kimberly | 05 January 2009 | This position came to existence with the upgrade of the positions of regional Managers (Director level) for the then “B” or small regional offices Chief Directors. The positions of RM at Director level were then redesigned to Director: Regional Operations. The positions were never activated for filling. |
| NSP Regional Manager | Director: Regional Operations: Nelspruit | 01 April 2008 | This position came to existence with the upgrade of the positions of regional Managers (Director level) for the then “B” or small regional offices Chief Directors. The positions of RM at Director level were then redesigned to Director: Regional Operations. The positions were never activated for filling. |

**B Finance positions**

| **Component Description** | **Post Job Title Description** | **Vacant Date** | **Status** |
| --- | --- | --- | --- |
| HO CD: M&E Specialist | Chief Director: Monitoring & Evaluations Specialist | 01 October 2010 | The candidate assumed duty on the 15th April 2012 and resigned end of June 2012, awaiting approval to appoint second recommended candidate. |
| HO CHIEF DIR: CD; Border Control Coordinating Comm | Chief Director Border Control Coordinating Commitee | 01 July 2010 | The position is created within the DDG: Projects, whilst at the same time the position of Director: BCOCC exists with the branch DDG: KAM. This structural anomaly must be resolved before the position is filled so that the relevant DDG can lead and guide the process. |
| HO DIR: Computer Audits and Special Assignments | Director: Computer Audits & Special Assignments | 24 March 2011 | This is a scarce skills position and attempts to fill the position were not successful. The position was advertised 16 Jan 2011and no suitable candidate was found. The position was re-advertised on 22 January 2012. Recruitment process currently awaiting panel approval. |
| HO DIR: Electrical Engineering | Director: Electrical Engineering Services | 28 February 2007 | This is a skills position and attempts to fill the position were not successful. The position was advertised on 18 May 2008 and 10 August 2009 and no suitable candidate was found. The position was approved for filling through Headhunting and this process is currently on going. |
| HO DIR: Industry Research | Director: Industry Research | 17 September 2006 | The position was advertised on 31 January 2011. The relevance of the position was questioned by the then acting DG. The question was referred to the relevant CD and D: OD to clarify. The filling of the position was therefore suspended |
| HO DIR: Investment Analysis | Director: Investment Analysis | 31 March 2009 | This is a scarce skills position and attempts to fill the position were not successful. The position was advertised on 13 Sept 2009 and no suitable candidate was found. The position was approved for filling through Headhunting and the process is currently underway. |
| HO DIR: IT Support | Director: Inform. & Comm Technology Support | 01 September 2009 | This is scarce skills position. The position was advertised on 10th August 2009 and no suitable candidate was found. It was re-advertised on the 30th January 2011 and no suitable candidate was found and later declined and re-advertised in 19th June 2011. Awaiting approval of reviewed panel to proceed with recruitment processes |
| HO DIR: Mechanical Engineering services | Director: Mechanical Engineering Services | 31 October 2010 | This is scarce skills position The position was advertised on 30 January 2011 and its awaiting panel approval and shortlisting. |
| HO DIR: Monitoring & Evaluation:P1DG | Director: Monitoring & Evaluation | 01 September 2004 | The position was advertised in February 2011. The recruitment processes were concluded and the position has been identified for re-advertising. The decision to re-advertise the position was taken of 20 April 2012. |
| HO DIR: Precinct Design and Management | Director Precinct Design & Management | 01 April 2008 | The position falls within Inner City Regeneration and Programme Management previously known Tshwane Inner City Regeneration Programme. The programme was reviewed from focussing on Tshwane alone to other cities as well. The job profile of the position was redesigned last year. This delayed filling also coupled with budgetary challenges |
| HO DIR: Finance EPWP | Director: Finance EPWP | 01 April 2010 | The position was filled on the 1st May 2012. |
| HO DIR: Foreign Affairs Portfolio Perform & Monitor | Director: PP & M (Foreign Affairs) | 01 December 2008 | Initially there was a plan to redesign and redirect the position to Investment Analysis. The plan was disturbed by the creation of a Director position in Investment Analysis. The position is now targeted for filling; a request to advertise has been received by HR Recruitment. However the filling of the position is now affected by budgetary constraints and pending finalisation of budget allocation processes. . |
| HO DIR: Geographical Information System | Director: Geographical Information Systems EPWP | 01 April 2010 | The position was filled on the 16th April 2012. |
| HO DIR: Media and Stakeholder Management | Director: Media & Stakeholder Management | 01 April 2010 | The existence of this position is being investigated. |
| HO DIR: Monitoring & Evaluation P2:DG | Director: Monitoring & Evaluation | 03 November 2006 | The position was advertised in February 2011. The recruitment processes were concluded and the position has been identified for re-advertising. The decision to re-advertise the position was taken of 20 April 2012. |
| HO DIR: Office of the Director-General | Director: Office of the Director-General | 01 June 2008 | This position works directly with the Director-General. There has never been stability at a Director-General level since it was vacated by Mr Moroka and the subsequent suspension of Mr Dongwana. During and since then Director-General responsibilities are performed on acting arrangements. It would be risky to fill the position without the involvement of the appointed Director-General. The position was however advertised on the 8th June 2008, 16th November 2008, 10th Aug 2009 and 27 June 2010. |
| KIM Regional Manager | Director: Regional Operations: Kimberly | 05 January 2009 | This position came to existence with the upgrade of the positions of regional Managers (Director level) for the then “B” or small regional offices Chief Directors. The positions of RM at Director level were then redesigned to Director: Regional Operations. The positions were never activated for filling. |
| NSP Regional Manager | Director: Regional Operations: Nelspruit | 01 April 2008 | This position came to existence with the upgrade of the positions of regional Managers (Director level) for the then “B” or small regional offices Chief Directors. The positions of RM at Director level were then redesigned to Director: Regional Operations. The positions were never activated for filling. |

**C. Internal Audit positions**

| **Component Description** | **Post Job Title Description** | **Region** | **Vacant Date** | **Status** |
| --- | --- | --- | --- | --- |
| HO DIR: Computer Audits and Special Assignments | Director: Computer Audits & Special Assignments | Head Office | 24 March 2011 | This is a scarce skills position and attempts to fill the position were not successful. The position was advertised 16 Jan 2011and no suitable candidate was found. The position was re-advertised on 22 January 2012. Recruitment process currently awaiting panel approval. |
| HO DIR: Fraud Awareness & Investigations | Senior Secretary | Head Office | 10 January 2011 | The positions for Secretaries are currently not advertised due to the discrepancies in salary levels. Awaiting approval from DPSA to fill the positions |
| HO SUB DIR: Head Office Audits | Assistant Director: Internal Audit | Head Office | 15 January 2010 |  |

| **Component Description** | **Post Job Title Description** | **Region** | **Vacant Date** | **Status** |
| --- | --- | --- | --- | --- |
| DBN Financial Accounting and Budgets | Assistant Director: Budgets | Durban | 1 July 2010 | The query to be forwarded to the Regional Office |
| HO CD :Revenue & Debt Management | CD Financial Planning & Reporting (PMTE) | Head Office | 1 July 2010 | The position was advertised on the 16 January 2011, shortlisting on 07 September 2011 and interviews on 27 September 2011. The submission has been sent to the delegated authority for approval |
| HO CD :Revenue & Debt Management | Executive Secretary | Head Office | 1 July 2010 | The DPSA has approved coordinated Job evaluation results for Secretaries for implementation by all government Departments. Whilst at the same time DPW has its own secretary dispensation. The positions for Secretaries are currently not advertised due to the discrepancies in salary levels. DPW and DPSA are still engaging on the matter |
| HO DIR: Supply Chain Management | Senior Secretary | Head Office | 1 June 2008 | The DPSA has approved coordinated Job evaluation results for Secretaries for implementation by all government Departments. Whilst at the same time DPW has its own secretary dispensation. The positions for Secretaries are currently not advertised due to the discrepancies in salary levels. DPW and DPSA are still engaging on the matter |
| HO DIR: Financial Reporting | Assistant Director: Finance | Head Office | 1 July 2010 | The position was filled on the 1st June 2012 |
| HO DIR: Financial Reporting | Senior Secretary | Head Office | 1 July 2010 | The DPSA has approved coordinated Job evaluation results for Secretaries for implementation by all government Departments. Whilst at the same time DPW has its own secretary dispensation. The positions for Secretaries are currently not advertised due to the discrepancies in salary levels. DPW and DPSA are still engaging on the matter |
| HO DIR: Budgets and Planning | Director: Budgets & Planning | Head Office | 1 January 2005 | The position was advertised on 16 January 2011. Interviews were conducted on 06 September 2011. One candidate committed on an international engagement and interviews were not concluded. The then CFO was the Chairperson. A decision will have to be taken on whether to appoint a new panel to interview all candidates or re-advertise the position |
| HO DIR: Budgets and Planning | Senior Secretary | Head Office | 1 July 2010 | The DPSA has approved coordinated Job evaluation results for Secretaries for implementation by all government Departments. Whilst at the same time DPW has its own secretary dispensation. The positions for Secretaries are currently not advertised due to the discrepancies in salary levels. DPW and DPSA are still engaging on the matter |
| HO DIR: Inspectorate and Compliance | Assistant Director: Finance& Systems | Head Office | 1 July 2010 | No request forwarded to advertise the position |
| HO DIR: Inspectorate and Compliance | Assistant Director: Billing & System: Compliance | Head Office | 1 July 2010 | No request forwarded to advertise the position |
| HO DIR: PMTE: Billing & Revenue Portfolio 2 | Senior Secretary | Head Office | 1 July 2010 | The DPSA has approved coordinated Job evaluation results for Secretaries for implementation by all government Departments. Whilst at the same time DPW has its own secretary dispensation. The positions for Secretaries are currently not advertised due to the discrepancies in salary levels. DPW and DPSA are still engaging on the matter |
| HO Section: Machine Operators | Machine Operator: Registry | Head Office | 30 June 2010 | No request forwarded to advertise the position |
| HO SUB DIR: Accounts Payable | Assistant Director: Finance | Head Office | 02 August 2007 | The position was filled on 1 May 2012. |
| HO SUB DIR: Accounts Payable | Accounting Clerk | Head Office | 01 September 2003 | No request forwarded to advertise the position |
| HO SUB DIR: Accounts Receivable | Senior Accounting Clerk | Head Office | 01 September 2003 | No request forwarded to advertise the position |
| HO SUB DIR: Financial Reporting& Reconciliation | Accounting Clerk | Head Office | 01 February 2008 | No request forwarded to advertise the position |
| HO SUB DIR: Movable Asset Management | Assistant Director: Movable Asset Management | Head Office | 1 July 2010 | This position was filled through a horizontal transfer |
| JHB Sub Registry | Secondary Driver | Johannesburg | 1 August 2010 | The query to be forwarded to the Regional Office. |
| JHB Sub Registry | Messenger | Johannesburg | 1 August 2010 | The query to be forwarded to the Regional Office |
| MFK Financial Accounting | State Accountant Batch Controller | Mafikeng | 1 April 2010 | The query to be forwarded to the Regional Office |
| MFK Logistics | Provisioning Administration Clerk | Mafikeng | 1 April 2009 | The query to be forwarded to the Regional Office |
| MFK Logistics | Storeman& Delivery Worker | Mafikeng | 1 April 2009 | The query to be forwarded to the Regional Office |
| MFK Procurement | Senior Administrative Officer: System Admin:Logis | Mafikeng | 01 September 2003 | The query to be forwarded to the Regional Office |
| NSP FIN. Accntg& Budgets | Assistant Director: Budgets | Nelspruit | 1 July 2010 | The query to be forwarded to the Regional Office |
| NSP Procurement | Assistant DIRECTOR: Procurement | Nelspruit | 1 July 2010 | The query to be forwarded to the Regional Office |
| POL PROCUREMENT: Human Capital Investment | Cleaner | Polokwane | 01 February 2011 | The query to be forwarded to the Regional Office |
| PTA SUB Division Switchboard | Messenger | Pretoria | 01 January 2011 | The query to be forwarded to the Regional Office |
| UTA Transport | ADMIN OFFICER: Transport & Subsidised Vehicles | Umtata | 01 March 2008 | The query to be forwarded to the Regional Office |

Name: Mr C Zaba

Position: Acting Chief Director: HRM

Date: 06 June 2012

**Auditor’s conclusion**

Management agree with the finding, finding will remain in the management report.

Transfers and Subsidies

1. **Transfer Payment: Transfer Payment not made in the Primary Bank Account** **ex 156**

**Audit finding**

1. In terms of the Division of Revenue Act, 2011 (Act No. 6 of 2011) (DoRA) section 10(1) (d), *“A transferring national officer must deposit funds only into the primary bank account of a province or municipality..."*

b) Furthermore the DoRA section 33(b)(i) states the following: *“The following transfers constitute irregular expenditure in terms of the Public Finance Management Act and the Municipal Finance Management Act, as the case may be:*

*(b) a transfer by a transferring national officer to a bank account of a province or*

*municipality that is not—*

*(i) the primary bank account;”*

The following deviations were noted during the audit:

The following transfer payments were made into bank accounts not on the list of primary bank accounts approved by National Treasury.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Transaction type** | **Rand Value** | **Payment No** | **Banking Institution** | **Bank account** | **Correct Banking Account** | **Correct Banking institution** |
| Epwp incentive grant payment | 2 127 000,00 | 155815 | Absa | 4063093498 | 081093454 | Standard |
| Epwp incentive grant payment | 19 227 000,00 | 157324 | Absa | 4054398227 | 4054394859 | Absa |
| Epwp incentive grant payment | 805 000,00 | 156456 | Absa | 4062520058 | 62252306280 | FNB |
| **TOTAL** | **22 159 000,00** |  |  |  |  |  |

The impact of the finding:

a) The deviations indicated above constitute irregular expenditure in terms of section 33(b) (i) of the DoRA.

b) Non Compliance with Division of Revenue Act, section 10(1) (d)

The finding occurred as a result of the following:

Finance section does not verify the banking account details before payments are made against the list of banking details from National Treasury.

**Internal control deficiency**

Financial and performance management

Implementation of controls over daily and monthly processing and reconciling of transactions

**Recommendation**

a) The finance section must verify the banking account details against the list of banking details received from National Treasury before payments are released and the where the officials do not comply with these process a disciplinary action must be instituted against the relevant officials for causing irregular expenditure.

b) The department must also review the whole population of EPWP incentive grants payments for 2011/12 financial year for cases where payments were made into the incorrect bank accounts and account for all such payments as irregular expenditure. Evidence that the aforementioned exercise was performed must be provided to the auditor’s.

**Management response**

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Corrective action to be taken: | The transactions indicated above took place before implementation of control measures of ensuring all payments are verified and paid into the primary bank account. The implementation was after the audit queries received in the last financial year for payments relating 2010/11 audit. All payments are now verified before being captured to ensure that we are transferring into the Primary bank accounts of Municipalities and Province. | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | |
| Position of official responsible to take corrective action: | Director: Finance EPWP | |
| Estimated completion date for corrective action: | Control measures have been put in place since the previous financial year. | |
| Does management agree with the root cause indicated | **Yes** | **No** |
| x |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | |

Name: A Mazibuko

Position: Director

Date: 04 June 2012

**Auditor’s Response**

Management agrees with the finding due to the weakness in the internal controls systems which must be addressed in the next financial year, the finding will remain in the letter

1. **Transfers and Subsidies: Difference between transfer items expenditure allocated in Note 7, Appropriation per economic classification and Vote ex 132**

**Audit Finding**

a) PFMA paragraph 40(3) (a) states:

*“The annual report and audited financial statements referred to in subsection (1) (d) must -*

*(a)`fairly present the state of affairs of the department, trading entity or constitutional   
 institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned;*

b) Directive: Financial statements working files framework paragraph 9.1

“*The financial statements are compiled by the Deputy Director Financial Reporting and checked by the Director Financial Accounting. The Directorate Incorporate and compliance will be responsible for reviewing the financial statements and submitting to the CFO for the final review.”*

The following deviations between the transfer items expenditure allocated in the Note 7, Appropriation per economic classification and Vote of the financial statements submitted were noted:

|  |  |  |  |
| --- | --- | --- | --- |
| **Transfer item description** | **Amount as per appropriation per economic classification** | **Amount as per Note 7** | **Difference** |
| Provinces & municipalities | 2 592 965 000,00 | 2 592 965 000,00 | 0,00 |
| Departmental agencies & accounts | 732 486 000,00 | 882 486 000,00 | (150 000 200,00) |
| Universities & technikons | 0,00 | 0,00 | 0,00 |
| Foreign governments & international organisations | 12 956 000,00 | 12 956 000,00 | 0,00 |
| Public corporations & private enterprises | 0,00 | 0,00 | 0,00 |
| Non-profit institutions | 313 803 000,00 | 163 801 000,00 | 150 002 000,00 |
| Households | 4 012 000,00 | 4 012 000,00 | 0,00 |
| Gifts and donations | 0,00 | 2 000,00 | (2 000,00) |
| **TOTAL** | **3 656 222 000,00** | **3 656 222 000,00** | **(2 000,00)** |

1. The payments made expenditure pertaining to gifts, donations and sponsorships was recorded in Note 7 but does not appear on the Appropriation per economic classification.
2. IDT amount of R150 000,00 was appropriated under public corporations and private enterprises but the expenditure was not recorded as such in Note 7 and Appropriation per economic classification.
3. The expenditure amount recorded for departmental agencies and accounts in Note 7 does not correspond with the amount disclosed on the Appropriation per economic classification.
4. The expenditure amount recorded for non-profit institutions in Note 7 does not correspond with the amount disclosed on the Appropriation per economic classification.

The finding occurred as a result of the fact that:

1. Gifts, donations and sponsorships (R2 000, 00) – The difference is because of the SCOA classifications used in the appropriation account and the actual recording of the transactions.
2. IDT (R150 000,00) - The differences is due to human error

Impact of the finding:

1. Non-compliance with PFMA paragraph 40(3) (a) as inaccurate financial statements was submitted.
2. Transfers to gifts and donations expenditure in the appropriation per economic classification is understated by R2 000, 00.
3. Transfers to non-profit institutions expenditure in the appropriation per economic classification is overstated by R2 000, 00.
4. Transfers to departmental agencies and accounts expenditure in the appropriation per economic classification is understated with R150 000, 00.
5. Transfers to non-profit institutions expenditure in the appropriation per economic classification is overstated by R150 000, 00.
6. Transfers to public corporations and private enterprises expenditure in the appropriation per economic classification is understated with R150 000, 00.

**Internal control deficiency**

Leadership

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

**Recommendation**

*The differences should be investigated and the necessary adjustments should be made to the appropriation account, Note 7 and the relevant annexure.*

**Management Response**

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

Adjustment to appropriation will be made.

| **DESCRIPTION** | **RESPONSE** | | |
| --- | --- | --- | --- |
| Corrective action to be taken | Making corrections to appropriation statement. | | |
| 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 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 | Director | | |
| Estimated completion date for corrective action | 27 July 2012 | | |
| **DESCRIPTION** | **RESPONSE** | | |
| Does management agree with the root cause indicated | **Yes** | | **No** |
| X | |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | | |

*Name:* Aaron Mazibuko

*Position: Director*

*Date: 24 July 2012*

**Auditor’s Response**

Management agrees with the finding and the finding will remain in the management as material adjustment

1. **Transfers and subsidies: Unspent funds Ex 268**

**Audit Finding**

Laws, Rules and Regulations

Section 17 of the Division of Revenue Act, 2011 (Act No. 6 of 2011) (DORA) stipulates that:

Stopping of allocation

17. (1) Despite section 16, the National Treasury may, in its discretion or at the request of a transferring national officer, or a receiving officer, stop the transfer of a Schedule 4,5 or 6 allocation referred to in section 16(1) to a province or municipality—

a) On the grounds of persistent and material non-compliance with—

i) this Act; or

ii) a condition to which the allocation, as provided for in the relevant framework, is subject;

b) If the National Treasury anticipates that a province or municipality will substantially under-spend on that programme or allocation in the financial

year;

c) If a function is reassigned from a province to a municipality; or

d) if a province implementing an infrastructure project does not comply with best practice standards and guidelines made in terms of section 5 of the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000).

2) Except where a function is reassigned from a province to a municipality, the National Treasury must, when stopping an allocation in terms of this section—

a) Comply with the requirements set out in section 16(3) (a), and in respect of a municipality, also with the requirements of section 38 of the Municipal Finance Management Act; and

b) Inform the relevant provincial treasury of its intention to stop the allocation.

3) Any stopping of an allocation contemplated in subsection (1) must, together with an explanatory memorandum, be published by the National Treasury in the Gazette.

4) a) The Minister may, by notice in the Gazette, approve that an allocation or any portion of such allocation stopped in terms of subsection (1), be utilised to meet that province’s or municipalities outstanding statutory and contractual financial commitments.

b) The utilisation of funds

Section 20 of the Division of Revenue Act, 2011 (Act No. 6 of 2011) (DORA) stipulates that:

Unspent conditional allocations

20. (1) Despite the provisions of the Public Finance Management Act or the Municipal Finance Management Act relating to roll-overs, any conditional allocation, excluding the Gautrain Rapid Rail Link Grant and the Expanded Public Works Programme Incentive Grant, that is, in the case of a province, not spent at the end of a financial year or, in the case of a municipality, at the end of a municipal financial year, reverts to the National Revenue Fund, unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

Section 34 of the Division of Revenue Act, 2011 (Act No. 6 of 2011) (DORA) stipulates that:

Financial misconduct

34. (1) Despite anything to the contrary contained in any law, any serious or persistent non-compliance with a provision of this Act or a framework published in terms of this

Act constitutes financial misconduct.

(2) Section 84 of the Public Finance Management Act and section 171 of the Municipal Finance Management

The amount of R 2 003 588 000, 00 has been transferred to all nine provinces for Devolution of Property Rate Funds Grant according to their respective allocation, However the following deviations were noted.

a). During the audit the department could not provide the process of how they monitor the spending on Devolution of Property Rate Funds Grant on schedule 5 of the Dora Act, also how the department ensure that the non-spending is reported to National Treasury to recover all unspent funds.

b). The Note 35 - Statement of conditional grants paid to the provinces was not completed for the section on amount received by department and amount spent by department.

The finding occurred as a result of the following:

The department does not have adequate policies and procedure for monitoring of Devolution of Property Rate Funds Grant.

The impact of the finding

a) Funds may be transferred to provinces which are significantly underspending, whilst the funds should be stopped, resulting in non-compliance with section 34 of the DORA.

1. Section 17, 20 of the Division of Revenue Act, 2011 (Act No. 6 of 2011) (DORA

**Internal control deficiency**

Leadership

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

**Recommendation**

The department should establish policies and procedure which will ensure that the spending is monitored and non-spending is reported to National Treasury.

**Management response**

I not in agreement with the finding for the following reasons, the Department has developed a

standard reporting template which the Provinces uses to submit reports on monthly/quarterly and

annual basis. Copies of letters from various Provinces which have not spent their allocations will be

submitted, Expenditure report was submitted to Finance Directorate and The Department is in a

process of documenting policy and processes on Devolution of Property Rates Fund Grant

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken | Finalisation of policy and processes | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
| N/A |  |
| If yes, what corrections will be made to the population | N/A | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | |
| Position of official responsible to take corrective actions | Director | |
| Estimated completion date for corrective action | End of December 2012 | |

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

*Name:* Sarah Muthivhi

*Position: Director*

*Date: 03 August 2012.*

**Auditor’s conclusion**

The finding remains as the department has not submitted approved policy for devolution of property rates fund grant.

Provisions

1. **Provision: The amount incorrectly disclosed Ex187**

**Audit finding**

a) In terms of the departmental financial reporting framework guide section 32 (c) - employee benefits

*(i) Performance bonuses are generally accrued when a past event creates either a legal or constructive obligation to make such payments (i.e. the entity has no realistic alternative but to make the payments).  In the public sector a performance bonus is granted to an employee in recognition of sustained performance that is significantly above expectations and is rated as such in terms of the rating scale established by the Department of Public Service and Administration.*

*(ii) A performance bonus, specifically for senior managers or SMS, is not guaranteed and as mentioned above is based on the achievements of the individual against the targets set out in his/her performance agreement.  It can be said that if the payment of bonuses is purely based on performance then there is no legal obligation on the department make such payments.  However a constructive obligation is created through the assessment of employees’ performance throughout the year and the fact that the department has a practice of paying performance bonuses.*

*(iii) The amount disclosed in the financial statements at the end of the financial year should be based on the outcome of the performance evaluation process (the department has either approved the amount payable or can estimate the amount payable based on the ratings agreed with employees);*

*·         1.5 % of the compensation of employees budget; OR*

*·         past practices or payments made;*

The following deviation was noted:

The department provided for performance award based on constructive obligation which was created through the assessment of employees’ performance throughout the year and the fact that the department has a practice of paying performance bonuses however for the past two year senior management have not been receiving the performance bonus, as a result the department is not justified in providing for performance awards based on a constructive obligation. The provision should therefore be reduced with the amount included for senior management.

The department provided an amount of R 18,788,000.00 for performance award, which was based on 1, 5% of the compensation of employees budget of R 1 252 550 000, the amount therefore includes an estimate for the senior manager

The department did not provide a detail schedule of the calculation of the performance awards, as the 1, 5% used is the maximum percentage of personnel cost budget amount which the department cannot exceed when paying for performance awards

The finding occurred as a result of the fact that:

The departmental financial reporting framework guide was incorrectly applied by the department.

Impact of the finding:

The provision disclosure note is overstated. In the absence of a schedule detailing the amount provided for per employee, based on the results of their performance assessment, it is not possible to quantify the overstatement

**Internal control deficiency**

Financial and performance management

Review and monitor compliance with applicable laws and regulations

**Recommendation**

*The department should correct the disclosure note, a provision for performance awards should only be raised if the department has either approved the amount payable or can estimate the amount payable based on the ratings agreed with employees.*

**Management response**

I am in agreement with the finding, this was an oversight from the department since there is no contractual obligation with senior management to pay them performance bonus, the correction as the result of the finding has been effected on the financial statement, attached see annexure A (detailed report for SMS), annexure B (AFS template) and annexure C (AFS word document) to show that the correction was done.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
| x | |  |
| If yes, what corrections will be made to the population? | The correction was done on the entire population. | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | Deputy Director: Financial Reporting | | |
| Estimated completion date of corrective action: | 08 June 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| x |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |
|  |  |  |  |

Name: Lesiba Ledwaba

Position:  Deputy Director

Date: 08/06/2012

**Auditor’s conclusion**

Management amended the disclosure, the finding remains in the management due to control weakness not identified by management.

**Gifts, Sponsorship and Donation received**

1. **Gifts, Sponsorship and Donation received: Not included in the register** **ex81**

**Audit finding**

In terms of Treasury Regulation chapter - 21.2 Acceptance of gifts, donations and sponsorships to the State

*21.2.1  The accounting officer may approve the acceptance of any gift, donation or sponsorship to the State, whether such gifts, donations or sponsorships are in cash or kind.*

*21.2.2 All cash gifts, donations or sponsorships must be paid into the relevant revenue fund, except those donations received in terms of paragraph 21.2.5.*

*21.2.3 Where it is not apparent for what purpose a gift, donation or sponsorship should be applied, the relevant executive authority may decide how it must be utilised.*

*21.2.4 All gifts, donations or sponsorships received during the course of the financial year must be disclosed as a note to the annual financial statements of the institution.*

The following deviation was noted:

No evidence that the department obtained approval for the acceptance from the accounting officer for the following cash gift and they were also not included in the register of gifts, sponsorship and donation received and also noted the cash received was not paid to the revenue fund.

|  |  |  |
| --- | --- | --- |
| **Name of Organisation** | **Nature of Gift, Donation or Sponsorship** | **Amount** |
| **Received in cash** |  |  |
| Travel With Flair | Contribution towards Strategic Planning session | 5 000,00 |
| Hlatswanare | Contribution towards Strategic Planning session | 5 000,00 |
| Maexecutive | Contribution towards Strategic Planning session | 1 000,00 |
| **Total** |  | **11 000,00** |

The impact of the finding:

Non-compliance with treasury Regulation chapter 21.2

The finding occurred as a result of the fact that:

1. No approval was obtained for acceptance of the cash gifts.
2. Cash gifts not included in the gifts, sponsorship and donations received register.

**Internal control deficiency**

Leadership

The acting accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

**Recommendation**

a) The department should record all the cash gifts received in the register of gifts, sponsorship and donation received.

b) The department should investigate why the approval was not obtain for the acceptance of cash gifts and appropriate disciplinary measures need to be taken

**Management response**

The department disagrees with the audit finding with regard to gifts, donations and sponsorships received not being disclosed. The amount of R11 000 was disclosed in the annual financial statements for the year ended 31 March 2012 and submitted on 31 May 2012 (See attached hereto disclosure note.

The department agrees with the audit finding with regards to approval not being obtained. The matter was referred to Inspectorate and Compliance directorate for further handling and advice to management. (See attached hereto a copy of communication by Inspectorate and Compliance directorate). It is anticipated that a formal report will be given to management and advice on the next course of action by 31 August 2012. The delay could be attributed to a backlog of cases that Inspectorate & Compliance directorate is dealing with.

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: | *The matter is being investigated by Inspectorate & Compliance directorate for further advice to management.* | | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action: |  | | |
| Estimated completion date for corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

*Name: Lesetja Toona*

*Rank: Director*

*Date:*

**Auditor’s response**

**Management agrees with the finding it will remain in the letter and the progress will be followed up next financial year.**

**Key Personnel Management**

1. **Key Personnel Management: Incorrect calculation of the disclosure amounts Ex190**

**Audit Finding**

1. In terms of PFMA section 40:***‘****the accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognised accounting practice”*

1. In terms of terms of the Preparation Guide Chapter 8(38) (c) (6):“remuneration includes:

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

*ii)     post employment benefits (social benefits) such as pension, other retirement benefits, post employment life insurance and medical care;*

*iii)    other long term employee benefits, including long-service leave, or sabbatical leave, long term disability benefits, and*

*iv)   termination benefits.”*

The following deviations were noted:

 An amount of R4 117 000, 00 has been disclosed in the key management disclosure note in financial statements however the recalculation performed by the auditors indicates that an amount of R3 027 000, 00 should have been disclosed. This has resulted in an overstatement of R1 090 000, 00

The impact of the finding:

Overstatement of the Key Management Personnel disclosure notes in the Annual Financial Statements.

The finding occurred as a result of the fact that:

It was due to the oversight by the management.

**Internal control deficiency**

Financial and Performance Management

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

**Recommendation**

*There should be second reviewer of the annual financial statements to ensure that they are accurate and complete when submitted for audit.*

**Management response**

I am in agreement with the finding; it was an oversight from the department. Adjustment has already been done on the financial statements, see attached annexure A

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
| X | |  |
| If yes, what corrections will be made to the population? | Adjust financial statements with the correct amount | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | DD: Financial Reporting: L. Ledwaba | | |
| Estimated completion date of corrective action: | Completed already | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Mandla Sithole

Position: Director Financial Accounting

Date: 06 July 2012

**Auditor’s Response**

The finding will remain in the management letter as weakness in the internal control systems.

Cash and cash equivalents

1. **Cash and Cash equivalent: No supporting documentation for adjustment amount ex 188**

**Audit finding**

The department did not submit documentation supporting the adjustment of R21 000,00 which was the difference between the amount disclosed in cash and cash equivalent note for the amount of R825 604,00 and the trial balance amount of R825 583,00 as at 31 March 2012.

The finding occurred as a result of the fact that:

The department indicates that the template for preparation of the financial statement does not want to balance due to the rounding off which were done when financial statements are been prepared.

Impact of the finding

Cash and cash equivalent are potentially misstated in the annual financial statements.

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

*The department should provide evidence that the matter was discussed with National Treasury and that they are aware of it.*

**Management response**

I am not in agreement with the finding for the following reasons: the amount of R21 000 it’s a balancing figure of the financial statements caused by the rounding off the amount to the nearest R’000, the departments trial balance is balancing before rounding to the nearest R’000. The matter was also referred to national treasury.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? |  | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action |  | | |
| Estimated completion date of corrective action: |  | | |
| 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 | The rounding of amounts to the nearest R’000 | | |
|  |  |  |  |

Name:   Lesiba Ledwaba

Position:  Deputy Director

Date: 08 June 2012

**Auditor’s conclusion**

Disagree with the department the rounding should result in the difference of a thousand or less and the finding will remain in the management letter as these amount might accumulate over the years if the department does not report these matter to National Treasury.

1. **Housing Guarantees: Guarantees not redeemed Ex 234**

**Audit finding**

In terms of the guarantee scheme for housing loans for officials and employees in the public sector – policy document section 6.1

a)   *“When an official in respect of whom a guarantee has been issued, resigns before the guarantee lapses, he/she is indebted to his/her employer for the full amount of the guarantee or that portion which has not been redeemed.  As soon as such a situation arises, the employer must inform the Financial Institution and ascertain what amount is required to redeem the guarantee.*

*b)   Arrangements must be made simultaneously to withhold the official’s pension benefits for the purpose of setting it off against the guarantee debt.  If the pension benefits are insufficient, the official may be allowed a period of 90 days as from the date of resignation to pay the balance of the guarantee debt.  Should he fail to do so, the Financial Institution must be instructed to sell the property in execution.  If a loss occurs, an amount which does not exceeds the amount of the guarantee, must be paid to the Financial Institution by the employer and be recovered from the official involved.”*

The following deviations were noted during the audit:

The following employees resigned from the department, however their guarantees has not been redeemed by the financial institution

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Surname and Initials** | **PERSAL No** | **ID No** | **Resignation Date** | **Guarantee Amount** |
| Shandu SM | 13416740 1 | 4908160426086 | 20111231 | 4 543,00 |
| Klaas VP | 16276132 1 | 6003245658081 | 20110804 | 16 756,00 |
| Swiegers J | 13599461 1 | 7107125026084 | 20110517 | 20 552,00 |
| **Total** | | | | **41 851,00** |

The finding occurred as a result of the fact that:

The bank did not release any information to the department regarding the guarantees.

The impact of the finding:

1. Overstatement of contingent liabilities in the disclosure note
2. Non-compliance with Contravention of the policy

**Internal control deficiency**

Financial and performance management

Implementation of controls over daily and monthly processing and reconciling of transactions

**Recommendation**

The department should provide supporting evidence that they have followed up with the financial institution on regular basis.

**Management response**

No management response received

**Auditor’s conclusion**

No management response received and matter remains in the letter.

1. **Guarantees: No bank confirmation were submitted for State Guarantees**

**Audit finding**

Laws, rules and regulations

In terms of the Preparation Guide, chapter 8(c) Par 31, “departments must confirm the value of the guarantee with the guarantor prior to completing the disclosure requirements”

The following deviations were noted:

No confirmations were sent out by the department to the guarantors prior to the disclosure being completed per the Annual Financial Statements. The amount reflected on PERSAL for state guarantees was used to prepare the disclosure notes.

Also it was noted that the department did not obtain the confirmation for the motor vehicle guarantees disclosed in the financial statements.

The finding occurred as a result of the following:

The department did not request bank confirmations of state guarantees as at 31 March 2012

The impact of the finding:

Misstatement of guarantee amount disclosed on the notes to the annual financial statements

**Internal control deficiency**

Financial and performance management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

**Recommendation**

The department should send out confirmations to the guarantors as the matter of urgent to ensure that the housing and motor vehicle guarantee disclosed is complete.

**Management response**

| **DESCRIPTION** | **RESPONSE** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | |  |
| If yes, what corrections will be made to the population? |  | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action |  | | |
| Estimated completion date of corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name:

Position:

Date:

**Auditor’s Response**

The finding remains as no management response was received.

1. **Deviations pertaining to contingent liabilities Ex 9**

**Audit Finding**

a) Laws, rules and legislation:

(i) Section 38(1) (a) (i):

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

(ii) S40 (1) (a) and 40(1) (b) states:

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

*(a) must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards.*

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

b) Treasury Regulations – 13.1.4

“The accounting officer must report all known contingent liabilities of the department in its annual report.”

c) Chapter 8 – Disclosure notes

(i) Paragraph 29.1(a) – Contingent liabilities – definition

*“A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the department; or*

*A contingent liability is a present obligation that arises from past events but is not recognised because: It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or*

The amount of the obligation cannot be measured with sufficient reliability. “

(ii) Paragraph 29.1(c) – Contingent liabilities – Guidance claims

*“The amount that must be disclosed in the disclosure note to the annual financial statements of the Department is the estimated settlement value of claims instituted against the Department as at year end.*

*The claim will only be settled when either the court decides that the Department is liable or the Department accepts the liability, both of which are unknown.*

*Civil claims against the state (department/province) that have* ***not*** *been settled (by a court order or mutually between the parties) must be included in* ***contingent liabilities****. Certain types of claims are normally overstated. The amount disclosed is not necessarily the claim amount, but rather the amount determined as the most likely amount that the court will settle on. The “Most likely” outcome of the settlement must be determined by a qualified legal person (such as the State Attorney or a department’s internal legal services). Departmental/provincial history can also assist in determining such an estimate. The department should have processes in place that corroborate how the “most likely” outcome is determined and how the “most likely amount” is arrived at.*

*Where final settlement was reached and payment was made*

*These payments will be expensed against the vote. Where final settlement was reached but payment is outstanding as at 31 March 2012 it represents a provision and should be disclosed as such in a disclosure note.”*

The following issue was identified:

Although an opinion will not be expressed on interim financial statements they were utilised for the confirmation of the business process pertaining to contingent liabilities. The following deviations were noted:

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **31 December 2011** | **30 September 2011** | **31 March 2011** |
|  | **R** | **R** | **R** |
| Claims against the department | 19 494 000 | 19 494 000 | 29 395 000 |
| Other departments – interdepartmental unconfirmed balances | 0 | 67 000 | 55 846 000 |

1. The detail schedule pertaining to claims against the department from legal services was not included in support of the balances disclosed in the December 2011 interim financial statements. It is therefore not evident how the compiler and reviewer ensured the valuation, completeness and obligation of contingent liabilities. Although the schedule was signed by the compiler and reviewer it is not evident which functions were performed by them. For example did they cast the schedule, agree it to the detail schedule from legal services, etc.
2. As the detail schedules from legal services were not included it could not be determined whether the claims were again disclosed at the value of the claim or whether an assessment has been performed of the most likely settlement amount as required by the accounting framework.
3. It was further noted that exactly the same amount pertaining to claims against the department was disclosed in the September and December 2011 financial statements. In the absence of the schedules or register from legal services it is not evident how the compiler and the reviewer of the financial statements ensured that there were no changes.
4. The directive, contingent liabilities and assets, was approved by the CFO on 23 December 2011. As the updated schedule of policies and circulars were not received, as communicated in communication of factual finding number 72, it could not be confirmed if the circular as mentioned on page 15 in the audit action plan was implemented and when and how it was communicated to officials.
5. It was noted that for the interim financial statements of December 2011 annexure 5 – inter-government payables, was not completed. It could therefore not be established whether there were any unconfirmed balances that should have been disclosed. At the end of 31 March 2011 the balance of unconfirmed balances was R55 846 million.

Potential impact of the findings raised above:

1. Should the required processes (assessments) not be performed and taken into account for the compilation of the year-end financial statements it will not be possible to confirm the valuation of contingent liabilities.
2. Contingent liabilities disclosed may be incomplete.
3. Casting and/or other errors may go undetected, resulting in incorrect financial statements being submitted.
4. Responsibility may not be assigned for incorrect information being compiled and submitted if officials do not clearly indicate which functions were performed by them.

Reason for the deviation:

The department did not perform any assessment as to the most likely settlement amounts; therefore the valuation of claims against the department can not be confirmed.

A similar finding was also reported in the 2010-2011 financial year. Management indicated in their audit action plan, page 15, that a policy/circular with legal services on the assessment of litigation cases was developed by November 2011. The directive, contingent liabilities and assets, was approved by the CFO on 23 December 2011.

It was further indicated, in the audit action plan, that the department is currently engaging legal services to conduct the assessment of the reported cases in preparation for year-end reporting. The schedules from legal services will be re-confirmed independently by the finance section before finalising the disclosure notes.

**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**

1. An assessment as to the most likely settlement amount of contingent liabilities should be performed by relevant legal experts in order to be able to value contingent liabilities appropriately, in accordance with the financial reporting framework.
2. The basis or grounds of the assessment must be clearly documented.
3. The name and qualification of the person who performed the assessment should be indicated. It should further be indicated if the assessment was performed by for example by an external legal person, such as the State Attorney, or a legal person from within the department.
4. Officials responsible for the compilation and reviewing of the financial statements must indicate which functions were performed by them.
5. Officials responsible for the compilation and reviewing of the financial statements must ensure that complete and accurate information is submitted even if it is interim financial statements.

**Management response**

1. The financial statement team performed all necessary verification of the claims against the state upon receipt of the detailed scheduled from Legal Service. It must however be noted that the amount disclosed is as per the claim amount and not the most likely amount as the formal assessments of the claim has not yet been completed. See attached detailed schedule of the claims from Legal service.
2. The amount disclosed for contingent liabilities (Claims Against the state) was disclosed as per the value of the claim. No formal assessment was performed of the most likely settlement amount. Legal service is currently in the process of assessing all the claims against the department. The department will be in a position to comply with the requirement at year end 2011/2012. Detailed scheduled from Legal Services is attached.
3. The department confirms that there was no movement between September and December 2012 Interim Financial statement regarding claims against the department
4. The Directive, contingent liabilities and assets was approved by the CFO on 23 December 2011. The directive was circulated by e-mail and currently workshops are being conducted in Head Office and all regional offices.
5. Annexure 05 was not completed by the department because the department did not receive confirmation of balance.

*Name:* K Mashapha

*Position: DD*

*Date: 16 March 2012*

**Auditor’s conclusion**

a) Management must ensure that they also adhere to the accounting framework when submitting interim financial statements. This will reduce the amount of work required to be performed at year end and also reduce the number of errors on the financial statements.

All amounts disclosed need to be supported by sufficient appropriate and properly reviewed documentation.

b) Management response is perceived to be in agreement with the finding. Management must ensure that interim financial statements are also correct and in terms of the prescribed accounting framework.

c) Management response is perceived to be in agreement with the finding. Management must ensure that interim financial statements are also correct and in terms of the prescribed accounting framework.

d) The effective implementation of the directive will be followed up in the next year’s audit.

e) Management response is perceived to be in agreement with the finding. Although this matter was raised in February 2012, a material difference between the confirmed and unconfirmed balances between the department and PMTE were reported once the financial statements were submitted at year end.

Confirmations need to be obtained throughout the financial year. Non responses must be actively followed up. This will reduce the amount of work required to be performed at year end to finalise the financial statements.

**Compliance with laws and regulations**

1. **Compliance with laws and regulations - Code of conduct not appropriately communicated Ex 1**

**Audit finding**

Constitution of the Republic of South Africa requires in section 195(1) (a) the following pertaining to basic values and principles governing public administration:

*“Public administration must be governed by the democratic values and principles enshrined in* [*the Constitution*](http://inmagicserver/nxt/gateway.dll/jilc/kilc/egqg/0nqg/1nqg?f=templates$fn=document-frameset.htm#0)*, including the following principles:*

*(a) A high standard of professional ethics must be promoted and maintained.*

*(b)Efficient, economic and effective use of resources must be promoted.*

*(c)Public administration must be development-oriented.*

*(d)Services must be provided impartially, fairly, equitably and without bias.*

*(e)People’s needs must be responded to, and the public must be encouraged to participate in policy-making.*

*(f) Public administration must be accountable.*

*(g)Transparency must be fostered by providing the public with timely, accessible and accurate information.*

*(h)Good human-resource management and career-development practices, to maximise*

*human potential must be cultivated.*

*(i) Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.”*

The explanatory manual of the code of conduct for the Public Service issued by the Public Service Commission states:

a) Paragraph 3.3.2:

*“In terms of the collective agreement (Public Service Co-ordinating Bargaining Council Resolution 2 of 1999) all employees in the Public Service have the responsibility to comply with the prescribed Code of Conduct. As this forms the main basis on which pro-active, corrective and even disciplinary action rests, the employer must do everything possible to ensure that the contents of the Code of Conduct are known to all employees.”*

b) Paragraph 3.3.3:

“*It is important to reiterate that the primary purpose of the Code is a positive one, namely to promote exemplary conduct. Notwithstanding this, an employee shall be guilty of misconduct in terms of the abovementioned Act, and may be dealt with in accordance with sections 18 to 27 as amended in the Public Service Laws Amendment Bill of 1997, if he or she contravenes any provision of the Code of Conduct.”*

The following deviations were noted:

Upon enquiry from various officials it was ascertained that officials are not in possession of a copy of the code of conduct. Two of the officials are new appointments. It should be noted that the department utilised the explanatory manual on the code of conduct (refer point b above), which include a code of conduct, as their code of conduct.

As a result of the above mentioned the department may not be able to take disciplinary action against officials for not complying with the code of conduct, as they may not be aware of the requirements thereof or claim not to be aware of it and the department will not be able to proof the contrary.

This matter was also reported in the 2010-2011 financial year.

**Internal control deficiency**

## Leadership

## Oversight responsibility

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

**Recommendation**

*a) The department must ensure that they have sufficient copies of the code of conduct to provide it to all officials.*

*b) Officials must acknowledge receipt of the code of conduct and the latter must be filed on the employees’ personnel files.*

*c) Given the importance of the code of conduct an awareness campaign should be considered.*

**Management response**

I am partly in agreement with the audit finding in that the Public Service Commission ,which is a custodian and or responsible for print and distribution to all departments has ceased to distribute copies of the code based on the fact that the code is currently under review. We are informed that same will be distributed when the review process has been finalized.

In the interim, the Department (DPW) continues to distribute the old copies of the code to all employees through emails and where possibly through induction program till such time that the PSC would have finalized the review process and then new copies will be distributed as such. This arrangement does not suggest that the department will not be able to charge employees who commit an act of misconduct. The code of conduct is   by extension a summary of common law principles which employees are reasonably expected to know .In addition to this, employees are exposed to the disciplinary code and procedure for the public service in which **ANNEXURE A** summarizes the violations of the same code of conduct.

Name:   Giyani Makhubela

Position: Director

Date: 14 November 2011

**Auditor’s conclusion**

Although cognisance is taken of management’s comment it must be ensured by the department that each official has a copy of the code of conduct. It is recommended that the department compile a list of all officials and let them confirm that they have a copy and are familiar with the content thereof. The matter therefore remain unresolved

1. **SCM - Payments not made within 30 days – Pretoria region Ex 5**

**Audit Finding**

Laws, rules and regulations:

1. Furthermore PFMA section 38(1)(f) requires that;

“*The accounting officer for a department, trading entity or constitutional institution must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period;”*

1. Treasury Regulation 8.2.3requires 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.”*

1. Instruction note number 34 of National Treasury dated 30 November 2011requires that;

“*4.1 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.*

*4.2 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.*

*4.3 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.*

*4.4 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.*

*4.6 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.*

*4.7 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.*

*4.11 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.”*

The following payments were not made within 30 days from the date of receipt of the invoice:

| **Supplier** | **Fano** | **Date invoice received** | **Payment date** | **No. of days** | **R** |
| --- | --- | --- | --- | --- | --- |
| Motseng Investments | 155830 | 2011/05/13 | 2011/06/13 | 31 | 897 117,98 |
| Motseng Investments | 168095 | 2011/08/22 | 2011/09/23 | 32 | 210 728,82 |
| Motseng Investments | 168477 | 2011/08/05 | 2011/09/27 | 53 | 1 200 856,57 |
| Motseng Investments | 168478 | 2011/08/22 | 2011/09/27 | 36 | 2 490 717,60 |
| North Natal Tissues | 152701 | 2011/04/08 | 2011/05/17 | 39 | 39 900,00 |
| Britesky Events & Projects | 151044 | 2011/03/10 | 2011/04/14 | 35 | 69 406,20 |
| CSS Tirisano Computer Services | 152695 | 2011/04/07 | 2011/05/17 | 40 | 46 288,56 |
| Firetech Projects CC | 152695 | 2011/05/09 | 2011/06/27 | 49 | 367 520,50 |
| KZN Oils | 166382 | 2010/03/16 | 2011/09/12 | 545 | 63 580,10 |
| Senex | 176559 | 2011/10/17 | 2011/11/28 | 42 | 529 266,66 |
| Senex | 168091 | 2011/08/19 | 2011/09/23 | 35 | 106 450,00 |

Impact of the above findings:

1. The findings above constitute non-compliance with Treasury Regulation 8.2.3.
2. The department may not be able to fully comply with Instruction note number 34 of National Treasury

Reasons for the deviations:

1. The director finance indicated that the reasons for the delays are that when the goods and/or services are delivered, officials certifying that the goods and/or services have been received do not submit the invoices to registry immediately. Finance stamp the invoice when it is later submitted to them. They count the days from the finance stamp date to the date of the payments, thus resulting in the payments not being made within the required timeframe (which would be 30 days from when the invoice is received together with the goods/services).
2. The department was not aware that they owed KZN Oils money until the service provider enquired about the outstanding account. It was then discovered that the supporting documentation got lost.

Similar findings were also reported in the 2010-11 financial year. Per inspection of the audit action plan page 38 it was noted that the actions listed below will be implemented by March 2012 to address the issue. It is a concern that the target date is only March 2012 as the reports mentioned in paragraph (c) under laws, rules and regulations must be submitted to National Treasury from February 2012. The department may therefore not be able to correct the deviation in the current year and also to adhere to the requirements of Instruction Note 34 issued by National Treasury.

*“We have increased capacity in the payments section to speed up processing of invoices.*

*Invoice registers are in place to monitor turnaround times of paying invoices.*

*Registers are submitted to the CFO on a monthly basis.”*

**Internal control deficiency**

Leadership

Management does not effectively establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities

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

.

**Recommendation**

1. Payments should be processed speedily without compromising internal controls.
2. If a valid reason exists for delaying a payment, such as a dispute with a supplier, the reason for not paying within the required timeframe must be documented on the supporting documentation and approved by a relevant senior official.

**Management response**

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

The Delayed Payment forms have been attached to the batches prior to payments.

*Name:* Keamogecoe Tlhakudi

*Position: Head Finance and SCM*

*Date: 28/02/2012*

**Auditor’s conclusion**

Management agrees with the finding. Matter therefore remains unresolved.

1. **SCM - Payments not made within 30 days – Head office Ex 48**

**Audit Finding**

Laws, rules and regulations:

a) Furthermore PFMA section 38(1) (f) requires that;

“*The accounting officer for a department, trading entity or constitutional institution must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period;”*

b) Treasury Regulation 8.2.3 requires that;

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

c) Instruction notes number 34 of National Treasury dated 30 November 2011 require that;

“*4.1 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.*

*4.2 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.*

*4.3 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.*

*4.4 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.*

*4.6 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.*

*4.7 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.*

*4.11 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.”*

The following payments were not made within 30 days from the date of receipt of the invoice:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Supplier** | **Fano** | **Date invoice received** | **Payment date** | **No. of days** | **R** |
| PC PALACE | 154413 | 31/03/11 | 31/05/11 | 61 | 9 473,28 |

The finding occurred as a result of the fact that:

As per memorandum attachment the delay was due to the fact that the batch had to be recaptured as a result of the financial year end.

Similar findings were also reported in the 2010-11 financial year. Per inspection of the audit action plan page 38 it was noted that the actions listed below will be implemented by March 2012 to address the issue. It is a concern that the target date is only March 2012 as the reports mentioned in paragraph (c) under laws, rules and regulations must be submitted to National Treasury from February 2012. The department may therefore not be able to correct the deviation in the current year and also to adhere to the requirements of Instruction Note 34 issued by National Treasury.

*“We have increased capacity in the payments section to speed up processing of invoices.*

*Invoice registers are in place to monitor turnaround times of paying invoices.*

*Registers are submitted to the CFO on a monthly basis.”*

Impact of the above findings:

a) The findings above constitute non-compliance with Treasury Regulation 8.2.3.

b) The department may not be able to fully comply with Instruction note number 34 of National Treasury

**Internal control deficiency**

Leadership

Management does not effectively establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities

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

.

**Recommendation**

a) Payments should be processed speedily without compromising internal controls.

b) If a valid reason exists for delaying a payment, such as a dispute with a supplier, the reason for not paying within the required timeframe must be documented on the supporting documentation and approved by a relevant senior official.

**Management response**

Agree with finding, the reason for delay was that the invoice (IN234217) was received on 31 March 2011, and the order (OR-051595) was already closed due to financial year end. The Cost Centre was then requested to recapture the order and the new order (OR-051823) was captured in May 2011.

*Name:* Lesole Matsoso

*Position: Deputy Director*

*Date: 05 March 2012*

**Auditor’s conclusion**

Management agrees with the finding. The non compliance with TR 8.2.3 will be reported.

1. **SCM - Payments not made within 30 days – Pretoria region Ex 100**

**Audit Finding**

Laws, rules and regulations:

a) The PFMA section 38(1) (f) requires that;

“*The accounting officer for a department, trading entity or constitutional institution must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period;”*

b) Treasury Regulation 8.2.3requires 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.”*

1. Instruction note number 34 of National Treasury dated 30 November 2011requires that;

“*4.1 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.*

*4.2 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.*

*4.3 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.*

*4.4 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.*

*4.6 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.*

*4.7 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.*

*4.11 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.”*

The following payments were not made within 30 days from the date of receipt of the invoice:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Supplier** | **Fano** | **Date invoice received** | **Payment date** | **No. of days** | **R** |
| MOTSENG FACILITIES MANAGEMENT | 169143 | 30 June 2012 | 27 September 2012 | 89 | 52 863,36 |
| MOTSENG FACILITIES MANAGEMENT | 168108 | 24 June 2012 | 22 September 2012 | 90 | 3 355,52 |

The finding occurred as a result of the fact that:

As per the internal memorandum the delay of processing invoices is as a result of investigations being conducted.

Similar findings were also reported in the 2010-11 financial year. Per inspection of the audit action plan page 38 it was noted that the actions listed below will be implemented by March 2012 to address the issue. It is a concern that the target date is only March 2012 as the reports mentioned in paragraph (c) under laws, rules and regulations must be submitted to National Treasury from February 2012. The department may therefore not be able to correct the deviation in the current year and also to adhere to the requirements of Instruction Note 34 issued by National Treasury.

*“We have increased capacity in the payments section to speed up processing of invoices.*

*Invoice registers are in place to monitor turnaround times of paying invoices.*

*Registers are submitted to the CFO on a monthly basis.”*

Impact of the finding:

1. The findings above constitute non-compliance with Treasury Regulation 8.2.3.
2. The department may not be able to fully comply with Instruction note number 34 of National Treasury

**Internal control deficiency**

## Leadership

*The department did not effectively exercise its oversight responsibility regarding financial and performance reporting and compliance and related internal controls.*

## Financial and Performance Management

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

**Recommendation**

a) Payments should be processed speedily without compromising internal controls.

b) If a valid reason exists for delaying a payment, such as a dispute with a supplier, the reason for not paying within the required timeframe must be documented on the supporting documentation and approved by a relevant senior official.

**Management response**

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

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: | **Payments are being paid within 30 days. In this particular case the problem was the contract issue.** | | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action: |  | | |
| Estimated completion date for corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| **X** |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

*Name: MPHO SELEPE*

*Position: ACT. DIRECTOR: FIN & SCM*

*Date: 27/06/2012*

1. **Accruals - Payments not made within 30 days – Head office accruals- Ex 135**

**Audit Finding**

Laws, rules and regulations:

a) PFMA section 38(1) (f) requires that;

“*The accounting officer for a department, trading entity or constitutional institution must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period;”*

b) Treasury Regulation 8.2.3requires 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.”*

c) Instruction notes number 34 of National Treasury dated 30 November 2011requires that;

“*4.1 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.*

*4.2 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.*

*4.3 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.*

*4.4 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.*

*4.6 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.*

*4.7 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.*

*4.11 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.”*

The following table includes payments not made within 30 days from the date of receipt of the invoice (these items were included in the accrual listing of the department):

| **SUPPLIER** | **FANO/ORDER** | **DATE INVOICE RECEIVED** | **PAYMENT DATE** | **NO. OF DAYS** | **R** |
| --- | --- | --- | --- | --- | --- |
| Property Management Trading Entity | 193487 | 2012/04/02 | 2012/05/17 | 66 | 37 330 519,67 |
| Property Management Trading Entity | 193606 | 2012/03/20 | 2012/05/16 | 55 | 12 249 044,02 |
| Property Management Trading Entity | 193612 | 2012/03/20 | 2012/05/16 | 51 | 12 249 044,02 |
| Property Management Trading Entity | 191831 | 2012/03/12 | 2012/05/03 | 52 | 18 904 957,60 |
| **TOTAL** |  |  |  |  | **80 733 565,31** |

The finding occurred as a result of the fact that:

As per discussion with DD: Financial Reporting it was noted that an internal memorandum was issued with each payment batch that was paid after 30 days, the payments were delayed due to the fact that the department’s budget was exhausted.

Similar findings were also reported in the 2010-11 financial year. Per inspection of the audit action plan page 38 it was noted that the actions listed below will be implemented by March 2012 to address the issue. It is a concern that the target date was only March 2012 as the reports mentioned in paragraph (c) under laws, rules and regulations should have been submitted to National Treasury from February 2012. The department may therefore not be able to correct the deviation in the current year and also may not be able to adhere to the requirements of Instruction Note 34 issued by National Treasury.

The impact of the findings:

a) The findings above constitute non-compliance with Treasury Regulation 8.2.3.

b) The department may not be able to fully comply with Instruction note number 34 of National Treasury

c) Payments amounting to R43 403 045,64 were delayed to avoid additional unauthorised expenditure

**Internal control deficiency**

*Leadership*

Management does not effectively establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities

**Recommendation**

a) Payments should be processed speedily without compromising internal controls.

b) If a valid reason exists for delaying a payment, such as a dispute with a supplier, the reason for not paying within the required timeframe must be documented on the supporting documentation and approved by a relevant senior official.

**Management response**

a) The department is not in agreement with the findings of payments not made within 30 days from the date of receipts of invoice for the year ended 31 March 2012; it was within the prescribed period of 30 days. However, payments were settled beyond 30 days in the new financial year which the department acknowledges.

b) The department is not in agreement with the finding, the department does comply with National Treasury instruction note 34 and all late payments are reported.

c) The department is not in agreement with the finding, payments were not delayed as a way to avoid unauthorised expenditure and those invoices would have been processed in April and May 2012 in line with Treasury Regulation 8.2.3 which has nothing to do with avoiding unauthorised expenditure. The table below clearly indicate when the payments should have been processed.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **SUPPLIER** | **FANO/ ORDER** | **DATE INVOICE RECEIVED** | **PAYMENT DATE** | **PAYMENTS WERE SUPPOSED TO BE PAID** |
| Property Management Trading Entity | 193487 | 2012/04/02 | 2012/05/17 | 30 May 2012 |
| Property Management Trading Entity | 193606 | 2012/03/20 | 2012/05/16 | 20 April 2012 |
| Property Management Trading Entity | 193612 | 2012/03/20 | 2012/05/16 | 20 April 2012 |
| Property Management Trading Entity | 191831 | 2012/03/12 | 2012/05/03 | 12 April 2012 |
| **TOTAL** |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
| X |  |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |

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

*Name:* Mandla Sithole

*Position: Director Financial Accounting*

*Date: 09 July 2012*

**Auditor’s conclusion**

1. Management agrees with the finding that the invoices were not paid within 30 days of receipt of the invoice. It is acknowledged that the payments were made in the new financial year. The matters were identified with the follow up of accruals. The non-compliance will be reported in the 2012-2013 financial year.

b) Although it is acknowledged that the department does report late payments to NT, management’s comment did not include evidence that these late payments were reported to NT and that they therefore complied with National Treasury instruction note 34.

c) It is acknowledged that the department was within the 30 days at year end for the payment of the invoices listed. However, as this is the trading entity of the department and the department already reported overspendings, the non payment of these amounts prior to year end reduced the unauthorised expenditure incurred.

1. **Payment not made within 30 Days – head office Ex 205**

**Audit Finding**

Laws, rules and regulations:

a)        PFMA section 38(1)(f) requires that;

“*The accounting officer for a department, trading entity or constitutional institution must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period;”*

b)        Treasury Regulation 8.2.3requires 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.”*

c)        Instruction note number 34 of National Treasury dated 30 November 2011requires that;

“*4.1 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.*

*4.2     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.*

*4.3     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.*

*4.4     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.*

*4.6      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.*

*4.7      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.*

*4.11   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.”*

The following payments were not made within 30 days from the date of receipt of the invoice:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **NO** | **SUPPLIER** | **BATCH NO** | **PAYMENT DATE** | **DATE INVOICE RECEIVED** | **NO OF DAYS** | **AMOUNT** |
| 1. | Oracle Corporations South Africa | 154789 | 2011/05/27 | 2010/11/30 | 178 | 1,492,480,18 |
| 2. | Ubuntu Technologies (Pty) Ltd | 157926 | 2011/06/30 | 2011/05/27 | 34 | 84 100,16 |
| 3. | KMM Quality Solutions | 152044 | 2011/05/11 | 2011/03/31 | 41 | 403 273,72 |
| 4. | PC Palace Proline Computer | 154413 | 2011/05/31 | 2011/03/31 | 61 | 9 473,28 |

The finding occurred as a result of the fact that:

As per discussion with the D: IT Application Management it was noted that at the time the department had a financial crisis and couldn’t make payment to Microsoft.

Similar findings were also reported in the 2010-11 financial year. Per inspection of the audit action plan page 38 it was noted that the actions listed below will be implemented by March 2012 to address the issue. It is a concern that the target date is only March 2012 as the reports mentioned in paragraph (c) under laws, rules and regulations must be submitted to National Treasury from February 2012. The department may therefore not be able to correct the deviation in the current year and also to adhere to the requirements of Instruction Note 34 issued by National Treasury.

*“We have increased capacity in the payments section to speed up processing of invoices.*

*Invoice registers are in place to monitor turnaround times of paying invoices.*

*Registers are submitted to the CFO on a monthly basis.”*

Impact of the finding:

a) The findings above constitute non-compliance with Treasury Regulation 8.2.3.

b) The department may not be able to fully comply with Instruction note number 34 of National Treasury

**Internal control deficiency**

*Leadership*

*Management does not effectively establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities*

**Recommendation**

a) Payments should be processed speedily without compromising internal controls.

b) If a valid reason exists for delaying a payment, such as a dispute with a supplier, the

reason for not paying within the required timeframe must be documented on the

supporting documentation and approved by a relevant senior official.

**Management response**

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

154789: The reason for the payment to be outside 30 days is due to the banking details which were only created on Logis but not authorized due to technical/ system error ( see attached Annexure A ).

157926: The reason for the payment to be outside 30 days is due to the chief user keeping the invoice with them longer than 3 days before submitting it to registry, however the department is embarking on a road show to sensitize all users per branch since June 2012.

152044: The reason for the payment to be outside 30 days is due to the order which had to be recaptured due to closing of the financial year ( see attached Annexure B).

154413: : The reason for the payment to be outside 30 days is due to the order which had to be recaptured due to closing of the financial year ( see attached Annexure C).

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken | Embarking on road shows | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  | X |
| If yes, what corrections will be made to the population | n/a | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | n/a | |
| Position of official responsible to take corrective actions | Manager | |
| Estimated completion date for corrective action | November 2012 | |

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | n/a | |

*Name:* Lesole Matsotso

*Position: Deputy Director*

*Date: 2012-07-18*

**Auditor’s conclusion**

1. Management has agreed with the finding. Cognisance is taken of management’s comment; the following is noted:
2. 154789:183 days passed between the date of receipt of the invoice and the date of payment. It should not have taken that long to resolve the matter pertaining to the banking detail error.

The matter therefore remains unresolved.

1. 157926: The reason provided is not justifiable.

The matter therefore remains unresolved.

1. 152044: 41 days passed between the date of receipt of the invoice and the date of payment. It should not have taken that long to re-create the order.

The matter therefore remains unresolved.

1. 154413: 61 days passed between the date of receipt of the invoice and the date of payment. It should not have taken that long to re-create the order.

The matter therefore remains unresolved.

1. **Invoices not paid within 30 days Ex 277**

**Audit Finding**

Laws, rules and regulations:

a) PFMA section 38(1)(f) requires that;

“*The accounting officer for a department, trading entity or constitutional institution must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period;”*

b) Treasury Regulation 8.2.3requires 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.”*

The following deviations pertaining to payments of invoices within the prescribed 30 days from the date of receipt of the invoice were noted:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Supplier** | **Payment number** | **Invoice date** | **Invoice stamped as received date** | **Payment date** | **Amount**  **R** |
| Neuwe Multi Projects | PM-017742 | 24-08-2012 | Not indicated | 17-08-2010 | 191 265,84 |
| Shibe Interiors | PM-017747 | 14-08-2009 | Not indicated | 26-08-2010 | 166 675,00 |
| Essel Trading No. 3 CC | PM-017858 | 19-04-2009 | Not indicated | 04-10-2010 | 343 431,49 |
| Motse Interiors | PM-017704 | 14 -09-2009 | 10-02-2012 | 12-08-2010 | 1 071 918 ,2 |
| Senex Interiors | PM-017696 | 15-04-2009 | 15-04-2009 | 7-09-2010 | 234 393 |
| Nana’s Design | PM-017729 | 17-07-2009 | 14-08-2009 | 16-08-2010 | 271 769 ,14 |

1. For Neuwe Multi Projects , Shibe Interiors and Essel Trading No.3 CC ,it is not possible to determine if the payments were made within 30 days as there is no indication on the invoice when the invoice was received. The difference between the invoice date and payment date is in the vicinity of one year and therefore it highly likely that the invoice was not paid within 30 days.
2. For Motse Interiors, Senex Interiors and Nana’s Design it is clear that the suppliers were not paid within 30 days.

The finding occurred as a result of the fact that:

The payment was not approved by the Bid Adjudication Committee due to various concerns with regards to the invoice.

Impact of the above findings:

1. Non-compliance with Treasury Regulation 8.2.3. with regard to the payments to For Motse Interiors, Senex Interiors and Nana’s Design.
2. Compliance with TR 8.2.3 for the payments to For Neuwe Multi Projects , Shibe Interiors and Essel Trading No.3 CC could not be confirmed.

**Internal control deficiency**

*Leadership*

Management does not effectively establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities

**Recommendation**

1. Payments should be processed speedily without compromising internal controls.
2. If a valid reason exists for delaying a payment, such as a dispute with a supplier, the reason for not paying within the required timeframe must be documented on the supporting documentation and approved by a relevant senior official.
3. A stamp should be made on the invoice when received and the delegated official receiving the invoice should indicate the date received and also sign it.

**Management response**

a) As the audit team is aware that batches and files are with the Special Investigation Unit (SIU), and the department does not and will not have access to those batches and files, the Department is not in a position to agree or disagree with the audit finding relating to these transactions.

b) As the audit team is aware that batches and files are with the Special Investigation Unit (SIU), and the department does not and will not have access to those batches and files, the Department is not in a position to agree or disagree with the audit finding relating to these transactions.

Name: Lesetja Toona

Position: Director: Inspectorate & Compliance

Date: 23/08/2012

**Auditor’s conclusion**

Management’s response is noted. The AGSA had to audit the supporting documentation at the SIU premises in order to avoid a limitation of scope. In the absence of management providing any evidence to contradict the audit findings raised the matters will remain valid and therefore the impact as indicated remains unchanged.

1. **Compliance with laws and regulations - Availability of fraud prevention plan Ex 13**

**Audit finding**

a) PFMA section 38(a)(i) requires that the accounting officer for a department, trading entity or constitutional institution 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;

b) Treasury regulation 3.2.1 requires that: the accounting officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution. A risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit effort and priority, and to determine the skills required of managers and staff to improve controls and to manage these risks. The strategy must be clearly communicated to all officials to ensure that the risk management strategy is incorporated into the language and culture of the institution

The following deviation was noted:

During the planning process a random selection of employees were interviewed in order to determine whether the fraud prevention plan is accessible to all and whether employees are familiar with its contents.  Through discussions it was identified that not only did the employees not have a copy of the fraud prevention plan but they were also unaware of its contents. The officials could also not locate the fraud prevention plan on the intranet of the department.

The finding occurred as a result of the fact that:

a) The communication of the fraud prevention plan is ineffective

b) The fraud prevention plan was therefore not communicated to all officials as required by TR 3.2.1 and the matter was also reported in the 2010-2011 financial year.

The impact of the finding:

a) Non-compliance with National Treasury regulation 3.2.1

b) Non-compliance with PFMA Act

c) The objectives of the fraud prevention plan will not be achieved if officials are not aware of the plan and the content thereof.

**Internal control deficiency**

## Leadership

## Oversight responsibility

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

**Recommendation**

a) The fraud prevention plan should be effectively communicated to all employees and management should ensure that everyone understands the contents thereof.

b) Officials with access the intranet should be informed where to find the fraud prevention plan.

c) For officials who do not have access to the intranet a hard copy should be provided and evidence of the latter should be maintained.

d) Once communication has taken place, internal audit should verify that the department is compliant with Treasury Regulation 3.2.1.

**Management response**

a) On 1 April 2011 a communiqué was issued by the Chief Directorate Communications and Marketing on behalf of the Chief Directorate Internal Audit and Investigations Services to ALL DPW staff members that the “Department has an updated and approved Fraud Prevention Plan that can be accessed via DPW Intranet and/or by requesting a copy from the Fraud Awareness and Investigations Unit at Head Office or the Internal Audit Sections in Regional Offices” (See Attached document), the communiqué went as far as giving a step by step guide as to how to access the Fraud Prevention Plan on the intranet.

b) It is also worth noting that since February 2011 the Directorate Fraud Awareness Unit has conducted up to 22 Fraud Awareness Workshops (which are actually a presentation of the DPW Fraud Prevention Plan) at 9 Regional Offices across the country. Furthermore the Directorate Fraud Awareness and Investigations publishes articles on the in-house Newsletter (Worx-News) informing staff about issues related to Fraud and Corruption within the organization, mechanisms available to staff to report incidents of Fraud and Corruption as well as developing and ensuring that anti-Fraud and Corruption posters are displayed in the Department Buildings including Regional Offices. All the activities detailed above are some of the measures that are put in place by the Directorate to ensure the roll-out of the Departments’ Fraud Prevention Plan and to create awareness about Fraud and Corruption within the Department.

Name:   Tebby Tukisi

Position:  Chief Audit Executive

Date: 5 December 2011

**Auditor’s conclusion**

Cognisance is taken of management’s comment. We also inspected a print out of the email sent to all staff members on 1 April 2011 requesting the staff members to read and familiarise themselves with the fraud prevention plan. The email also states where they can find it.

As officials still indicated that they do not have a copy or are not aware of the content of the fraud prevention plan, management should consider that official should sign a document in acknowledgement that they have the fraud prevention plan and are familiar with the content thereof.

A process must be put in place to ensure that new employees are familiarised with the fraud prevention plan as part of their induction process.

1. **Procurement in terms of TR 16A6.4 not reported to AGSA within 10 working days Ex 22**

**Audit Finding**

Laws, rules and Regulations:

National Treasury Practice Note 6 of 2007/2008 requires that

*“3.1 With effect from the date on which this practice note takes effect, accounting officers and accounting authorities are required to report within ten (10) working days to the relevant treasury and the Auditor-General, all cases where goods and services above the value of R 1 million (VAT included) were procured in terms of Treasury Regulation 16A6.4.”*

The following list of deviations in terms of practice note 6 of 2007/ 2008 was requested by request for information number 95:

a) A list of all deviations reported to NT in terms of Practice Note 6 of 2007/08 for awards above R1 million for which bidding process was not followed. The latter should indicate when the award has been made and when it has been reported to NT.

b) A list of all deviations not reported to NT and the AGSA, within 10 days as required in terms of Practice Note 6 of 2007/08, for awards above R1 million for which bidding process was not followed. The latter should indicate the region where the award was made and the reason for the non compliance.

The following deviations were noted from the information submitted:

a) The following deviations were not timeously reported to the AGSA.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **SERVICE PROVIDER** | **TENDER NUMBER** | **DATE AWARDED** | **DATE SIGNED BY CHIEF DIRECTOR: SCM** | **DATE SENT TO NATIONAL TREASURY AND AUDITOR-GENERAL** | **DATE SUBMITTED TO AGSA** | **R** |
| Carpet & Décor Centre Pretoria (Pty) Ltd | HS11/021 | 23/08/2011 | 01/09/2011 | 07/09/2011  Tracking number:  069903753424 | 12/09/2011 | 2 800 841,41 |
| Khanya Cleaning Services | BL11/003 | 6/29/2011 | Not indicated | Not indicated | 22/02/2012 | 3 081 532,80 |
| **TOTAL** | | | | | | 1. **882 374,21** |

a) The following deviations were not reported to the AGSA although it was indicated on the schedules (shown below) that it were submitted to National Treasury and to the AGSA.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SERVICE PROVIDER** | **TENDER NUMBER** | **DATE AWARDED** | **DATE SIGNED BY CHIEF DIRECTOR: SCM** | **DATE SENT TO NATIONAL TREASURY AND AUDITOR-GENERAL** | **R** |
| Titan Centre of Excellence | HP11/036 | 6/28/2011 | 7/1/2011 | 7/7/2011 | 5 489 510,40 |
| Batsha IT Solutions CC | HP11/39 | 6/15/2011 | 6/30/2011 | 7/7/2011 | 4 777 173,76 |
| Sisonke Global Systems (Pty) LTD | HP11/038 | 6/28/2011 | 7/1/2011 | 7/7/2011 | 1 763 936,82 |
| Julian Gous and Associates cc | HS11/01 | 5/30/2011 | 7/1/2011 | 7/7/2011 | 1 035 000,00 |
| Customised Solutions (PTY) LTD | HP11/041 | 7/6/2011 | 7/11/2011 | 7/13/2011 | 10 731 121,20 |
| First Technology (Pty) Ltd | HP11/037 | 7/12/2011 | 7/14/2011 | 7/15/2011 | 25 462 718,76 |
| E Magubane CC | HP11/079A | 1/26/2012 | 1/31/2012 | 2012/02/01 | 3 600 000,00 |
| **TOTAL** | | | | | 1. **859 460,94** |

b) The following deviation reported to the AGSA was not on the list of deviations submitted with the request for information. It should also be noted that the deviation was also not reported timeously.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SERVICE PROVIDER** | **TENDER NUMBER** | **DATE AWARDED** | **DATE SIGNED BY CHIEF DIRECTOR: SCM** | **DATE SUBMITTED TO AGSA** | **R** |
| Manenche Wa Gono Business consulting | HP11/55 | 8 September 2011 - Signed by Tsietsi Maselwa DD: Legislative Drafting and Contract Administration on behalf of the acting DG: Sam Vukela | 9/8/2011 | 14/10/2011 | 1. 005 262,56 |

c) The following deviations not submitted to the AGSA were not included in the list as requested in paragraph (b) of request for information number 95. Monitoring controls to ensure that all deviations are reported to the AGSA as required by National Treasury Practice Note 6 of 2007/2008 are not effective.

| **SERVICE PROVIDER** | **TENDER NUMBER** | **DATE AWARDED** | **DATE SIGNED BY CHIEF DIRECTOR: SCM** | **DATE SENT TO NATIONAL TREASURY AND AUDITOR-GENERAL** | **R** |
| --- | --- | --- | --- | --- | --- |
| Titan Centre of Excellence | HP11/036 | 6/28/2011 | 7/1/2011 | 7/7/2011 | 5 489 510,40 |
| Sisonke Global Systems (Pty) LTD | HP11/038 | 6/28/2011 | 7/1/2011 | 7/7/2011 | 1 763 936,82 |
| Customised Solutions (PTY) LTD | HP11/041 | 7/6/2011 | 7/11/2011 | 7/13/2011 | 10 731 121,20 |
| First Technology (Pty) Ltd | HP11/037 | 7/12/2011 | 7/14/2011 | 7/15/2011 | 25 462 718,76 |
| E Magubane CC | HP11/079A | 1/26/2012 | 1/31/2012 | 2012/02/01 | 3 600 000,00 |
| **TOTAL** | | | | | **47 047 287,18** |

The finding occurred as a result of fact that:

As per discussion with the Assistant Director: Compliance and Inspectorate it was indicated that head office notifies the AGSA, however he indicated that no controls are available at regional level.

Similar findings were also reported in the 2010-11 financial year. Per inspection of the audit action plan page 30 it was noted that the actions listed below will be implemented by December 2011 to address the issue.

a) Improve monthly reporting

b) Hold managers accountable

Impact of the finding:

a) Non compliance with Practice Note 6 of 2007/2008 and TR16A6.4.

b) The department does not have proper control measures in place to ensure that the deviations are timeously reported to National Treasury and the AGSA.

c) The department may not be aware of all the deviations and may not assess whether they should be considered as being irregular and therefore being included in the irregular expenditure disclosure note.

**Internal control deficiency**

Leadership

The oversight responsibility was not effectively exercised regarding financial and performance reporting and compliance and related internal controls

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 responsibility for the submission of the information to National Treasury and the AGSA must be assigned to an official at head office.

b) Regional managers must be required to submit the information within five working to the responsible official as recommended in paragraph (a).

c) The responsible official should maintain a register tracking the deviation and the submission thereof to both National Treasury and the AGSA. Proof of submissions should be referenced to the mentioned register.

d) Reconciliations between the deviations reported by the regions and head office with the register should be performed to ensure the completeness of the register recommended in paragraph (c).

**Management response**

a) I am in agreement with the finding that the deviations were not reported within the time frames. However the Department has developed measures to ensure compliance to time frames. All deviations must be submitted within 7 days to Head Office in order to submit on time to National treasury and Auditor General. This is in line with the circular issued on 28/09/2011. Over and above this circular relevant templates have been loaded on the paper trail which will allow the regions to load their reports on a weekly basis and also allow the Head Office to monitor reports weekly and do the necessary follow ups.

*Name:* Thabo Tladi

*Position: Director: SCM*

*Date: 28/02/2012*

b) I am not in agreement with the finding, please refer to the attached proof of submission to the National Treasury and Auditor General.

*Name:* Thabo Tladi

*Position: Director: SCM*

*Date: 28/02/2012*

c) I am in agreement with the finding. The deviation was not on the deviation list but was however provided on the list of awards which were submitted. This was therefore an omission. The deviation was not reported on time to AG and National Treasury. However the Department has developed measures to ensure compliance to time frames. All deviations must be submitted within 7 days to Head Office in order to submit on time to National treasury and Auditor General. This is in line with the circular issued on 28/09/2011 (attached). Over and above this circular relevant templates have been loaded on the paper trail which will allow the regions to load their reports on a weekly basis and also allow the Head Office to monitor reports weekly and do the necessary follow ups.

Name: Thabo Tladi

Position: Director: SCM

Date: 28/02/2012

d) I am not in agreement with the finding please see the attached proof of submission to the National Treasury and Auditor General.

*Name: Thabo Tladi*

*Position: Director: SCM*

*Date: 28/02/2012*

**Auditor’s conclusion**

a) Management agrees with the finding. The non compliance will be reported in the audit report.

b) Supporting documentation was obtained that the AGSA and NT were informed about the deviations except in the following instance:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SERVICE PROVIDER** | **TENDER NUMBER** | **DATE AWARDED** | **DATE SIGNED BY CHIEF DIRECTOR: SCM** | **DATE SENT TO NATIONAL TREASURY AND AUDITOR-GENERAL** | **R** |
| First Technology (Pty) Ltd | HP11/037 | 7/12/2011 | 7/14/2011 | 7/15/2011 | 25 462 718,76 |

The following deviations were also not reported to the AGSA and NT within the required ten working days.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SERVICE PROVIDER** | **TENDER NUMBER** | **DATE AWARDED** | **DATE SIGNED BY CHIEF DIRECTOR: SCM** | **DATE SENT TO NATIONAL TREASURY AND AUDITOR-GENERAL** | **R** |
| Batsha IT Solutions CC | HP11/39 | 6/15/2011 | 6/30/2011 | 7/7/2011 | 4 777 173,76 |
| Julian Gous and Associates cc | HS11/01 | 5/30/2011 | 7/1/2011 | 7/7/2011 | 1 035 000,00 |
| **TOTAL** | | | | | **5 812 173,76** |

c) Management agrees with the finding. Matter therefore remains unresolved.

d) Supporting documentation was obtained that the AGSA and NT were informed about the deviations except in the following instance. The matter therefore remains unresolved.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SERVICE PROVIDER** | **TENDER NUMBER** | **DATE AWARDED** | **DATE SIGNED BY CHIEF DIRECTOR: SCM** | **DATE SENT TO NATIONAL TREASURY AND AUDITOR-GENERAL** | **R** |
| First Technology (Pty) Ltd | HP11/037 | 7/12/2011 | 7/14/2011 | 7/15/2011 | 25 462 718,76 |

1. **Compliance with laws and regulations - Risk management committee EX 25**

**Audit Finding**

Laws, rules and legislation:

1. Public Finance Management Act section 38(1)(a)(i) states:

“38(1) *The accounting officer for a department, trading entity or constitutional institution-*

1. *Must ensure that the department, trading entity or constitutional institution has and maintains –*
2. *Effective, efficient and transparent systems of financial and risk management and internal control;”*
3. Treasury Regulations 3.2.1 states:

*“3.2.1 The accounting officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution. A risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit. ”*

1. Approved ERMC charter paragraph 6 states:

*“The ERMC meetings shall be held once every two months and when the Chairman deems it appropriate in order to deal with matters of urgency. The Chairman shall table the ERMC report to the ARMC meetings.”*

The following issue was identified:

Contrary to their charter the ERMC does not have regular meetings. The committee only met once in the 2011/2012 financial year, on 10 February 2012.

The finding occurred as a result of the fact that:

a) As per discussion with the Director: Business Analysis and Risk Management it was noted that the committee was unable to conduct meetings, in accordance with the charter, due to a number of individuals being unavailable.

b) The department did not ensure compliance with the ERMC charter.

Impact of the finding:

Non-compliance with the legislation listed above.

**Internal control deficiency**

Leadership

The leadership of the Department does not exercise oversight responsibility regarding compliance and related internal controls.

**Recommendation**

1. It is recommended that the ERMC conduct meetings in accordance with approved ERMC charter.
2. It is recommended that the ERMC prepare a meeting plan, so that all members are aware of the scheduled meetings in advance and they can make themselves available.

**Management response**

I am in agreement with the finding:

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: | A risk management strategy with a schedule of meetings for the Risk Management Committee has been developed for 2012/13 financial year  The RMC charter has been reviewed and approved and members and chairperson have been appointed already. A date for the next meeting has been set as 20th June 2012 and all members have been informed of such | | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action: | Chief Operations Officer (Acting) | | |
| Estimated completion date for corrective action: | 30 June 2012 | | |
| 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 | Risk management previously did not receive the necessary attention and support from senior management, and was never prioritized | | |

*Name:* Pumza Makubalo

*Position:* Director: Risk Management

*Date:* 01 June 2012

**Auditor’s conclusion**

Management agrees with the finding the matter remains unresolved.

1. **No policies in place** **Ex 26**

**Audit Finding**

Laws, rules and legislation:

Public Finance Management Act Section 3 (1) (a)

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

It was found that the department does not have the following policies in place:

1. Contingent liabilities
2. Accruals and commitments
3. Unauthorised expenditure
4. Related parties
5. Public Private Partnership
6. Financial transactions in assets and liabilities
7. Payables

The finding occurred as a result of the fact that:

Control over policies is not allocated to an overall responsible person, although there is a policy section in the department, the section only addresses external factors that affect the department. This matter has been reported previously and resolution thereof is not receiving the required priority.

Impact of the finding:

1. Non-compliance with the PFMA
2. Without a formal policy it may prove to be difficult to ensure compliance with all the necessary laws and regulations.
3. The absence of policies increases the fraud and error risk.
4. Difficulty in assigning responsibility in the absence of approved updated policies.
5. Inability to hold officials accountable in case of error or negligence.

**Internal control deficiency**

Leadership

The department has not established and communicated policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities.

**Recommendation**

1. The department should implement policies for all account balances and disclosure items which indicate the responsibilities, control objectives and processes at head office as well as regional levels.
2. Management must ensure that the overall responsibility for policies is assigned to ensure policies are appropriately maintained and annually updated.
3. The assigned unit must regularly report to EXCO and the audit committee pertaining to status of policies, thus for example the last time updated, if new policies were compiled whether they have been reviewed and approved, or who still need to approve them.
4. The unit must also determine what measures were put in place to not only ensure that policies are communicated effectively to all relevant officials but also how the implementation thereof will be monitored and who will be responsible for the monitoring thereof.
5. This unit must at least annually assess whether a policy needs to be updated based on changes in legislation and shortcomings identified by internal or external audit.

**Management Response**

Management acknowledge the audit finding, however the department has the following approved policies.

a) Contingent Liabilities policy

b) Write-off policy

c) Financial Statement Frame Work policy which covers the following:

(i) Contingent liabilities

(ii) Accruals and commitments

(iii) Related parties

(iv) Public Private Partnership

(v) Financial transactions in assets and liabilities

(vi) Payables

The Unauthorized Expenditure policy is still in the draft format and it will be approved before the end of the financial year 2011/2012

*Name:* Lesiba Ledwaba

*Position: DD*

*Date 29 February 2012*

**Auditor’s conclusion**

Management response is being perceived as being in agreement with the finding.

a) The contingent liability policy submitted with the response on the finding was approved by the CFO on 23 December 2011. Although the effective date was indicated as being from the date of signature, deviations pertaining to contingent liabilities were still identified in the December 2011 interim financial statements as reported in paragraph 2 above. The financial statements working files framework, approved by the CFO on 20 February 2012, contains the responsibilities for both head office and the regions for the compilation of information to support the financial statements.

b) The debtors’ write off policy approved on 21 May 2002 was submitted with the response to the audit query. It should be noted that this policy was not listed and submitted with the list of policies and indicated in paragraph 83 below. Management must therefore ensure that they have an updated list of all policies and circulars.

c) Management indicated that there is now a draft policy. The latter was not submitted with the response. Matter remains unresolved.

d) The financial statements working files framework, approved by the CFO on 20 February 2012, contains the responsibilities for both head office and the regions for the compilation of information to support the financial statements. The latter specifically make provision for public private partnership transactions.

e) The losses and claims write off policy, approved on 18 February 2002, was submitted with management’s response to the finding. It should be noted that this policy was not listed and submitted with the list of policies and indicated in paragraph 4 below. Management must therefore ensure that they have an updated list of all policies and circulars.

f) The financial statements working files framework, approved by the CFO on 20 February 2012, contains the responsibilities for both head office and the regions for the compilation of information to support the financial statements. The latter specifically make provision for payables.

1. **Financial misconduct: Potential irregularities not being timeously investigated Ex 33**

**Audit Finding**

a) Public Finance Management Act

(i) Section 38(1) (h) state:

*“38 (1) the accounting officer for a department, trading entity or constitutional institution –*

*h) must take effective and appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who —*

*(i) Contravenes or fails to comply with a provision of this Act;*

*(ii) Commits an act which undermines the financial management and internal control system of the department, trading entity or constitutional institution; or*

*(iii) Makes or permits an unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure”*

b) Treasury Regulations - Investigation of alleged financial misconduct

*“4.1.1  If an official is alleged to have committed financial misconduct, the accounting officer of the institution must ensure that an investigation is conducted into the matter and if confirmed, must ensure that a disciplinary hearing is held in accordance with the relevant prescripts and agreements applicable in the public service.*

*4.1.2  The accounting officer must ensure that such an investigation is instituted within 30 days from the date of discovery of the alleged financial misconduct.*

*4.1.3 If an accounting officer is alleged to have committed financial misconduct, the relevant treasury, as soon as it becomes aware of the alleged misconduct, must ensure that the relevant executive authority initiates an investigation into the matter and if the allegations are confirmed, holds a disciplinary hearing in accordance with the prescripts applicable and agreements applicable in the public service”*

The following deviations were noted:

The following non-compliance was identified:

The department has not in all instances instituted investigations within 30 days from the date of discovery of the alleged financial misconduct. Please refer to the tables in paragraphs (a) to (c) below indicating the number of investigations that have not yet been instituted, for each of the financial years listed. This information was extracted from the allegation register compiled by internal audit in a response on request for information number 33.

It is acknowledged that some of the instances for the 2011-2012 financial year may still be within the 30 days from discovery. It is however noted that numerous of them are already outside the 30 days. As indicated in the table in paragraph (d) the values for the cases not started yet, for which amounts were indicated in the allegation register, amounts to R201 830 863,12

1. 2009 - 10 financial year allegations

|  |  |
| --- | --- |
| **Stage** | **Number of instances** |
| Matter referred to Security Services/SAPS/CIDB/SIU/ North West Provincial Government & Kwa-Zulu Natal Provincial Government | 11 |
| Internal Reporting Stage | 9 |
| Final Report issued to Management | 5 |
| Not started | 5 |
| Field Work/ Outsourced | 5 |
| **Total** | **35** |

1. 2010 - 11 financial year allegations

|  |  |
| --- | --- |
| **Stage** | **Number of instances** |
| Final /Memo/Preliminary Reports' Issued to Management | 8 |
| Not started | 11 |
| Matter referred Labour Relations Unit/ SIU | 4 |
| Field Work/ Outsourced | 5 |
| Internal Reporting Stage | 0 |
| **Total** | **28** |

1. 2011 - 12 financial year allegations

|  |  |
| --- | --- |
| **Stage** | **Number of instances** |
| Matter referred to Security Services/Labour Relations Unit/ SIU | 4 |
| Not started | 37 |
| Final Report/Preliminary Memo issued to Management | 4 |
| Field Work/ Outsourced | 11 |
| Internal Reporting Stage | 3 |
| **Total** | **59** |

1. Value of cases not started yet:

For the tables listed in paragraphs (a) to (c) the values of some of the instances which have not yet started were indicated. The values and number of instances per financial year is indicated in the table below:

|  |  |  |
| --- | --- | --- |
| **Financial year** | **Number of instances with a value indicated** | **R** |
| 2009-10 | 5 | 188 051 866,00 |
| 2010-11 | 4 | 12 634 910,00 |
| 2011-12 | 20 | 1 144 087,12 |
| **Total** |  | **201 830 863,12** |

The finding occurred as a result of the fact that:

It was indicated that the aforementioned is due to a lack of capacity and a key official being on extended sick leave.

Potential impact of the findings raised above:

a) Non-compliance with the Treasury Regulations and Public Finance Management Act.

b) Investigations that are not timeously instituted and concluded enhance the risk that, should the allegation proof to be true, irregular practices and misuse of the scarce resources of the Department of Public Works might continue in the intervening period.

c) Funds may not be recoverable from officials if timeous actions are not taken.

d) The extent to which irregular expenditure may be understated cannot be determined.

**Internal control deficiency**

Leadership

a) The department did not implement effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity.

b) The department did not exercise their oversight responsibility regarding financial and performance reporting and compliance and related internal controls

**Recommendation**

a) Management should ensure that all outstanding matters are investigated as a matter of urgency and going forward it must be ensured that investigations are instituted within the legislative deadline of 30 days from discovery.

b) Monthly reports need to be submitted to the Minister pertaining to the progress on all allegations.

c) The outcomes clearly need to be indicated in the report to the Minister. Thus indicating if for example the matter was referred to SAPS, disciplinary actions instigated against officials and money recovered etc.

d) The shortcomings in the internal control system, which resulted in the matters not having been prevented, must be identified. Then the policies and internal control procedures needs to be adjusted to avoid similar instances from reoccurring.

e) Changes in policies need to be timeously approved by the appropriate relevant officials to give effect to the required changes in internal control.

f) A specific monitoring mechanism needs then to be implemented whereby it can be ensured that the shortcomings were sufficiently addressed.

g) Strict actions need to be taken against officials who then do not adhere to the implemented controls.

h) The audit committee should also be informed pertaining to the status of investigations.

**Management response**

a) The Directorate Fraud Awareness and Investigations appointed the services of three (3) Service Providers during August 2011 to capacitate the Unit. It should be noted that due to the Unit having been faced with a challenge of addressing a huge backlog going as far back as the 2009/10 financial year, this had an impact on its ability to address current issues. Furthermore, the recruitment process to fill vacancies for the two Assistant Directors Investigations that were vacated during 2010 has since been concluded and the incumbents assumed duty on 01 July 2011 and 01 August 2011 respectively. There is also a gap left by the Director: Fraud Awareness and Investigations who is still on leave sick since December 2010 to date. This position has now been advertised in December; the recruitment process has therefore commenced. The Internal Audit and Investigations Chief Directorate submission for proposed structure is en route to Senior Management for consideration, which aims at capacitating the Unit to enable it to deal with reported matters timeously.

It should also be noted that the Unit is experiencing a high staff turn-over; currently the Deputy-Director and the Assistant Director Investigations have tendered their resignation; this will and has an adverse impact on the Units performance.

It is also our view that the impact amounts captured on the Register are not a true reflection of the monetary effect of matters reported as in many instances after the investigation has been conducted and concluded, the impact amount tends to vary from those reported.

b) Furthermore the total amount of R201, 830,863.12 as monetary figure for cases not yet started is largely influenced by one case reported from Cape Town Regional Office, whereby it was that reported that a tender was “awarded fraudulently” to a certain construction company. The impact amount is captured in the Register as R182, 133,065.33. Our review of the allegations report indicated that the matter was actually an alleged misrepresentation by the successful bidder. The award of the tender was challenged in court by one of the unsuccessful bidders. Based on the above statement, the Unit’s view was to allow for the court process to run its course prior to us commencing with an internal enquiry. Our Legal Services Unit will be approached to assist in obtaining progress on this matter and should it be deemed necessary this matter will be out-sourced as a matter of urgency to one of our current service providers on board.

c) Progress report on investigations is submitted ExCo and Audit and Risk Management Committee (ARMC) meetings. The ARMC file is also submitted to Executive Authority for information. The frequency of submission can however, be increased.

d) The investigation reports which recommend any disciplinary action are further submitted to Labour Relations and/or Legal Services for further action. The Register is updated regularly with progress. Engagements with Labour Relations Unit will be increased to ensure more frequent update of the Register and thereby enhancing monitoring.

Name: Tebogo Tukisi

Position: Chief Audit Executive

Date: 06 December 2011

**Auditor’s conclusion**

Although management did not specifically indicate whether they agree or not with the finding, management’s response is perceived as being in agreement with the finding. Although cognisance is taken of management’s comment the department must ensure that they comply with all relevant laws, rules and regulations. The non compliance will be reported in the audit report. The extent to which irregular expenditure may be understated cannot be determined until the investigations are completed.

1. **Compliance with laws and regulations: Updated list of policies Ex 72**

**Audit finding**

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

(i) Section 40(1)

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

*(a) must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;”*

(ii) Section 41

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

(iii) Section 38

*“The accounting to implement effective, efficient and transparent systems of financial management.”*

b)  Treasury Regulations 17.2.1 states:

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

*i) information relating to one financial year – for one year after the audit report for the financial year in question has been tabled in Parliament or the provincial legislature; or*

*ii) information relating to more than one financial year – for one after the date of the audit report for the last of the financial years to which the information relates.”*

Deviations pertaining to policies:

a) During the 2010-2011 financial it was reported that policies are not regularly updated to include amongst others new or revised circulars on an annual basis. As part of the audit action plans it was also indicated that policies will be updated.

b) A list of policies and circulars was requested and received with request for information number seven and was received from the CFO on 3 November 2011. Based on the request issued this list also indicates the control measures put in place to ensure adherence to the policy or circular.

c) To assess the progress pertaining to the updating of policies and procedures and consequently addressing some of the deviations reported in the 2010-2011 audit, an updated list of policies in addition to request for information number seven was requested with request for information number 96 on 9 February 2012 and was due on 13 February 2012, however as at 14 February 2012, the list has not yet been provided.

d) The following were noted pertaining to the list of policies submitted by the CFO on 03 November 2011.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (i) For the following policies, circulars and rules and regulations issued by the department there was no indication of which control and monitoring measures were put in place to ensure adherence thereto.   | **Name of Policy** | **Description of policy or circular** | **Status:  Draft Approved and implemented Approved but not yet implemented** | **Date Approved** | **Unit** | | --- | --- | --- | --- | --- | | Circular No 7 of 2010 | Specimen Signatures | Approved and Implemented | 19/02/2010 | System controller | | Circular 25 of 2011 | Exclusion list of items that the department will not regard as assets | Approved and Implemented | 18/08/2011 | SCM Movable assets | | Circular No 8 of 2010 | Authentication of Payments on BAS (DWPV3) | Approved and Implemented | 19/02/2010 | System controller | | Supply Chain Management | SCM Circular 12 of 2009/2010 | Approved and implemented | 29/04/2008 | SCM Logistics | | Performance Mgt Dev | Performance Mgt Dev | Approved and implemented | 29/01/2008 | HRD | | Internal Security policy | Internal Security Policy | Approved and Implemented | Not indicated | Security | | Electronic Communication | Electronic Communication | Approved and Implemented | Not indicated | IT | | SCM Circular 3of 2008/2009 | Role of Legal Service Officials at Bid Com | Not indicated | 03/10/2008 | IT | | Prescription of debts Circular no.28 of 2010 | Prescription of debts | Approved and implemented | 18/02/2011 | Finance | | Movable Asset Management Policy | Movable Asset Management Policy | Approved and implemented | 07/02/2011 | SCM Movable Asset | | Parking Policy | Parking Policy | Approved and Implemented | Not indicated | Security | | Email Policy | Not indicated | Approved and Implemented | Not indicated | IT | | Email Rules and Regulations | Not indicated | Approved and implemented | 28/09/2010 | IT | | Electronic Communication Policy | Internet/Intranet Usage policy | Approved and implemented | Not indicated | IT | | Notebook Policy | Purchase and Allocation of PC's and laptops | Approved and implemented | 6/7/2005 | IT | | Quality of Service Policy | Quality of Service on the Virtual Private Network | Approved and implemented | 10/1/2010 | IT | | Circular 13 of 2011 | Implementation of a compliance certificate by all DPW officials - movable assets | Approved and implemented | Not indicated | SCM Movable assets | | Property Management Specific Operation | Property Management Specific Operation | Approved and implemented | 26/11/2009 | PMRS | | Circular 33 of 2011 | Circular 33 of 2011 | Approved and implemented | 23/01/2007 | PMRS | | Out Door advertising on state owned properties | Out Door advertising on state owned properties | Approved and implemented | 01/02/2011 | PMRS | | Property sector charter | Property sector charter | Draft | Not indicated | PMRS | | Screening Strategy | Screening Strategy | Approved and Implemented | Not indicated | Security | | DPW Security Strategy | DPW Security Strategy | Approved and Implemented | Not indicated | Security | | Information Security Policy | Information Security Policy | Approved and Implemented | Not indicated | Security | | Procedure to Release Documents | Procedure to Release Documents | Approved and Implemented | Not indicated | Security | | Circular No. 29 of 2009 | Supporting Documents- and actions that must be attached/performed before any request or submissions could be forwarded to the Regional, National and Special Bid Adjudication Committees | Approved and implemented | Not indicated | SCM Procurement | | Circular No. 2 of 2007 | Supply chain management committee | Approved and implemented | Not indicated | SCM Procurement | | Circular No. 12 of 2011 | Property Management Written Directive required regarding the application of the Property Industry Principle of paying for leased accommodation when you occupy | Approved and implemented | 29/04/2011 | PMRS | | BEE Strategy | BEE Strategy MinMec | Approved and implemented | 2007 | PMRS | | Business Processes | Property Management Business Processes | Approved and implemented | 6/2/2007 | PMRS | | Debtors Management Policy | Debtors Management Policy | Approved and implemented | 4/4/2008 | PMRS | | Demolition of State Owned Building Policy | Demolition of State Owned Building Policy | Draft | Not indicated | PMRS | | Immovable asset disposal Policy | Immovable asset disposal Policy | Draft | Not indicated | PMRS | | State Official Residential Accommodation Policy | State Official Residential Accommodation Policy | Draft | Not indicated | PMRS | | Letting of non-core Space Policy | Letting of non-core Space Policy | Draft | Not indicated | PMRS | | Green Building Policy Framework | Green Building Policy Framework | Draft | Not indicated | PMRS | | circular 16 of 2011 | Actual expenditure in respect of subsistence | Approved and Implemented | 31/05/2011 | SCM Logistics | | Circular 22 of 2011 | National Treasury instruction note on enhancing compliance monitoring & improving trans | Approved and Implemented | 30/06/2011 | SCM Procurement |   (ii)   The supply chain management policy of the department was approved on 29 April 2008. According to the schedule of policies submitted the circulars indicated in the table below were issued and are currently effective pertaining to SCM. The SCM policy was therefore not updated although the completeness of irregular expenditure could not be confirmed for the financial years 2009-10 and 2010-2011.   |  |  |  |  | | --- | --- | --- | --- | | **Name of Policy** | **Description of policy or circular** | **Date Approved** | **Name and rank of the official/(s) who approved the policy/ circular** | | Supply Chain Management | SCM Circular 12 of 2009/2010 | 29/04/2008 | DG - Manye Moroka | | SCM Guide No 6 | Verification of Tax Clearance | 07/10/2011 | T Tabane | | SCM Guide No 4 | Reporting deviations to N Treasury | 15/09/2011 | TT Tabane | | SCM Circular 47 of 2010/2011 | Certificated of Bid Determination & Aug | 2/10/2010 | T Tabane | | SCM Circular 30 of 2011 | Training of SCM officials on revised PPPFA | 24/08/2011 | TT Tabane | | SCM Circular 46 of 2010/2011 | Guidelines in respect of Bids | 14/10/2010 | T Tabane | | SCM Circular 21 of 2010 | Implementation of Proquote | 29/04/2010 | Cathy Motsisi | | SCM Circular 25 of 2010 | Procurement outside Invitation of Competitive Bids | 29/04/2010 | T Tabane | | SCM Circular 37 of 2010/2011 | Prohibition Status | 13/08/2010 | T Tabane | | SCM Circular 11of 2009/2010 | Procurement Directives over R20 million | 25/05/2009 | NS Malebye | | SCM Circular 12 of 2009/2010 | Procurement Directives over R20 million | 26/11/2009 | T Tabane | | SCM Circular 1of 2007 | Validity period for approved(Procurement S | 01/08/2007 | T Motsoeng | | SCM Circular 4 of 2006 | Implementation of CIBD regulation | 16/10/2006 | T Motsoeng | | Circular No. 29 of 2009 | Supporting Documents- and actions that must be attached/performed before any request or submissions could be forwarded to the Regional, National and Special Bid Adjudication Committees | Not indicated | Not indicated | | Circular No. 2 of 2007 | Supply chain management committee | Not indicated | Not indicated | | Circular 22 of 2011 | National Treasury instruction note on enhancing compliance monitoring & improving trans | 30/06/2011 | Cathy Motsisi | |  |  |  |  |  |  |  |  |  |

The finding occurred as a result of the fact that:

a) The department is still acquiring the information pertaining to the updated policy register.

b) Control over policies is not allocated to an overall responsible person, although there is a policy section in the department, the section only addresses external factors that affect the department.  This matter has been reported previously and resolution thereof is not receiving the required priority.

c) The high turnover of leadership may also have contributed as some policies were updated that were not approved and therefore not implemented.

Similar matters pertaining to policies and circulars were also reported in the prior year.

Impact of the finding:

a) The progress made in the current year pertaining to the updating of policies could not be confirmed.

b) The numerous instances of non-compliance identified during the 2010-2011 audit is may be indicative that officials may not be aware of all changes effected to policies after the original policy was approved.

c) Increased risk of fraud and error.

d) Difficulty in assigning responsibility in the absence of approved updated policies.

e)  Policies may not be relevant as they are not annually reviewed.

f)  In the absence of proper monitoring controls officials may not adhere to policies.

g)  Policies may not adhere to the latest changes in laws, rules, regulations and practice notes issued by National Treasury.

**Internal control deficiency**

Leadership

The department has not established and communicated policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities.

Financial and performance management

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

b)  Management must ensure that the overall responsibility for policies is assigned to ensure policies are appropriately maintained and annually updated.

c)  The assigned unit must regularly report to EXCO and the audit committee pertaining to status of policies, thus for example the last time updated, if new policies were compiled whether they have been reviewed and approved, or who still need to approve them.

d)  The unit must also determine what measures were put in place to not only ensure that policies are communicated effectively to all relevant officials but also how the implementation thereof will be monitored and who will be responsible for the monitoring thereof.

e) This unit must at least annually assess whether a policy needs to be updated based on changes in legislation

**Management response**

a) I am not in agreement an updated list of new delegations, policies and circulars is attached herewith for your attention. The delay was caused by collating information from various units within various branches in the Department. It therefore requires more than the three days turnaround time collate the information.  (See Annexure A)

Name:   Lesetja Toona

Position:  Director: Inspectorate & Compliance

Date: 23 February 2012

b) I am in agreement with the finding for the following reasons;

Key controls and monitoring mechanisms have now been included. (See Annexure B)

| **Name of Policy** | **Description of policy or circular** | **Status:  Draft Approved and implemented Approved but not yet implemented** | **Date Approved** | **Unit** | **Comment/key controls** |
| --- | --- | --- | --- | --- | --- |
| Circular No 7 of 2010 | Specimen Signatures | Approved and Implemented | 19/02/2010 | System controller | No BAS requests are being dealt with without the approved specimen signatures. |
| Circular 25 of 2011 | Exclusion list of items that the dept will not regard as assets | Approved and Implemented | 18/08/2011 | SCM Movable assets | Internal control: DCC form completed by user before procurement of any asset. Annexure A Monitoring: Project plan. Annexure B that regions need to report on the monitoring Acquisition plan against expenditure. Annexure C |
| Circular No 8 of 2010 | Authentification of Payments on BAS (DWPV3) | Approved and Implemented | 19/02/2010 | System controller | All payments are being signed off on a daily basis and monitored by the System Controller |
| Supply Chain Management | SCM Circular 12 of 2009/2010 | Approved and implemented | 29/04/2008 | SCM Logistics | Compliance officials |
| Performance Mgt Dev | Performance Mgt Dev | Approved and implemented | 29/01/2008 | HRD | The policy is not updated randomly, it will only be updated once there is a gap to close or once there is a need. Currently the amended policy has been sent to DBC and once there is concurrence, it will be send to the Minister for signing |
| Internal Security policy | Internal Security Policy | Approved and Implemented | 2006 | Security | The internal security policy is currently under review |
| Electronic Communication | Electronic Communication | Approved and Implemented | Not indicated | IT | Standards and procedure to be followed for allocation of laptops |
| SCM Circular 3of 2008/2009 | Role of Legal Service Officials at Bid Com | Not indicated | 03/10/2008 | SCM | Compliance officials |
| Prescription of debts Circular no.28 of 2010 | Prescription of debts | Approved and implemented | 18/02/2011 | SCM | Establishment of loss management committee |
| Movable Asset Management Policy | Movable Asset Management Policy | Approved and implemented | 07/02/2011 | SCM Movable Asset | Workshop conducted to all Regional Asset Managers. Monitoring: Project plan that regions need to report on all asset management key activities. Annexure D |
| Parking Policy | Parking Policy | Not Approved | N/A | Security | Waiting approval by relevant authorities |
| Email Policy | Not indicated | Approved and Implemented | Not indicated | IT | Automatic prohibition of access to unauthorized site. Disclaimer paragraph included to protect DPW |
| Email Rules and Regulations | Not indicated | Approved and implemented | 28/09/2010 | IT | Content controls - permissible and non-permissible content |
| Electronic Communication Policy | Internet/Intranet Usage policy | Approved and implemented | Not indicated | IT | Standards and procedure to be followed for allocation of laptops |
| Notebook Policy | Purchase and Allocation of PC's and laptops | Approved and implemented | 6/7/2005 | IT | Standards and procedure to be followed for allocation of laptops |
| Quality of Service Policy | Quality of Service on the Virtual Private Network | Approved and implemented | 10/1/2010 | IT | SITA network monitoring tool |
| Circular 13 of 2011 | Implementation of a compliance certificate by all DPW officials - movable assets | Approved and implemented | Not indicated | SCM Movable assets | Workshop conducted to all Regional Asset Managers where it was communicated that they needed to ensure that all users sign the compliance certificate. Monitoring: project plan that regions need to report on the monitoring cycle and verification process. Annexure E |
| Property Management Specific Operation | Property Management Specific Operation | Approved and implemented | 26/11/2009 | PMRS | Regional Managers oversight/property Forums/ workshop/training/regional visits |
| Circular 33 of 2011 | Circular 33 of 2011 | Approved and implemented | 23/01/2007 | PMRS | CD: Property & Facilities Management oversight/Regions |
| Out Door advertising on state owned properties | Out Door advertising on state owned properties | Draft |  |  | Not implemented yet |
| Property sector charter | Property sector charter | Draft | Not indicated | PMRS | Not implemented yet |
| Screening Strategy | Screening Strategy | Not approved but implemented in line with the Minimum Information Security standards (MISS) and other security prescripts of NIA | N/A | Security | Waiting approval by relevant authorities |
| DPW Security Strategy | DPW Security Strategy | Not approved but implemented in line with the Minimum Information Security standards (MISS) and other security prescripts of NIA | N/A | Security | Waiting approval by relevant authorities |
| Information Security Policy | Information Security Policy | Not approved but implemented in line with the Minimum Information Security standards (MISS) and other security prescripts of NIA | N/A | Security | Waiting approval by relevant authorities |
| Procedure to Release Documents | Procedure to Release Documents | Not approved but implemented in line with the Minimum Information Security standards (MISS) and other security prescripts of NIA | N/A | Security | Waiting approval by relevant authorities |
| Circular No. 29 of 2009 | Supporting Documents- and actions that must be attached/performed before any request or submissions could be forwarded to the Regional, National and Special Bid Adjudication Committees | Approved and implemented | Not indicated | SCM Procurement | compliance |
| Circular No. 2 of 2007 | Supply chain management committee | Approved and implemented | Not indicated | SCM Procurement | Compliance officials |
| Circular No. 12 of 2011 | Property Management Written Directive required regarding the application of the Property Industry Principle of paying for leased accommodation when you occupy | Approved and implemented | 29/04/2011 | PMRS | Regional Managers oversight/Property Management Forums/ workshop/training by PMRS/regional visits by PMRS |
| BEE Strategy | BEE Strategy MinMec | Approved and implemented | 2007 | PMRS | Regional Managers oversight/Property Management Forums/ workshop/regional visits by PMRS/request reports from Regions |
| Business Processes | Property Management Business Processes | Approved and implemented | 6/2/2007 | PMRS | Regional Managers oversight/Property Management Forums/ workshop/regional visits by PMRS |
| Debtors Management Policy | Debtors Management Policy | Approved and implemented | 4/4/2008 | PMRS | Regional Managers oversight/Property Management Forums/ workshop/regional visits by PMRS |
| Demolition of State Owned Building Policy | Demolition of State Owned Building Policy | Draft | Not indicated | PMRS | Not implemented yet |
| Immovable asset disposal Policy | Immovable asset disposal Policy | Draft | Not indicated | PMRS | Not implemented yet |
| State Official Residential Accommodation Policy | State Official Residential Accommodation Policy | Draft | Not indicated | PMRS | Not implemented yet |
| Letting of non-core Space Policy | Letting of non-core Space Policy | Draft | Not indicated | PMRS | Not implemented yet |
| Green Building Policy Framework | Green Building Policy Framework | Draft | Not indicated | PMRS | Not implemented yet |
| circular 16 of 2011 | Actual expenditure in respect of subsistence | Approved and Implemented | 31/05/2011 | SCM Logistics | All S&T claims are paid in accordance with rates as specified in the circular. |
| Circular 22 of 2011 | National Treasury instruction note on enhancing compliance monitoring & improving trans | Approved and Implemented | 30/06/2011 | SCM Procurement | Compliance officials |

Name:   Lesetja Toona

Position:  Director: Inspectorate & Compliance

Date: 23 February 2012

c) I am not in agreement with the finding for the following reasons;

Departmental Circulars communicate and effect policy and amendments that may be from time to time be required as a result of legislative and/or regulatory changes.  As such they form part of and augment the policy regime of the Department.

The SCM Guides seek to provide guidance, clarify and operationalize within the Department the National Treasury Practice Notes and Instructions that are also issued from time to time as well as Departmental Policy Provisions.

The completeness of irregular expenditure may not therefore be necessarily always ascribed to the policies that may or may not be updated.

The DPW engaged in a process in 07 November 2011 to review, streamline and consolidate the SCM Policy, Directives and Delegations (cf. Annexure A).  That process also reviewed all the National Treasury Practice Notes from 2003 to 2011 to incorporate them where applicable in either of the SCM Policy or SCM Directives (cf. Annexure B).

The reviewed draft SCM Policy and SCM Delegations has been processed through the Departmental policy approval route!

Name:   Thabo Tladi

Position:  Director: SCM

Date:   01 March 2012

**Auditor’s conclusion**

a) The updated schedule of policies was provided on 7 March 2012. The following were noted pertaining to the new schedule submitted.

(i) It is not evident why the following documents were now duplicated on the schedule

| **Name of Policy** | **Description of policy or circular** | **Date Approved** |
| --- | --- | --- |
| Corporate Credit Card | Corporate Credit Card | 22/10/2010 |
| Cellular Telephone Policy | Cellular Telephone Policy | 28/03/2008 |
| Stores and Inventory | Stores and Inventory | 12/05/2008 |
| International Travel and Subsistence | International Travel and Subsistence | 12/05/2008 |
| Domestic Subsistence | Domestic Subsistence | 12/05/2008 |
| Domestic Travel | Domestic Travel | 31/10/2008 |
| Subsidised Vehicles | Subsidised Vehicles | 24/11/2008 |
| Car Allowance for Middle Managers | Car Allowance for Middle Managers | 10/06/2011 |
| Car Allowance for Senior Managers | Car Allowance for Senior Managers | 12/05/2008 |
| Entertainment | Entertainment | 24/11/2008 |
| Fleet Management | Fleet Management | 11/06/2011 |
| Logis User Account | Logis User Account | 10/08/2011 |
| circular 16 of 2011 | Actual expenditure in respect of subsistence | 31/05/2011 |

(ii) When we made follow ups pertaining to the delegations of the department we were referred to the following circulars which do not appear on the policies list:

| **Name of Policy** | **Description of policy or circular** | **Date Approved** |
| --- | --- | --- |
| Circular 34 of 2011 | Amendments to the delegations regarding approval of deviations from the supply chain management process | 9 November 2011 |
| Circular 54 of 2011 | Procurement approval goods and services and leasing | 20 December 2010  Approved by the then acting DG: Mr. Sam Vukela |
| SCM Circular no 4 of 2007-08 | The threshold values for the procurement of goods, works and services by means of petty cash, written quotations and open bids/tenders | Approved by chief director Mr. T Motsoeneng on 11 April 2008 |

(iii) The following policies submitted with the response to communication number 26 pertaining to policies were not included on the list:

| **Name of Policy** | **Description of policy or circular** | **Date Approved** |
| --- | --- | --- |
| Contingent liabilities | The contingent liability policy | 23 December 2011. |
| Debt write off policy | The debtors’ write off policy | 21 May 2002 |
| Financial Statement Frame Work policy | The framework covers the following:  (i) Contingent liabilities  (ii) Accruals and commitments  (iii) Related parties  (iv) Public Private Partnership  (v) Financial transactions in assets and liabilities  (vi)Payables | 20 February 2012 |
| Unauthorised expenditure policy | Although it was indicated in the response to finding 26 that the latter is still in draft and will be approved before the end of the 2011-2012 financial year the latter was not included in the updated list provided |  |

(iv) Annexure B mentioned in management’s response in paragraph b)ii) above referred to the following circulars with the comments as indicated by management. As indicated with the [\*], various of these circulars were not included in the updated list of policies and circulars submitted on 7 March 2012. It should further be noted that based on management’s comments the necessary requirements are not yet included in the supply chain management policy despite the fact that some circulars were issued as early as 2004.

| **NT practice note /circular** | **DPW circular** | **Comments by DPW management** |
| --- | --- | --- |
| Practice note SCM 4 of 2003: Code of conduct for supply chain practitioners | SCM guide of 2011/2012  [\*] | Code of conduct is in the policy but does not detail what is expected of the SCM officials |
| Practice note SCM 1 of 2004:  Tax clearance certificates | Procurement circular no. 4 of 2004 [\*] | Not included in the policy |
| Practice note SCM 3 of 2004: Monthly reporting of SCM information | Procurement circular no 8 of 2004: Monthly reporting of SCM information [\*] | Not included in the policy but the instructions is implemented. Awards are reported on NT PCI system |
| Practice note 2 of 2005: Threshold values of procurement for goods and services | Procurement circular no. 1 of 2005 [\*] and procurement circular no. 2 of 2005: Threshold values of the procurement of goods and services [\*] | Not included |
| Practice note SCM 5 of 2006: Restriction of suppliers/ augmentation of general conditions of contract | National Treasury Practice Note SCM 5 of 2006: Restriction of suppliers/ augmentation of general conditions of contract [\*] and SCM circular 1 of 2007 | Not included |
| Practice note SCM 1 of 2006: Tax clearance certificates | SCM circular no. 2 of 2006  [\*] | Not included |
| Practice note 2 of 2006: Prohibition of set-asides and the use of cost estimates | Procurement circular no 2 of 2006 [\*] | Not included |
| Construction industry development regulations, 2004 | SCM circular no 4 of 2006 | Included |
| Practice note SCM 4 of 2003:  Code of conduct on SCM practitioners | Code of conduct for Bid Adjudication Committee | Not included |
| SCM circular dated 23 April 2007: Threshold values for procurement of goods and services | SCM circular 1 of 2008-09  [\*] | Not included |
| Practice note dated 21 July 2010: Prohibition of restricted practices | SCM circular 47 of 2010-2011: Prohibition of restricted practices | Not included |
| SCM circular dated 12 July 2010: Verifying prohibition status of the recommended bidder prior to award | SCM circular 25 of 2010-2011: Verifying prohibition status of the recommended bidder prior to award | Not included |
| Practice note 6 of 2007-08: Procurement of goods and services by means other than competitive bidding | SCM circular 25 of 2010-2011: Reporting of procurement goods and services by means other than competitive bidding and SCM guide 4 of 2011-2012 | Not included |
| Instruction note dated 3 September 2010: The amended guidelines in respect of bids that include functionality as a criterion for evaluation | SCM circular 46 of 2010-2011: The amended guidelines in respect of bids that include functionality as a criterion for evaluation | Not included |
| National Treasury Instruction note on enhancing compliance monitoring and improving transparency and accountability in supply chain management | SCM guide 1 of 2011-2012: Template for budget confirmation in terms of circular 2 of 2011 as issued by National Treasury | Not included withdrawn by NT circular dated 28 September 2011 |
| Practice note no 11 of 2008-09: unsolicited proposals | Though a circular was not issued advice on such matters are dealt with in compliance to the note | Not included |
| Practice note 5 of 2009/2010:  Procurement through the Site Information Technology Agency (SITA) and accountability of accounting officers/ authorities | Implemented however an internal circular was not allocated | Not included |
| Practice note SCM 5 of 2005: Training of SCM officials | **Not implemented, no circular was issued** | Not included |
| National Treasury practice note 4 of 2008/2009 irregular expenditure | An irregular expenditure policy was issued on 2 June 2011 | The department has a separate policy for irregular expenditure |
| Supply Chain Management circular postponing implementation of certain paragraphs in instruction note 32 dated 31 May 2011 related to enhancing compliance monitoring and improving transparency and accountability in supply chain management. (SCM) | The National Treasury Note was circulated, however an internal circular number was not allocated | Not included |
| CIDB Practice note # 21 August 2010: Bill of quantities | The CIDB note was circulated, however and internal circular number was not allocated | Not included |
| CIDB Practice Note #18 June 2009: Cancellation of tenders | The Practice Note is implemented, however not circular was issued | Not included |

[\*] – Not included in the updated schedule of applicable policies and circulars

(v) The policies or circulars listed below were added. The following were noted:

- The approval date indicated for some is future dates that still need to come

- Although it was indicated that copies were submitted with the response to

the audit query, the latter did not occur

- It is noted that the department indicated that they have a draft policy for irregular and fruitless and wasteful expenditure, given the matters raised in the prior two financial years it is a concern that a policy has not yet been approved and therefore not implemented.

- It is noted that the department indicated that they have compiled a management of losses policy but that it is still a draft. The latter was not submitted. Given the losses written off by the department in the prior year of R54,86 million it is a concern that a policy has not yet been approved and implemented.

| **Name of Policy** | **Description of policy or circular** | **Status:**  **Draft Approved and implemented Approved but not yet implemented** | **Date Approved** | **Unit** | **The last date the policy has been updated** |
| --- | --- | --- | --- | --- | --- |
| Circular 33 of 2012 | Actual expenditure in respect of subsistence | Approved and Implemented | 31/05/2012 | SCM Logistics | 31/05/2012 |
| Circular 34 of 2012 | National Treasury instruction note on enhancing compliance monitoring & improving trans | Approved and Implemented | 30/06/2012 | SCM Procurement | 30/06/2012 |
| Internal Audit & Investigations Services Charter | Authority; Roles & Responsibilities of the Internal Audit & Investigation Unit. | Approved and Implemented | 27/09/2011 | Internal Audit & Investigations Services Chief Directorate | 27/09/2011 |
| Audit & Risk Management Committee Charter | Authority; Roles & Responsibilities of the Audit & Risk Management Committee | Approved and Implemented | 27/09/2011 | Committee Secretariat: CD Internal Audit & Investigations | 27/09/2011 |
| Fraud Prevention Strategy | Fraud and corruption prevention measures in place within DPW. identifies fraud and corruption risks that must be addressed and which could jeopardise the successful implementation of Fraud Prevention Strategy, and achievement of the DPW goals. | Approved and Implemented | 09/12/2010 | CD Internal Audit & Investigations | 01/05/2010 |
| Management of Losses | Management of Losses | Draft | Not yet | Inspectorate & Compliance | N/A |
| Directive: Irregular and Fruitless expenditure | Directive: Irregular and Fruitless expenditure | Draft | Not yet | Inspectorate & Compliance | N/A |
| Circular 35 of 2011 | Reimbursement of kilometers | Approved and implemented | 14/12/2011 | SCM Logistics | 14/12/2011 |
| Records Management | Management of Departmental Records | Approved but not yet implemented | 31/01/2012 | SCM Logistics | NEW |
| Postal and Courier Services | Postal and courier services | Approved but not yet implemented | 21/02/2012 | SCM Logistics | NEW |

b)i) Although management indicated in their response to the finding the control measure implemented to ensure adherence to the circular or policy, this information was not documented in the updated schedule of policies and procedures.

b)ii) It is acknowledged that the it is necessary to issue circulars to ensure that laws, rules and regulations are timeously implemented, but policies must be regularly, at least once a year be updated. These updates should also address weaknesses identified both by internal and external audits.

Annexure B referred to in management comment paragraph b)(ii) above was included under the auditors conclusion paragraph a)(iv) above. This annexure further emphasise the need to update the SCM policy.

Difficulty was again experienced in the current financial year to obtain the delegations of the department and circulars that changes those delegations. The following demonstrate the effort to date to obtain the delegations of the department:

| **Date** | **Action** |
| --- | --- |
| 31 January 2012 | Requested updated delegations for the period 1 April 2011 to 31 March 2012.  The delegations to approve journals should be included.  Requested with request for information number 83 |
| 7 February 2012 | Only PFMA delegations of 2005 was submitted |
| 7 February 2012 | Mail to CFO indicated the following:  Requested assistance from CFO as difficulties were also experienced in the prior year.  The HR and SCM delegations as well as any other delegations were requested. It was indicated that this must include HR and any other financial delegations. It was also indicated that the latter will be forwarded to the regions as well. |
| 13 February 2012 | SCM delegations approved on 29 April 2005 was submitted |
| 15 February 2012 | ASC meeting 15 February 2012  The CFO confirmed that the following delegations were approved and are being used by the department:   * SCM delegations approved on 29 April 2009 * PMFA delegations approved on 17 January 2005 |
| 15 February 2012 | After the ASC meeting received SCM circulars numbers 33 and 34 which affects the delegations of the department |
| 15 February 2012 | Mail to CFO  Requested to confirm that the only delegations that were in place for the 2011-2012 financial year was the following once as indicated in the ASC meeting today.  PFMA    - Approved on 17 January 2005  SCM       - Approved on 29 April 2009  Please confirm that the only changes to these delegations were the following:   * Circular 33 of 2011 – withdrawal of procurement delegation – Withdrawal of property and prestige procurement delegation in the department * Circular 33(a) of 2011 – withdrawal of procurement delegation – Withdrawal of property and prestige procurement delegation in the department * Circular 34 – approval of deviations – signed by the CFO |
| 20 February 2012 | CFO confirms with e- mail that the only changes made to the delegations in the current financial year are circulars 33 and 34.  Confirmation that there were no other changes to the delegations since the approval thereof. Therefore of both the SCM and the PFMA was requested from the CFO |
| 23 February 2012 | Request for information number 63 was issued by the PMTE team. In the response they were referred to:   * SCM Circular 11 of 2009/10. This circular pertain to the procurement of goods and services above the threshold of R20 million. * The aforementioned circular made reference to circular 4 of 2007/08 - This circular was not listed in the list of policies and circulars and could not be provided by officials responsible for the day to day procurement in PMTE. The matter was raised at the audit steering committee of 5 March 2012 and was subsequently provided on 6 March 2012. * SCM Circular 54 of 2010/11. This circular was not listed on the list of policies and circulars provided, nor was it indicated in the confirmation of the applicable delegations. * It should further be noted that circular 54 of 2010/11, dated 20 December 2010, all circulars in terms issued in terms of procurement approvals for goods and services and leasing are repealed. It is therefore not evident how reference to circulars before this one could be made? |

1. **Compliance with laws and regulations: Review of interim financial statements Ex 131**

**Audit Finding**

Laws, rules and legislation:

PFMA paragraph 40(3)(a) states:

*“The annual report and audited financial statements referred to in subsection (1)(d) must -*

*(a) fairly present the state of affairs of the department, trading entity or constitutional   
 institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned;*

The following has been identified upon inspection of the annual financial statements:

Upon inspection of the interim financial statements, for the interim period ending 30 September 2011, it has been identified that there is no documented evidence to confirm that the schedules supporting the disclosure note relating to commitments has been reviewed.

However, it has been acknowledged that the commitment schedules supporting the financial statements for the year ending 31 March 2012 has been reviewed accordingly.

It must however be ensured that implemented control are effectively applied throughout the year.

Potential impact of the findings raised above:

The disclosure note relating to commitments for the interim period ending 30 September 2011 may not be fairly presented.

Reason for the deviation:

The deviation arose as there is no documented audited trail to evidence the fact that the disclosure note has been reviewed.

**Internal control deficiency**

*Leadership*

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

*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**

Management should ensure that schedules submitted for interim audit purposes are reviewed in order to ensure that the interim financial statements are fairly presented.

**Management response**

I am in agreement with the finding for interim period ending 30 September 2011, that there were no documented evidence to confirm that the schedules supporting the disclosure note relating to commitments was reviewed, however it is part of the department audit action plan to review all schedules and ensure that all inputs disclosed are supported by documents. The action plan was implemented during 31 December 2011 interim, and its evidenced that audit action plan was implemented successfully as the Office of the Auditor General also acknowledged that the commitment schedules supporting the financial statements for the year ending 31 March 2012 has been reviewed accordingly.

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  | x |
| If yes, what corrections will be made to the population | N/A | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | |
| Position of official responsible to take corrective actions | N/A | |
| Estimated completion date for corrective action | N/A | |

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

*Name:* Khathutshelo Mashapha

*Position: Deputy Director*

*Date: 02 July 2012*

**Auditor’s conclusion**

Management agrees with the finding. Although there were evidence of review being performed at year end, material errors were found. Evidence of review of interim financial statements will be followed up in the next year’s audit.

1. **Financial misconduct: Suspension not finalised timeously Ex 216**

**Audit finding**

In terms of Treasury Regulation chapter 4. Financial misconduct Chapter 4.1 Investigation of alleged financial misconduct [Sections 85 (1) (b), (c) and (d) of the PFMA]

*a) Chapter 4.1.1  If an official is alleged to have committed financial misconduct, the accounting officer of the institution must ensure that an investigation is conducted into the matter and if confirmed, must ensure that a disciplinary hearing is held in accordance with the relevant prescripts and agreements applicable in the public service.*

*b) Chapter 4.1.2 the accounting officer must ensure that such an investigation is instituted within 30 days from the date of discovery of the alleged financial misconduct.*

The following deviation was noted:

The department currently has eight employees who are on suspension with pay for more than 30 days. The longest suspension period is 18 months and the prolonged suspensions periods did not appear to be reasonable in the circumstances.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Name** | **Office** | **Rank** | **Nature of misconduct** | **Date of the suspension** | **Current status** | **Amount paid for the year** |
| **1** | Semamani SD | Johannesburg R/O | Snr AO | Unlawful benefit from service provider | 13/10/2011 | Disciplinary Hearing in progress | 103 486,20 |
| **2** | Moagi TT | Johannesburg R/O | Snr AO | Unlawful benefit from service provider | 13/10/2011 | Disciplinary Hearing in progress | 116 613,00 |
| **3** | Samuel R | Head Office | DDG | Failure to disclose financial  benefits from service providers | 12/10/2011 | Disciplinary Hearing in progress | 434 889,60 |
| **4** | Nxumalo COM | JHB | DD | Abuse of power, sexual harassment and poor treatment of employees | 24/01/2012 | Pending approval of the charges | 111 531,90 |
| **5** | Madinda L | Polokwane R/O | Snr AO | Intimidation (threatened to kill the supervisor) | 08/02/2012 | Pending approval of the sanction | 32 593,00 |
| **6** | Mashiane OV | PTA R/O | Director | Contravened procurement procedures | Dec-12 | Disciplinary Hearing in progress | 207 493,20 |
| **7** | Vukela S | Head Office | DDG | Unfair suspension | Sep-11 | Arbitration hearing in progress | 533 269,10 |

**Total 1 539 897, 00**

The finding occurred as a result of the fact that:

The accounting officer did not ensure that disciplinary hearings were held in all cases where financial misconduct was confirmed as required by Treasury Regulations 4.1.1.

The impact of the finding:

The department is paying the salary to the employees who are not rendering any service which might result in fruitless and wasteful expenditure.

**Internal control deficiency**

Leadership

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

**Recommendation**

The department should prioritize finalization of the suspension cases to ensure that the officials do not get paid for the services which they are not rendering for to the department.

**Management response**

I am not in agreement with the findings in respect of the number of suspended employees for the following reasons:

a) The number of employees who were placed on precautionary suspension for the financial year ended 2012-03-31 are 7 (seven) and not 8 (eight) as indicated on the findings.

b) Not all employees on precautionary suspension have committed acts of financial misconduct.

c) The protracted suspension is largely caused by the forensic nature of investigation approach done by SIU [and supply the following/attached information in support of this]:

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? |  | | No |
|  | |  |
| If yes, what corrections will be made to the population? |  | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | Director | | |
| Estimated completion date of corrective action: |  | | |
| Does management agree with the root cause indicated |  | No | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | Prolonged investigation by SIU | | |

Name: Mr G.P Makhubela

Position: Director: Labour Relations Management

Date: 05 July 2012

**Auditor’s conclusion**

The finding will remain in the management until the above cases are finalised by SIU.

1. **Compliance with laws and regulations: Risk Assessment Not finalised Ex 225**

**Audit finding**

In terms of Treasury Regulation 3.2.1:

*"The accounting officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution. A risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit effort and priority, and to determine the skills required of managers and staff to improve controls and to manage these risks. The strategy must be clearly communicated to all officials to ensure that the risk management strategy is incorporated into the language and culture of the institution"*.

The following finding was noted:

The risk assessment process for 2011/12 financial year has not been finalised.

The finding occurred as a result of the fact that:

The accounting officer did not ensure that a risk assessment is conducted in accordance with legislated requirements on an annual basis to identify emerging risks of the entity.

Impact of the finding:

a) The response to the risk questionnaire documents were not obtained from all senior management.

b) In the absence of a proper system for managing risk, the entity is not able to detect and manage risks in the department which could result in fraudulent activities therefore resulting in unauthorised, fruitless and wasteful and irregular expenditures

**Internal control deficiency**

Governance

The department did not implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored.

**Recommendation**

a) The risks per the risk register should be monitored and reviewed regularly; the risk register should be updated on a regular basis.

 b) The risk register should be completed in full, to ensure understandability.

 c) For all risks that are eliminated of the risk register there should be detailed explanations documented.

**Management response**

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

Risk assessments were done for the 2011-12 financial year as this is evidenced by the signed risk registers.

The risk registers are completed in full with all the required information see attached risk registers

The previous risk registers were revised to reflect risks, impact and root causes. This could mean that certain items which were previously listed as risk are actually control weaknesses. This was done to improve the quality of the risk register information

A risk management strategy was developed for 2011-12 financial year and presented to EXCO together with the high risks of the Department. This was minuted on the EXCO minutes of 26 May 2011 and these were later presented to ARMC on 27 May 2011

The risk assessment process also includes the assessment of IT risks and an IS risk register is available to support this

The risk assessment process also includes fraud risks that are applicable the Department and these are also assessed as part of the annual risk assessment process

The risk assessment process is conducted once every year for each region and business unit and followed up by a risk monitoring process which is also done once a year

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | |  |
| If yes, what corrections will be made to the population? |  | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action |  | | |
| Estimated completion date of corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name:   Pumza Makubalo

Position:  Director

Date: 29 June 2012

**Auditor’s conclusion**

The copy of the assessment report not provided to the auditors and the matter will remain in the management until the assessment report is submitted to the auditors.

1. **Compliance with laws and regulations - IYM not submitted timeously to NT Ex 12**

**Audit finding**

Laws, rules and regulations

PFMA section 40(4) (c) states:

*“40(4) the accounting officer of a department must-*

*(c) Within 15 days of the end of each month submit to the relevant treasury and the executive authority responsible for that department-*

*(i)  the information for that month;*

*(ii) a projection of expected expenditure and revenue collection for the remainder of the current financial year; and*

*(iii) when necessary, an explanation of any material variances and a summary of the steps that are taken to ensure that the projected expenditure and revenue remain within budget.”*

The following deviation was noted:

The following in year monitoring (IYM) reports for National Treasury (NT) were not approved and submitted within 15 days of the end of each month:

|  |  |  |
| --- | --- | --- |
| **Period** | **Date Approved** | **Date Submitted to NT** |
| April 2011 | 20 May 2011 | 27 May 2011 |
| May 2011 | 21 June 2011 | 24 June 2011 |
| June 2011 | 20 July 2011 | 20 July 2011 |
| July 2011 | 17 August 2011 | Not signed by NT |
| August 2011 | 20 September 2011 | 27 September 2011 |
| September 2011 | 17 October 2011 | 27 October 2011 |

The above is non-compliant with the PFMA.

**Internal control deficiency**

## Leadership

## Oversight responsibility

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

**Recommendation**

*a) The report should be approved and submitted to NT within 15 days of the end of the month in line with the PFMA.*

*b) All reports that have not been approved with 10 days of the end of the month should be followed up to ensure that they are approved and submitted to NT timeously.*

**Management response**

I acknowledging the finding for the following reasons must be noted:

The reports were submitted electronically to Treasury using data file format as developed by National treasury. Data file format is using to ensure reports are submitted to Treasury in time in case the signed are delayed.

Copies of the proof the reports were submitted to Treasury on time are attached.

Name: Aaron Mazibuko

Position: Director

Date: 1 October 2011

**Auditor’s conclusion**

Although cognisance is taken of management’s comment it is evident from the dates of the mails to National Treasury that the information was not timeously submitted to National Treasury. It is further also of concern that information is submitted to National Treasury without being appropriately being approved by the relevant officials of the department.

|  |  |  |  |
| --- | --- | --- | --- |
| **Period** | **Date Approved** | **Date Submitted to NT per Register (Hard Copy)** | **Date Submitted to NT per E-Mail** |
| April 2011 | 20 May 2011 | 27 May 2011 | 24 May 2011 |
| May 2011 | 21 June 2011 | 24 June 2011 | 15 June 2011 |
| June 2011 | 20 July 2011 | 20 July 2011 | 15 July 2011 |
| July 2011 | 17 August 2011 | Not signed by NT | 15 August 2011 |
| August 2011 | 20 September 2011 | 27 September 2011 | 16 September 2011 |
| September 2011 | 17 October 2011 | 27 October 2011 | 17 October 2011 |

1. **Annual financial statements: Difference between Excel annual financial statement and Word annual financial statement ex 78**

**Audit Finding**

Laws, rules and legislation:

a) PFMA paragraph 40(3) (a) states:

*“The annual report and audited financial statements referred to in subsection (1) (d) must -*

*(a) fairly present the state of affairs of the department, trading entity or constitutional   
institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned;*

b) Directive: Financial statements working files framework paragraph 9.1

“*The financial statements are compiled by the Deputy Director Financial Reporting and checked by the Director Financial Accounting. The Directorate Incorporate and compliance will be responsible for reviewing the financial statements and submitting to the CFO for the final review.”*

The following deviations between the Excel template and the Word financial statements submitted were noted:

a) Contingent liabilities and contingent assets – disclosure note 29.1 per Excel template and disclosure note 19.1 per the Word financial statements:

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Excel** | **Word** | **Difference** |
| **2011/2012** | | |
| **R'000** | **R'000** | **R'000** |
| Other departments (interdepartmental unconfirmed balances) | 25 123 | 23 131 | 1 992 |
| Total | 43 497 | 42 311 | 1 186 |

b) Receivables for department revenue written off – disclosure note 34.2 per the Excel template and disclosure note 24.2 per the Word financial statements

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Excel** | | **Word** | **Difference** |
| **2010/11** | | | |
| **R'000** | **R'000** | **R'000** | |
| Loss of revenue | 0 | 678 | (678) | |
| Total | 0 | 678 | (678) | |

c) Details of irregular expenditure - current year disclosure note 35.2 per the Excel template and disclosure note 25.2 per the Word financial statements

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Excel** | **Word** | **Difference** |
| **2011/12** | | |
| **R'000** | **R'000** | **R'000** |
| Procurement processes not followed | 25 650 | 25 250 | 400 |
| Total | 25 650 | 25 250 | 400 |

d) Immovable tangible capital assets disclosure note 45 per the Excel template and disclosure note 34 per the Word financial statements

1. Disposals

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **EXCEL** | **Word** | **Difference** |
| **2011/12** | | |
| **R'000** | **R'000** | **R'000** |
| Land and subsoil assets – sub- total | 0 | 3 154 | (3 154) |
| Land | 0 | 3 154 | (3 154) |
| Total immovable tangible capital assets | 0 | 3 154 | (3 154) |

1. Closing balance

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **EXCEL** | **Word** | | **Difference** | |
| **2011/12** | | | | |
| **R'000** | | **R'000** | | **R'000** |
| Land and subsoil assets | 54 640 | | 51 486 | | 3 154 |
| Land | 54 640 | | 51 486 | | 3 154 |
| Total immovable tangible capital assets | **4 116 798** | | **4 113 644** | | 1. **154** |

f) Statement of conditional/ unconditional grants paid to municipalities Disclosure note 45 per the Excel template and disclosure note 37 per the Word financial statements - re-allocations by National Treasury or national department

| **Description** | **Excel** | **Word** | **Difference** |
| --- | --- | --- | --- |
| **2010/11** | | |
| **R'000** | **R'000** | **R'000** |
| Hessequa | 580 | - | 580 |
| John Taolo Gaetsewe District Municipality | 8 768 | - | 8 768 |
| John Taolo Gaetsewe District Municipality – disclosed on a separate line | - | 8 768 | (8 768) |
| Ngomazi | - | 580 | (580) |
| Nkomazi | 580 | - | 580 |
| Total | 624 156 | 622 996 | 1 160 |

g) Annexure 1A – Statement of conditional grants paid to municipalities – Division of Revenue act

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Excel** | **Word** | **Difference** |
| **2010/11** | | |
| **R'000** | **R'000** | **R'000** |
| Hibiscus Coast | 0 | 580 | (580) |
| Westrand District Municipality | 0 | 580 | (580) |
| Total | 622 416 | 622 996 | (580) |

h) Annexure 1C - Statement of transfers to departmental agencies and accounts – Appropriation Act

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Excel** | **Word** | **Difference** |
| **2010/11** | | |
| **R'000** | **R'000** | **R'000** |
| Construction Industry Development Board | 59 269 | 63 665 | (4 396) |
| Council For the Build Environment | 24 155 | 25 527 | (1 372) |
| Property Management Trading Entity | 588 411 | 612 967 | (24 556) |
| Construction Seta | 1 807 | 1 201 | 606 |
| Parliamentary Village Man Board | 6 607 | 6 982 | (375) |
| Independent Development Trust |  | - | 0 |
| Total | 680 249 | 710 342 | 1. 093) |

i) Annexure 1F - Statement of transfers to foreign government and international organisations – Appropriation Act

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Excel** | **Word** | **Difference** |
| **2010/11** | | |
| **R'000** | **R'000** | **R'000** |
| Commonwealth War Graves | 17 467 | 13 863 | 3 604 |
| Total | 17 467 | 13 863 | 3 604 |

j) Annexure 1H - Statement of transfers to households – Appropriation Act

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Excel** | **Word** | **Difference** |
| **2010/11** | | |
| **R'000** | **R'000** | **R'000** |
| Households | 4 650 | 5 577 | (927) |
| Total | 4 650 | 5 577 | (927) |

The finding occurred as a result of the fact that:

a) The finance department did not update excel annual financial statement in time for the final changes made by the department.

b) The prior year’s balance on the annexure annual financial statement (AFS) were wrongly recorded by the capture of the excel AFS, the Words financial statements are correctly recorded as they were captured from the prior year’s financial statements.

Differences between the Excel and Word financial statements were also reported in the prior year. The previous CFO implemented the Directive: Financial statements working files framework to ensure that the financial statements are properly reviewed. The procedures were not effective as the differences reported above were not detected by the review process.

Impact of the finding:

a) Non-compliance with PFMA paragraph 40(3) (a) as inaccurate financial statements was submitted.

b) Contingent liabilities may be understated with R1, 186 million.

c) Receivables for department revenue written off may be overstated with R678 000.

d) Irregular expenditure may be understated with R390 000.

e) Immovable tangible capital assets disposals may be understated with R3, 154 million.

f) Statement of conditional/ unconditional grants paid to municipalities - re-allocations by National Treasury or national department may be understated with R1, 16 million pertaining to the 2010-2011 financial year.

g) Conditional grants paid to municipalities – Division of Revenue Act of the 2010-2011 financial year may be overstated with R580 000.

h) Transfers to departmental agencies and accounts – Appropriation Act – 2010-2011 may be overstated with R30, 093 million.

i) Transfers to foreign government and international organisations – Appropriation Act 2010-2011 may be understated with R3, 604 million.

j) Transfers to households – Appropriation Act – 2010-2011 may be overstated with R927 000.

**Internal control deficiency**

*Leadership*

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

**Recommendation**

1. Management should disclose the correct transactions and amounts on their Excel and Word annual financial statement for current and prior years.
2. The differences should be investigated and it should be determined why the review process did not pick up these differences to ensure that they were corrected prior to the submission of the financial statements.
3. Management should indicate if they are going to correct the financial statements. If the latter is the case then the proposed changes needs to be attached to the management comment.

**Management response**

a) I am in agreement with the finding and word document has been adjusted accordingly.

See annexure A

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
| x |  |
| If yes, what corrections will be made to the population | Adjustments are made | |
| 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 | DD: Financial Reporting | |
| Estimated completion date for corrective action | Already done | |

|  |  |  |
| --- | --- | --- |
| **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. | oversight | |

b) I am not in agreement with the finding because there is a narrative note of which reference should be made to it. The narrative note is on the excel template indicating reasons why excel was not updated with the amount in question.

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  | x |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |

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

1. I am in agreement with the finding and word document is adjusted accordingly.

See annexure B

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
| x |  |
| If yes, what corrections will be made to the population | Word document is adjusted | |
| 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 | DD: Financial Reporting | |
| Estimated completion date for corrective action | Already done | |

|  |  |  |
| --- | --- | --- |
| **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. | oversight | |

1. I am in agreement with the finding and excel template is adjusted accordingly. See annexure C

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
| x |  |
| If yes, what corrections will be made to the population | Adjustment will be made | |
| 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 | DD: Financial Reporting | |
| Estimated completion date for corrective action | Already done | |

|  |  |  |
| --- | --- | --- |
| **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. | oversight | |

1. I am in agreement with the finding and the word document is adjusted accordingly.

See annexure D

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
| x |  |
| If yes, what corrections will be made to the population | Adjustment will be made | |
| 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 | DD: Financial Reporting | |
| Estimated completion date for corrective action | Already done | |

|  |  |  |
| --- | --- | --- |
| **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. | oversight | |

1. I am in agreement with the finding and excel template is adjusted accordingly. See annexure E

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
| x |  |
| If yes, what corrections will be made to the population | Adjustment will be made | |
| 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 | DD: Financial Reporting | |
| Estimated completion date for corrective action | Already done | |

|  |  |  |
| --- | --- | --- |
| **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. | oversight | |

1. I am in agreement with the finding and excel template is adjusted accordingly. See annexure F

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
| x |  |
| If yes, what corrections will be made to the population | Adjustment will be made | |
| 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 | DD: Financial Reporting | |
| Estimated completion date for corrective action | Already done | |

|  |  |  |
| --- | --- | --- |
| **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. | oversight | |

1. I am in agreement with the finding and excel template is adjusted accordingly. See annexure G

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
| x |  |
| If yes, what corrections will be made to the population | Adjustment will be made | |
| 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 | DD: Financial Reporting | |
| Estimated completion date for corrective action | Already done | |

|  |  |  |
| --- | --- | --- |
| **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. | oversight | |

1. I am in agreement with the finding and excel template is adjusted accordingly. See annexure H

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
| x |  |
| If yes, what corrections will be made to the population | Adjustment will be made | |
| 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 | DD: Financial Reporting | |
| Estimated completion date for corrective action | Already done | |

|  |  |  |
| --- | --- | --- |
| **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. | oversight | |

*Name:* Mandla Sithole

*Position: Director Financial Accounting*

*Date: 16/07/2012*

**Auditor’s conclusion**

1. Management agrees with the finding. The adjustment was made to the financial statements and the error therefore corrected. The reviewers of the financial statements must however ensure that information is correctly disclosed and that the Word and Excel template agree.
2. It was confirmed that the comment was inserted in the Excel template. Matter is therefore considered to be resolved.
3. Management agrees with the finding. The adjustment was made to the financial statements and the error therefore corrected. The reviewers of the financial statements must however ensure that information is correctly disclosed and that the Word and Excel template agree.
4. Management agrees with the finding. The adjustment was made to the financial statements and the error therefore corrected.
5. Management agrees with the finding. The adjustment was made to the financial statements and the error therefore corrected.
6. Management agrees with the finding. The adjustment was made to the financial statements and the error therefore corrected.
7. Management agrees with the finding. The adjustment was made to the financial statements and the error therefore corrected.
8. Management agrees with the finding. The adjustment was made to the financial statements and the error therefore corrected.
9. Management agrees with the finding. The adjustment was made to the financial statements and the error therefore corrected.
10. Management agrees with the finding. The adjustment was made to the financial statements and the error therefore corrected.
11. **Compliance with laws and regulations - No policy on skills retention Ex 15**

**Audit finding**

Public Finance Management Act Section 38(1) (a) (i):

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

The following deviation was noted:

It was found that the department does not have a policy on skills retention and monitoring in place to ensure that skilled and competent staff are retained and assessed.

The finding occurred as a result of the fact that:

Control over policies (including ensuring that policies are established for all significant business processes, implemented and adherence thereto is monitored) is not allocated to an overall responsible person. Although there is a policy section in the department, this section only addresses external factors that affect the department.  This matter has been reported previously and resolution thereof is not receiving the required priority.

Impact of the finding:

a) Non-compliance with the PFMA.

b) Without a formal policy on skills retention and monitoring the department might unnecessarily lose critical members of staff at a time when the department is already suffering from a resource problem, especially in the area of scarce skills.

**Internal control deficiency**

Leadership

The department has not established and communicated policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities.

**Recommendation**

a) The department should implement policies for all significant business processes, including skills retention and monitoring, which indicate the responsibilities, control objectives and processes at head office as well as regional levels.

b)  Management must ensure that the overall responsibility for policies is assigned to ensure policies are appropriately maintained and annually updated.

c)  The assigned unit must regularly report to EXCO and the audit committee pertaining to status of policies, thus for example the last time updated, if new policies were compiled whether they have been reviewed and approved, or who still need to approve them.

d) The unit must also determine what measures were put in place to not only ensure that policies are communicated effectively to all relevant officials but also how the implementation thereof will be monitored and who will be responsible for the monitoring thereof.

e)  This unit must at least annually assess whether a policy needs to be updated based on changes in legislation and shortcomings identified by internal or external audit.

**Management response**

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

However,

a) The department has been and is continuing to retain and counter offer employees especially within the scarce skills occupations. The Department has also implemented the Occupational Specific Dispensation (OSD) for scares skills positions and professionals. The Department continues to consider and review salaries for officials with skills and knowledge who have been identified by Line Managers for purposes of skills retention.

b) Although the Department has not yet finalised its retention policy but all retentions and counter offers are done in line with Part V c.3 of the Public Service Regulations, 2001 as amended. A draft retention policy is in place and currently being improved. The policy will be fast tracked for finalisation in line with the prescripts and guidelines by the Department of Public Service and Administration (DPSA).

**NOTE:** This management comment is addressing specifically audit findings and recommendations (a) on retention policy.

Name:   Chance Zaba

Position:  Director: HR Planning and Recruitment

Date: 2 March 2012

**Auditor’s conclusion**

The department agrees with the finding therefore this finding is valid and will be reported in the management report.

1. **Compliance with laws and regulations - Late submission of reports to National Treasury Ex 31**

**Audit finding**

PFMA section 40(4) (c) states:

*“40(4) The accounting officer of a department must-*

*(c) within 15 days of the end of each month submit to the relevant treasury and the executive authority responsible for that department-*

*(i) the information for that month;*

*(ii) a projection of expected expenditure and revenue collection for the remainder of the current financial year; and*

*(iii) when necessary, an explanation of any material variances and a summary of the steps that are taken to ensure that the projected expenditure and revenue remain within budget.”*

The following deviation was noted:

a) The following monthly bank reconciliations were not submitted to National Treasury (NT) within set due dates

|  |  |  |
| --- | --- | --- |
| **Period** | **Due Date** | **Date Submitted to NT** |
| May 2011 | 15 June 2011 | 23 June 2011 |
| June 2011 | 15 July 2011 | 20 July 2011 |

b)  The following compliance certificates for National Treasury (NT) were not approved and submitted within set due dates

|  |  |  |  |
| --- | --- | --- | --- |
| **Period** | **Due Date** | **Date Approved** | **Date Submitted to NT** |
| April 2011 | 17 May 2011 | 31 May 2011 | 2 June 2011 |
| May 2011 | 15 June 2011 | Unknown | Unknown |
| June 2011 | 15 July 2011 | 5 October 2011 | 6 October 2011 |
| July 2011 | 15 August 2011 | 5 October 2011 | 6 October 2011 |
| August 2011 | 15 September 2011 | 5 October 2011 | 6 October 2011 |
| September 2011 | 15 October 2011 | Unknown | 15 November 2011 |

The finding occurred as a result of the following:

There are no monitoring controls in place to ensure that the reports to National Treasury are submitted timeously.

Impact of the finding:

The late submissions indicated above constitute non-compliance with the PFMA.

**Internal control deficiency**

## Leadership

## Oversight responsibility

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

**Recommendation**

a) The information stipulated in the PFMA section 40(4) (c) should be approved and submitted to National Treasury within set deadlines and as per the PFMA.

b)  All reports that have not been approved within 10 days should be followed up to ensure that they are approved and submitted to NT timeously.

c) Consequence management should be implemented for non-adherence with laws and regulations, especially if non-compliance becomes a trend as it has in this case.

**Management response**

a) Management acknowledges the audit finding.

The department encountered challenges in completing the bank reconciliation for May and June 2011. However the department has since resolved the challenge and the submission dates from July 2011 to January 2012 have been complied with.

b) Management acknowledge the audit finding

The department received a disclaimer opinion, in the previous financial year 2010/2011. After the opinion management had to introduce monitoring and evaluation mechanisms to ensure that compliance certificates reflect the true picture of the department level of compliance with applicable Acts, rules and regulation. This amongst other interventions included the introduction of working files to ensure that all the transactions of an institution are supported by authentic and verifiable source documents, clearly indicating the approved accounting allocation, ensuring that sources of the transactions are readily identifiable and amounts included in clearing or suspense accounts are cleared and correctly allocated to the relevant cost centres. The process employed to review and scrutinize these reports caused delays in terms of complying with Treasury reporting dates for the month under review

However the department has since improved the process and is currently meeting the deadlines set by Treasury as can be seen in the submission of compliance certificate for the month of January 2012

Name:   Nompumelelo Maimela

Position:  DD REPORTING

Date: 01 March 2012

**Auditor’s conclusion**

Management agrees with the finding therefore this finding remains valid and will be reported in the management letter

1. **Compliance with laws and regulations : Information system steering committee meetings- Ex 103**

**Audit Finding**

The terms of reference of the information system steering committee meetings, approved by the then director general, Mr. S Dongwana, on 15 December 2010, requires the following:

a) Paragraph 3 – composition of the committee

*“The Chairperson of the committee shall be the Chief Operations Officer. The co-ordinating official shall be the Chief Director Information Services in the Department of Public Works who, by their office, is one officials of the committee,”*

b) Paragraph 4 - responsibilities and activities of the committees

“4.1 Investments

*The committee shall perform the following activities within the limits of its delegated authority by the EXCO:*

*4.1.1 Approve the criteria and guidelines for IT capital budgeting in line with the MTEF.*

*4.1.2 Approve all IT projects that require capital expenditure*

*4.1.3 Evaluate and approve Business Cases according to the standard project selection criteria for new IT projects.”*

*4.2 The committee will approve and monitor capital/investment expenditure of*

*IS Chief Directorate according to the delegated authority by EXCO and shall:*

*4.2.1 Support the requests for procurement of IT equipment and software application with a value of R1 million.*

*4.2.1 Approve and enforce IT policies that have capital/investment implications*

*4.2.3 Ensure that funds are secured for new IT projects that are of priority to the Department of Public Works objectives, in an event IS budget is not sufficient.*

*4.3 The committee will perform a financial oversight and monitoring role on strategic projects in execution.”*

*4.4 The committee will fulfil a review role for IT projects in operation as well as completed projects to ensure that investments achieve the benefits envisaged.*

* 1. *The committee shall conduct a self-evaluation of its performance and effectiveness at least once a year.*

b) Delegation of authority

*“5.1 The committee is authorised by the DG to approve investment expenditure relating to IT equipment and applications.*

*5.2 The chairperson of the committee shall account and report to EXCO on activities of the committee, and shall make recommendations to the EXCO concerning adoption of policies, procedures, recommendation and any other matters arising from the above responsibilities.”*

c) Code of conduct

*“The chairperson and members of the IS Steering Committee shall ensure the following practices are adhered to at all times:*

*6.4 Lack of consensus is referred to EXCO for ruling*

*6.5 Attendance of the committee meetings is mandatory”*

d) Meeting of the committee

*“7.1.2 The meetings shall take place at least once a month*

*7.2 Quorum*

*The quorum for decisions of the committee shall be at least 6 members in total, consisting of the chairperson plus 5 members”*

*7.3 Attendance*

*The chairperson of the committee shall nominate an alternative in the event he/she cannot attend a meeting/”*

The following matters pertaining to the information service steering committee meetings were noted:

a) The meetings did not occur at least once a month as required by paragraph 7.1.2 of the terms of reference. Up until the end of December 2011 only the minutes of 25 May 2011 and 22 June 2011 was submitted.

1. It was noted from the minutes of 25 May 2011 and 22 June 2011 that the COO was not attending the information service steering committee meetings and was therefore also not chairing them as required by paragraph 3.3 of the terms of reference. Paragraph 6.5 states that the attendance of the meetings is mandatory. It is acknowledged that paragraph 7.3 does allow for instances where the chairperson of the committee cannot attend that he or she can nominate an alternative.

It is however not evident how the COO can effectively discharged of his functions if he does not attend these meetings.

The aforementioned may result in the committee not effective in performing responsibilities assign to it.

**Internal control deficiency**

Due to the unavailability of a permanent COO and frequent changes in leadership, the COO was not available to chair the committee

**Recommendation**

a) The committee must meet regularly, at least once a month, as required by the terms of reference.

b) The COO or acting COO should attend the meetings on a regular basis to effectively discharge of his responsibility as assigned by this terms of reference.

**Management response**

a) IS management is in agreement with the findings. The matter has been raised with the acting COO and is being rectified

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

*Name:* Masutu Ramatlotlo

*Position: Director IT Projects*

*Date: 22 June 2012*

*Name:* Kobedi Matsafu

*Position: Director IT Applications*

*Date: 22 June 2012*

b) IS management is in agreement with the findings. The matter has been raised with the acting COO and is being rectified.

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

*Name:* Masutu Ramatlotlo

*Position: Director IT Projects*

*Date: 22 June 2012*

*Name:* Kobedi Matsafu

*Position: Director IT Applications*

*Date: 22 June 2012*

**Auditor’s conclusion**

a) Management agrees with the finding. This matter will be followed up in the next year’s audit to ensure that the corrective action as indicated was implemented.

b) Management agrees with the finding. This matter will be followed up in the next year’s audit to ensure that the corrective action as indicated was implemented.

1. **Deviations from supply chain management requirements –Maphale Motuba– Pretoria regional office Ex 177**

**Audit Finding**

Laws, rules and legislation:

a) Practice note 8 of 2007/8 paragraph 3.3.2:

*3.3.2 Where no suitable suppliers are available from the list of prospective suppliers, written price quotations may be obtained from other possible suppliers.*

b) In terms of the Preferential Procurement Policy Framework Act No. 5 Of 2000 section 2(1):

*a) A preference point system must be followed*

c) The Preferential Procurement Policy Regulations, GNR 725 of 10 August 2001 paragraph 3(1) states that:

*“The following formula must be used to calculate the points for price in respect of tenders(including price quotations) with a rand value equal to, or above R30 000 and up to a rand value of R1 000 000 (all applicable taxes included)*

*Where*

**

*Ps = Points scored for price of tender under consideration*

*Pt = Rand value of offer tender consideration*

*Pmin = Rand value of lowest acceptable tender”*

1. Supply chain management policy paragraph 49 states:

*“A supplier is a provider of goods or services, which meets the criteria of the Department, is registered on the Department’s supplier register and who is able to perform services or provide goods for the Department. The Department will only contract with suppliers registered on the supplier register. Suppliers to be registered on the Departments supplier register include consultants, professional and specialist service providers, and general goods and service providers.”*

The deviations listed below relate to the procurement of curtains. Please see the table below for information on the payment selected for testing:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Beneficiary name** | **FANO Number** | **Amount awarded and spent in current year** | **Date** | **R** |
| **Maphale Motuba Creations CC** | 169144 | R34 130 | 2011/09/30 | 2 250,00 |

a) The following suppliers who provided quotations were not listed on the department’s prospective supplier list:

1. MJBX
2. Sehlahlane Projects
3. Ledor Creations

No documentation was provided indicating the reasons for soliciting quotations from suppliers not listed on the prospective supplier list. There are currently 198 service providers listed on the prospective supplier list who could supply linen. As a result the department was not allowed to apply practice note 8 of 2007/8 paragraph 3.3.2, which clearly indicates it is only applicable in instances where no suitable suppliers are available on the supplier list.

b) There was no indication that the above payment batch has been evaluated in accordance with the preference point system as there was no PA20 (Scoring model) attached to the payment batch.

The finding occurred as a result of the fact that:

a) As per discussion with ASD: Finance (Mpho Selepe), Mr Selepe indicated that, all quotations for prestige are done at head office and as a result head office personnel are responsible for the choice of suppliers Therefore he does not understand why some of the suppliers chosen are not on the prospective supplier list as regional office only deals with the payment.

b) The official delegated to approve the acceptance of the quotation did not ensure that all required documentation were received to indicate compliance to the supply chain management requirements and the departmental procedure. Preventative controls to ensure all required documentation is obtained prior to the incurring of the cost and monitoring controls to ensure that the department complied with relevant laws, rules and regulations were not effective.

Matters pertaining to the supplier database were also raised in the prior financial year. On page 29 of the National Department of Public Works management action plan relating to the audit report for the year ending 31 March 2011, management indicated that they will improve the controls around the use of suppliers on the supplier database. The target date has been indicated as June 2012.

It has been indicated in the action plan that the controls pertaining to the updating of the supplier database has been improved. All deviations are first interrogated by the Director of Supply Chain before approval is given. The target date for the aforementioned actions was December 2011. This date is however after the date that this expense was incurred.

Impact of the finding:

a) Non-compliance with Practice Note 8 of 2007/2008,

b) Risk of payments being awarded to favoured suppliers.

c)     Increased risk of bribery and fraudulent activities.

d) Non-compliance with the Preferential Procurement Policy Framework Act No. 5 of 2000 and the Preferential Procurement Policy Regulation GNR 725 may potentially result in irregular expenditure of R34 130.

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

a) The department should request quotations from suppliers on the supplier register.

b) In cases where the suppliers per the supplier register is unable to provide the goods desired the department may then request quotations from other suppliers after the appropriate approval has been obtained.

c) Reasons as to why quotations were obtained from suppliers not on the supplier data basis of the department should be recorded on the supporting documentation.

d) The supplier register should be timeously updated.

e) It should be ensure that the prescribed preference point system is used for all tenders and quotations above R30 000.

**Management response**

Management response was received late

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

To correct the finding of the audit report for the year ending 31 March 2011, a decision was taken to include the prestige environment on proquote. An advert was placed in the national newspaper to invite prestige suppliers to apply to be on the database. Only a few suppliers responded to the advert and they were registered on the database. When sourcing quotation for Prestige there were problems that were encountered relating to the items and sub-commodities. The system was not selecting suppliers linked to Prestige environment; there was confusion on the system between the sub-commodity, commodities and Items. Sourcing is currently been done manually from a manual Prestige database. An investigation was done on the system by IT and SCM to correct the problems and the testing are currently being conducted to finalize the matter.

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  |  |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |

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

*Name:*

*Position:*

*Date:*

b) I am not in agreement with the finding for the following reasons:

The official delegated ensured that all required documentation was received to ensure compliance. The Quotation unit ensured that the prescribed evaluation method was adhered to by evaluating the transaction above R30 000,00 using price and preference (PA-20) Scoring Model (Annexure A).

It should be noted that the scoring model awarded MJBX Business Enterprise. However the order for MJBX Business Enterprise was cancelled as the service provider could not deliver. An approval was granted by the Director: Demand and Acquisition Management to award to the 2nd highest scoring bidder.

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  |  |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |

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

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

1. Management is in agreement with the finding, the matter therefore remains unresolved.

Cognisance must however be taken of the following:

1. The suppliers listed above are listed in the prestige supplier register provided by management.
2. The prestige register was not provided together with management’s response to our request for supplier registers (RFI 82), there is therefore a risk that the register was amended after the exceptions were issued.
3. The list provided has not been signed or approved.
4. The department can easily add and delete suppliers of the list as it is not uploaded onto a system.
5. MJBX and Sehlahlane Projects were hand written on the supplier list.
6. The scoring model (indicating the evaluation of the quotations) was provided together with management’s response.

The matter is therefore resolved.

1. **Compliance: Impact of bank overdraft on NDPW not included in the AO report Ex 293**

**Audit Finding**

Laws, rules and regulation

In terms of Treasury Regulation section TR 19.7.3 In the event of a trading entity incurring a deficit, the accounting officer of the department controlling the trading entity must disclose the financial impact of such a deficit on the department in its annual report.

In terms of Treasury Regulation section 19.7.2 Where a trading entity suffers a deficit in trading, the accounting officer of the department operating the trading entity must investigate whether -  
  
a)   the head of the trading entity reported any foreseeable potential over expenditure in the monthly reports;

b)   appropriate steps were taken to address the deficit; and

c)   Financial misconduct sanctions should be instituted if paragraphs (a) and (b) were not  
      adhered to.

The PMTE trading entity of the department of Public Works had a bank overdraft of R 1 223 206 905,21 and the accounting officer of the department controlling the trading entity did not disclose the financial impact of such a deficit on the department in its annual report.

No evidence could be obtained that the accounting has taken appropriate steps to address the deficit; and financial misconduct sanctions should be instituted if paragraphs (a) and (b) of Treasury Regulation section 19.7.2 were not adhered to.

The finding occurred as a result of the fact that:

The accounting officer’s report is not reviewed to ensure compliance with treasury regulations.

Impact of the finding:

Non-compliance with Treasury Regulations 19.7.3

**Internal control deficiency**

Leadership

**Recommendation**

*The department must amend the accounting officer's report to include impact of an overdraft by PMTE on the department annual report.*

**Management response**

1. The department agrees with the audit finding. The Accounting Officer’s report will incorporate a paragraph to read as follows:

“The entity currently runs on an overdraft. The overdraft is caused by timing difference between the date that the entity pays and the date that it recovers from client department. Currently the entity pays on behalf of client department for municipal services and major projects and recovers the costs plus 5% management fee, only in the case of municipal services, from client department. On average it takes about 90 days between the date the entity incur the expenditure and the date that client departments pay.

The business case of the entity has not been finalised and the entity is operating in the manner in which the department was operating prior to devolution of funds to client departments. The deficit will be addressed once the business case is finalised”.

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | |
| Corrective action to be taken | Accounting Officer’s report will be update with a paragraph as indicated above. | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  | X |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions | Acting Chief Financial Officer | |
| Estimated completion date for corrective action | To be submitted together with audited annual financial statements. | |

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

*Name: Lesetja Toona*

*Position: Director*

*Date: 10/08/2012*

**Auditor’s conclusion**

Management has not submitted the changes made and the matter will remain in the letter

1. **Audit Finding – Payable non-compliance with Section 38(1)(f) of the Public Finance Management Act Ex 304**

**Laws and Regulations**

1. *PFMA Section 38(1) requires that:*

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

1. *must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period.*

The following issue has been identified relating to the audit of payables:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Upon inspection of the Gauteng provincial schedule, it has been identified that the following amounts are older than three years. The amounts relate to projects undertaken in the past, and are potentially completed. | | | | | | |
|  |  |  |  | |  |  | |  |  |  |  |
| **Reference** | **Date** | **Matching field** | **Description/ type** | | **Old than 3 years**  **R** |  | |  |  |  |  |
|  | |  |  |  |  |
| 35737 | 20/02/2012 | GAUTENG | TRNS CR TO PAYABLE | | 809,40 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GAUTENG | TRNS CR TO PAYABLE | | 5 101,50 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GAUTENG | TRNS CR TO PAYABLE | | 30 695,77 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GAUTENG | TRNS CR TO PAYABLE | | 22 035,06 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GAUTENG | TRNS CR TO PAYABLE | | 2 850,00 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GAUTENG BASJRP | TRNS CR TO PAYABLE | | 8 886,30 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GAUTENG DEPT SPORT REC ARTS CULT | TRNS CR TO PAYABLE | | 8 000,00 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GAUTENG HEALTH | TRNS CR TO PAYABLE | | 94 094,46 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GAUTENG HEALTH | TRNS CR TO PAYABLE | | 31 749,00 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GAUTENG HEALTH | TRNS CR TO PAYABLE | | 5 443,50 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP PROV | TRNS CR TO PAYABLE | | 659 683,56 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP HEALTH | TRNS CR TO PAYABLE | | 13 401,27 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP HEALTH | TRNS CR TO PAYABLE | | 69 273,62 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP HEALTH | TRNS CR TO PAYABLE | | 70 361,66 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP PROV | TRNS CR TO PAYABLE | | 654,27 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP SOCIAL DEV | TRNS CR TO PAYABLE | | 70 272,64 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP SOCIAL DEV | TRNS CR TO PAYABLE | | 8 444,10 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP SOCIAL DEV | TRNS CR TO PAYABLE | | 181 731,58 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP SOCIAL DEV | TRNS CR TO PAYABLE | | 198 455,42 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP SOCIAL DEV | TRNS CR TO PAYABLE | | 166 891,33 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP SOCIAL DEV | TRNS CR TO PAYABLE | | 538 974,40 |  | |  |  |  |  |
| 35809 | 20/02/2012 | GP SOCIAL DEVELOPMENT | TRNS CR TO PAYABLE | | 103 963,84 |  | |  |  |  |  |
| 35966 | 23/02/2012 | GP SOCIAL DEVELOPMENT | TRNS CR TO PAYABLE | | 151 717,36 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP SPORT | TRNS CR TO PAYABLE | | 8 000,00 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP SPORT | TRNS CR TO PAYABLE | | 8 000,00 |  | |  |  |  |  |
| 35737 | 20/02/2012 | GP TRANSPORT | TRNS CR TO PAYABLE | | 2 900,16 |  | |  |  |  |  |
| **TOTAL** |  | | | | 2 462 390,20 |  | |  |  |  |  |
|  |  |  | |  |  |  | |  |  |  |  |

Potential impact of the findings raised above:

Non compliance with section 38 of the Public Finance Management Act 1 of 1999 as these matters were not timeously reconciled these payable account and surrendered unused or unallocated funds to the revenue fund.

Reason for the deviation:

Payables reconciliations were not timeously performed.

**Internal control deficiency**

*Leadership*

The department did not effectively exercise its oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

## Financial and performance management

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

**Recommendation**

a) Management should investigate the long outstanding balances, and determine if the projects have been completed. If the projects have been completed the funds need to be surrendered to the revenue fund.

b) The department should establish controls and procedures to guide the operation of the entity to comply with relevant legislation and regulations.

**Management response**

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Corrective action to be taken | Follow internal control I place | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  | No |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |

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

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

1. **Irregular expenditure not reported to National Treasury ex 305**

**Audit Finding**

Laws, rules and legislation:

1. Public Finance Management Act sections 38(1)(g):

*“38(1) The accounting officer for a department, trading entity or constitutional institution-*

*(g) on discovery of any unauthorized, irregular or fruitless and wasteful expenditure, must immediately report, in writing, particulars of the expenditure to the relevant treasury and in the case of irregular expenditure involving the procurement of goods or services, also to the relevant tender board;*

1. Treasury Regulations 9.1.2 states:

*“When an official of an institution discovers unauthorized, irregular or fruitless and wasteful expenditure, that official must immediately report such expenditure to the accounting officer. In the case of a department, such expenditure must also be reported in the monthly report, as required by section 40(4)(b) of the Act. Irregular expenditure incurred by a department in contravention of tender procedures must also be brought to the notice of the relevant board or procurement authority, whichever is applicable.”*

The following issue was identified:

The following irregular expenditure incurred by the department was not reported to National Treasury in accordance with the above legislation:

|  |  |  |  |
| --- | --- | --- | --- |
| **BATCH** | **DATE** | **SUPPLIER** | **AMOUNT** |
| 178099 | 07/12/2011 | Shisaka Development Management Services | 147 473,82 |
| 161951 | 02/08/2011 | Shisaka Development Management Services | 293 249,34 |
| 162033 | 04/08/2011 | Shisaka Development Management Services | 107 563,56 |

Reason for the deviation:

The department the only reported on the irregular expenditure in the year it was identified and did consider subsequent payments made under the same tender in the next accounting period.

Potential impact of the findings raised above:

Non-compliance with the Public Finance Management Act and the Treasury Regulations

**Internal control deficiency**

*Leadership*

The department did not effectively exercise its oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

*Financial and Performance Management*

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

**Recommendation**

All irregular expenditure incurred should be reported to National Treasury as required.

**Management response**

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Corrective action to be taken |  | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  |  |
| If yes, what corrections will be made to the population |  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions |  | |
| Estimated completion date for corrective action |  | |

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

*Name:*

*Position:*

*Date:*

**Internal Audit**

1. **Internal Audit - External review was not performed Ex 86**

**Audit finding**

Standard of the International Standard for Professional Practice of Internal Auditing, IIA 1312 –requires that “*external assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation. The chief audit executive must discuss with the board:*

* 1. *The need for more frequent external assessments; and*
  2. *The qualifications and independence of the external reviewer or review team, including any potential conflict of interest*.”

The following deviations were noted during the audit:

With the commencement of the audit it was indicated that an external review will be performed on the work of internal audit for the 2010/11 financial year to date no external review was performed and it was indicated by management that it will be done in the 2012/13 financial year.

The finding occurred as a result of the fact that:

No external audit review was conducted.

The impact of the finding:

The work performed by internal audit may not adhere to the Standards for the Professional Practice of Internal Audit.

**Internal control deficiency**

Governance

The department did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.

**Recommendation**

*The audit committee should ensure that the external review is conducted within the required timeframes and the reports be presented to the audit committee and accounting officer.*

**Management response**

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

| **Description** | **Response** | |
| --- | --- | --- |
| Corrective action to be taken: | .Conduct External Quality Assurance Review during 2012/13. | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | |
| Position of official responsible to take corrective action: | Chief Audit Executive | |
| Estimated completion date for corrective action: | March 2013 | |
| Does management agree with the root cause indicated | Yes | No |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management | External Quality Assurance Review planned for 2012/13 | |

**Auditor’s response**

IIA Standard 1312 states that external assessment must be conducted at least once every five years. 2011/12 was the end of the fifth year since the review was conducted by March 2007. The Unit is aware hence it has planned to conduct it during the current financial year – 2012/13.

1. **Internal Audit: Internal audit work did comply with Treasury Regulation 3.2 Ex 87**

**Audit finding**

The PFMA section 38(1) (a) (ii) states the following:

*a) “The accounting officer for a department, trading entity or constitutional institution must ensure that that department, trading entity or constitutional institution has and maintains a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77;”*

Treasury Regulation 3.2 contains, amongst others, the following provisions:

*b) “Section 3.2.1The accounting officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution. A risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit effort and priority, and to determine the skills required of managers and staff to improve controls and to manage these risks. The strategy must be clearly communicated to all officials to ensure that the risk management strategy is incorporated into the language and culture of the institution.”*

*c) “Section 3.2.8 An internal audit function must assess the operational procedure and monitoring mechanisms over all transfers made and received, including transfers in terms of the annual Division of Revenue Act.”*

*d) “Section 3.2.11 the internal audit function must assist the accounting officer in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. The controls subject to evaluation should encompass the following—*

*(i)  The information systems environment;*

*(ii) The reliability and integrity of financial and operational information;*

*(iii)The effectiveness of operations;*

*(iv)Safeguarding of assets; and*

*(v) Compliance with laws, regulations and controls.”*

*e) “Section 3.2.12 the internal audit function must assist the accounting officer in achieving the objectives of the institution by evaluating and developing recommendations for the enhancement or improvement of the processes through which—*

*(i)  Objectives and values are established and communicated;*

*(ii) The accomplishment of objectives is monitored;*

*(iii) Accountability is ensured; and*

*(iv)Corporate values are preserved.”*

The following deviations were noted:

As at 31 December 2011 the status of audit projects planned was as follows (per report tabled at audit committee meeting on 27 January 2012):

| **No.** | **Audit Project** | **Location** | **Scope Reviewed** | **Project status** |
| --- | --- | --- | --- | --- |
| **1st QUARTER** | | | | |
| 1 | Audit of Performance Information | HO & 11 regions |          Availability of Business Processes for Performance Monitoring and Evaluation;           Alignment of Programme & Branch Objectives to the Department’s Strategic Plan;           Adequacy of the outcomes, indicators, targets, outputs and time frames.           Adequacy of Reporting Requirements and adherence;           Completeness and validity of reported performance information. | Completed – Report issued. |
| 2 | Risk Implementation Audit | Cape Town |          Effective implementation of the Risk Management Plan by Management.           Effectiveness of controls activities implemented.           Review the adequacy and monitoring of implementation of the risk management plan | Completed – Report issued. |
| 3 | Projects: OSHA | Kimberley | Evaluate adequacy and effectiveness of processes designed to ensure provision of health and safety at working environment, and in the use of machinery. | Completed – Report issued. |
| 4 | Property Management | Nelspruit | Management of Leases | Completed – Report issued. |
| 5 | IT Audits – IE Works preliminary survey |  | Approval for development of the IE Works system; project implementation and system functions | Completed – Report issued. |
| 6 | Legal Services | Johannesburg | 1.          Contracts management 2.          Management of cases against DPW | Completed – Report issued. |
| 7 | Follow up on previous audits: Internal Audit & AG findings | AG follow up:  [Executed at HO]   1.          Movable assets 2.          Immovable assets 3.          PMTE   Regions: Internal Audit Report Findings for 2010/11 | AG Report [Implementation of Management Action Plans 2009/2010] &  Internal audit report [Findings reported for 01/04/2010 – 30/09/2010] | Completed – Report issued. |
| 8 | Irregular expenditure | Head Office & Regions |          Adequacy review of policy and business processes for treatment of irregular expenditure in line with legislation.           Status of implementation of Policy           Compliance to Procedures, i.e. reporting of irregular expenditure internally and to National Treasury           Accuracy and completeness of disclosure of irregular expenditure and adequacy of supporting documentation.           Implementation of appropriate actions for irregular expenditure incurred. | Completed – Report not yet tabled at Audit Committee |
| 9 | Day to day maintenance | Regions |          Compliance to business processes.           Management of Emergency services.           Payment within 30 days, VAT and tariffs           Duplicate complaints. | 79% complete |
| 10 | Expanded Public Works Programme | Public Bodies (5 Provincial Department & 20 Municipalities) |          Adequacy of EPWP incentive business processes & compliance with DoRA requirements;           Review the Public Body’s adherence to the DoRA requirements in particular.           Review effectiveness of support offered to Public Bodies by DPW. | 80% complete |
| 11 | IE Works SDLC (Phase 1) |  |          Project Budget           Project Governance Processes           Contract with the Service Provider | Completed – Report issued. |
| **2ND & 3RD QUARTER** | | | | |
| 12 | IS Risk assessment | Head Office | Identification of Departmental IT risks | Completed – Risk Register Report Issued to Strategic Management Unit |
| 13 | PMTE | Head Office |          Accounting Policy           Customer Billing | 50% complete |
| 14 | Property Management – lease acquisition and management [regions] | Regions |          Acquisition and Leasing           New/Renewal of Leases           Signing of Contracts           Accuracy of leasing information on System           Termination of Leases           BEE/PIP           Leases payments | 18% complete |
| 15 | IE Works Application Controls Review (Phase 2) | Head Office |          Input Controls           Processing controls           Output controls           Data Integrity and Migration verification (CAATs) | 65% complete |
| 16 | Audit of Performance Information | Head Office & Regions |          Alignment of Programme & Branch Objectives to the Department’s Strategic Plan           Adequacy of the outcomes, indicators, targets, outputs and time frames.           Completeness and validity of reported performance information           Effectiveness of Monitoring & Evaluation of Performance Information. | 42% complete |
| 17 | SAS Application Controls Review |  |          Input Controls           Processing controls           Output controls           Data analysis using CAATs | 50% complete |
| **4TH QUARTER** | | | | |
| 18 | Follow up on previous audits: internal audit and AG findings | Head Office & Regions |          All completed I/A assignments           AG – Significant findings [Management Action Plan for 2010/11 & SCOPA resolutions] | Not yet started (audit only planned for 4th quarter which did not yet commence at the time of preparing this report). |
| 19 | Bids/Procurement above 10 million (From second quarter) | Head Office & Regions [Reported bids only] |          To verify compliance to DPW SCM policies and procurement procedures           Compliance to National Treasury requirements in respect of bids/procurement of capital projects, goods & services in excess of R10 million within the Department. | Audit was 65% complete and then suspended as a result of the withdrawal of this requirement by National Treasury until further notice. |
| 20 | Division of Revenue | Head Office |          Availability and adequacy of guidelines/ business processes for maintaining transfers and subsidies to entities           Assurance that transfers/subsidies are applied for their intended purposes       Review reporting and monitoring procedures           Review validity of reported performance where relevant | Not yet started (audit only planned for 4th quarter which did not yet commence at the time of preparing this report). |

The following deviation:

a) The Department has not concluded its risk management strategy to date (matter separately reported) and as a result this cannot be utilised to direct internal audit effort and priority as required by Treasury Regulation 3.2.1.

b) Treasury Regulation 3.2.8 requires the internal audit function to assess the operational procedure and monitoring mechanisms over all transfers made and received.  Two audits have been planned for the year under review which incorporate DoRA compliance (see numbers 10 (Expanded Public Works Programme) and 20 (Division of Revenue) in table above).  The EPWP audit is 80% complete where as the DoRA audit did not yet commence at the date of progress above having been reported.  It is important to note two matters:

i) The Treasury Regulation specifically refers to all transfers, therefore not only transfers made in terms of the Division of Revenue Act (DoRA).  As a result, internal audit must include an assessment on transfers made in terms of the ENE in order to comply with the regulation.

ii) The DoRA audit is only scheduled for the fourth quarter of the financial year.  Internal audit has already fallen behind on complying with the deadlines initially set out in their annual plan.  Should the DoRA audit not be completed and reported on before the end of the financial year it will result in non-compliance with TR 3.2.8.

1. Treasury Regulations 3.2.11 and 3.2.12 requires the internal audit function to assist the accounting officer in maintaining efficient and effective controls and achieving the objectives of the institution.  Although we take note of the fact that internal audit has completed some of the audits as indicated in the table above and developed recommendations based on the findings, the following critical matters have been identified that gives rise to internal audit not complying with the requirements as set out in the respective Treasury Regulations:
2. Although an annual plan has been prepared and approved, this was not informed by a properly conducted and formalised risk assessment of the department, as a result key risk areas where the control environment is lacking is not prioritised for example supply chain management, which is a key risk area for both the Department and PMTE.  Although consideration has been given to certain elements the only audit completed up until 31 December 2012 was an audit on management of leases in Nelspruit (see number 4 above).  Furthermore it is noted that the audit on irregular expenditure was completed by 31 December 2011 although not tabled.  It is however imperative to note that this audit focuses on situations where irregular expenditure has occurred already and not on the controls that should be preventing it in the first place.  This is further supported by the fact that the department does not have an updated supply chain management policy.
3. In addition to the aforementioned, internal audit is only planning to follow up on the AGSA’s 2010/11 report in the fourth quarter, this does not allow management sufficient time to effect corrective action where matters have not yet been resolved (it is evident from the findings reported at an interim reporting stage by external audit that none of the qualification matters in the 2010/11 audit reports have been resolved at this point in time).
4. Although an IT risk assessment has been conducted there is no indication that internal audit has specifically evaluated the general and application controls of information systems being used on a daily basis such as WCS and PMIS.
5. It is evident from the interim financial statements that have been submitted to the auditors for reviewing purposes that internal audit is not evaluating the effectiveness and efficiency of controls surrounding the reliability and integrity of financial information being reported.
6. The lack of controls surrounding the safeguarding of assets is evident from the state of the movable asset warehouses.  It is not evident that internal audit has made recommendations to promote the safeguarding of movable assets in these warehouses.
7. Compliance with laws and regulations are not treated in isolation by internal audit however it is incorporated as an element of all audits that are planned.  However please refer to point an above; as a result of internal audit not prioritising the audit of critical areas such as a comprehensive supply chain audit, it will result in internal audit not evaluating the controls surrounding compliance to related laws and regulations.
8. It was noted as part of the planning of the regularity audit that not all officials were familiar with the code of conduct which is the primary means of communicating the objectives and values of the department and ensuring that the values of the department are preserved.  Internal audit did not include any work relating to the code of conduct/fraud prevention plan etc. in their annual plan.  Furthermore internal audit is responsible for internal investigations, there are matters which were reported as far back as 2008/09 for which investigations have not yet commenced (matter has been separately reported).

k) The lack of accountability in the department is evident from the fact that the same matters are continuously being reported by external audit without consistent corrective/disciplinary action being taken against transgressing officials from the department’s side.  It is not evident that internal audit has performed an evaluation of the process through with accountability is ensured.

In line with what has been reported at the audit committee meeting that took place on 27 January 2012 the finding is being attributed to a lack of capacity in the internal audit unit.

Compliance with Treasury Regulation 3.2 will be re-evaluated at the finalisation stage of the 2011/12 regularity audit, should non-compliance be confirmed the latter will be reported in the audit report.

**Internal control deficiency**

Leadership

The accounting officer does not exercise oversight responsibility over compliance with laws and regulations and internal control.

Governance

There is not an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.

**Recommendation**

a) The risk assessment of the department must be concluded as a matter of urgency and should be updated on a regular basis to ensure that it is always relevant in terms of the key risks facing the department and the PMTE.  The results of this risk assessment must inform the scope of internal audit’s work going forward (annual plan for financial year ending 31 March 2013 as well as three year rolling plan).

b) Internal audit must ensure that they assess the operational procedures and monitoring mechanisms over all transfers made by the department.

c) The requirements of Treasury Regulations 3.2.11 and 3.2.12 must be analysed and internal audit should demonstrate compliance with both of these regulations.

d) If capacity is indeed the root cause of findings such as these occurring the filling of posts in the internal audit unit must be prioritised and treated as a matter of urgency.  Until such time that these positions are filled strong consideration must be given to optimally contracting in capacity in line with Treasury Regulation 3.2.4 which allows the internal audit function to be partly or wholly contracted to an external organisation with specialist audit expertise, provided that its selection is in accordance with the relevant government’s competitive tendering procedures.

e) Given the recent negative audit outcomes the capacitating and effective functioning of the internal audit unit must be seen as a key priority by leadership within the department.

**Management response**

The Unit does not agree with some of the issues raised as “Actual/Potential non-compliance”, raised.  Response is as follows:

a) The Department has not concluded its risk management strategy to date and as a result this cannot be utilized to direct Internal Audit effort and priority as required by TR 3.2.1.

Although the risk management strategy of the Department has not been concluded, Internal Audit ensured that it prioritizes its efforts by utilizing the strategic risks adopted by Executive Management, previous AGSA reports, Internal Audit knowledge of the environment; emerging risks and inputs from both Executive Management and the Audit and Risk Management Committee (Audit Committee). This matter was communicated to both DPW Management and the Audit Committee. Internal Audit also revised its plan during the year in order to take into account other emerging risks as per the revised/ updated risk register (strategic).

Chief Directorate: Strategic Management Unit/Dir Business Analysis & Risk Management will respond on the unavailability of a risk management strategy.

b) TR 3.2.8 (Auditing of All Transfers)

Internal Audit prioritized the DoRA Audit only in the 2011/12 financial year due to limited capacity. The DoRA audit is performed by only two in-house resources available to the unit, whilst the EPWP audit is done by a service provider.

We would like to bring it forward to AGSA that the Unit only has 5 audit staff members responsible for conducting all head office audits. This team is currently running with 3 audits, i.e. DoRA, Audit of Performance Information, and PMTE (Recons & completeness: Debtors).

The DoRA audit was placed in the last quarter of the year due to prioritizing other significant audits in consideration of the strategic risks. Deputy Director Positions have been advertised with interviews scheduled for mid-March 2012 to improve reporting time frames, and these will assist in ensuring increased coverage.

c) TR 3.2.11 & 3.2.12

***i) Annual plan not informed by a “Properly Conducted Risk Assessment”***

IIA Standard 2010 – Planning states that: “The Chief Audit Executive must establish risk based plans to determine the priorities of the internal audit activities, consistent with the organization’s goals. The Chief Audit Executive is responsible for documenting a risk based plan. The Chief Audit Executive takes into account the organization’s risk management framework, including using risk appetite levels set by Management for the different activities or parts of the organization. **If a framework does not exist, the CAE uses his/her own judgment of risks after consultation with Senior Management and the Board”.**

The Unit’s methodology for audit planning is in line with the IIA Standards as required by TR 3.2.6. In determining the activities of the unit for 2011/12 due consideration was made of individual business units/branches and Regions risk registers, strategic risks at organization level as well as EXCO’s input and the Audit Committee’s input .

Previous unit reports, AGSA and other external but relevant reports were also considered. The unit’s plan is therefore Risk Based. The audit of SCM was in the plan, however reprioritized due to the Treasury Instruction note audit requirement which was later withdrawn. The reprioritization done in this instance was to review SCM within the Leasing environment, i.e. lease acquisition in line with the approved plan (revised). This is in line with the Standards, i.e. prioritizing audits based on risk results and emerging risks.

The audit of Irregular Expenditure was completed between September and November 2011, and it was already tabled in respective Regions and Head Office. What was finalised only in December 2011 was the consolidated report, which is affected by actual tabling of individual reports of the same audit. The updated Supply Chain Management Policy is the responsibility of Management.

Internal Audit is an assurance activity which focuses on reviewing controls and assisting management to correct and improve by giving recommendations. Our audit focused on reviewing controls in place, testing them for adequacy & effectiveness and recommending improvements.

Management is responsible and has a fiduciary duty to ensure that controls are detective & preventative of irregularities. One such control is the Compliance/ Inspectorate directorate.

***ii. Follow up on AGSA 2010/2011 Report Management Action Plan***

The final report of AGSA 2010/11 was finally tabled on 31 August 2011 and an action plan tabled in November 2011, (work in progress). Therefore internal audit would not have been able to follow up then earlier in the year. Management should be provided reasonable time to implement the recommendations before a follow-up can be conducted.

**iii. IT Audits**

Computer Audit started to be fully operational in the unit at the beginning of 2011/12 financial year. Five (5) IT audits were in the approved Internal Audit plan and three (3) have been completed and reports issued. It is anticipated that the remaining will be completed by the end of financial year.

In terms of PMIS&WCS the Department is currently in a process to convert both systems into IE Works, so it is impossible to conduct an audit on outgoing systems, instead we have conducted three IT audits on IE Works project to date, namely (Preliminary survey, IE Works System Development Life Cycle (Phase1), IE Works Application Controls Reviews (Phase2). The final reports were issued and presented to EXCO for all projects.

The progress report for Application Controls Reviews was presented to EXCO meeting held on 1 March 2012 but we could not completely conduct the audit as planned due to the Governance issues that impacted the completion of our audit as raised in the progress report issued.

In terms of IT General Controls Review, Computer Audit Manager had a [[SK1]](about:blank#_msocom_1)  meeting with the Information System Manager allocated for the Department from Auditor General in January 2012 to discuss the scope. It was agreed in the meeting that AGSA will conduct the General Controls Review as per their annual plan and defined scope and Internal Computer Audit team will conduct aspects that AG will not cover as discussed and agreed in that meeting. The audit is planned to commence in March 2012.

**iv. Fraud Prevention Plan**

A communication on 1 April 2011 was issued by the Chief Directorate Communications and Marketing on behalf of the Chief Directorate Internal Audit and Investigations Services to ALL DPW staff members that the “Department has an updated and approved Fraud Prevention Plan that can be accessed via DPW Intranet and/or by requesting a copy from the Fraud Awareness and Investigations Unit at Head Office or the Internal Audit Sections in Regional Offices” (See Attached document), the communiqué went as far as giving a step by step guide as to how to access the Fraud Prevention Plan on the intranet. Amongst other matters addressed by the Fraud Prevention Plan is to emphasize and encourage staff to familiarise themselves with Code of Conduct.

It is also worth noting that since February 2011 the Directorate Fraud Awareness Unit has conducted up to 25 Fraud Awareness Workshops (which are actually a presentation of the DPW Fraud Prevention Plan) at 9 Regional Offices across the country, highlighted in such presentations is emphasis to staff to familiarise themselves with the Public Services Code of Conduct.

With regards to Investigations not yet completed, three (3) and eleven (11) cases reported during 20009/10 and 2010/11 financial years respectively, have not yet commenced as a result of capacity challenges within the Unit. The Unit has since appointed Service Providers to capacitate the unit and address the backlog of cases to be investigated as well as new cases as they are being received.

***d.; e. f; Compliance with Laws & Regulations; Controls around safeguarding of assets, etc.***

Internal Audit will not be able to evaluate all operational controls in the organization, hence the requirement by IIA Standards to prioritize, to focus on activities which have the greatest risk exposure.

TR 3.2.11 which refers to the controls subject to evaluation should encompass the following:

a)    The information systems environment

b)    The reliability and integrity of financial and operational information

c)    The effectiveness of operations

d)    Safeguards of assets and

e)    Compliance with laws, regulations and controls.

It should be noted that the controls tested during all the audit projects encompass the above elements and not necessarily all elements in one project e.g. reliability and integrity of financial and operational information does not mean financial statements must be audited, but in any audit e.g. irregular expenditure which we did, the financial information of a specific sample selected and tested should be correct. Another example is the one on compliance with laws and regulations and controls; every audit basically has this element which has to be tested. Audits are therefore risk based and the elements of TR3.2.11 are tested during the execution of different projects. These are reflected in our findings and recommendations.

Contracting in capacity is being done, i.e. EPWP audit, however there is a limit on this since it is also dependent on financial resources, and the management there of – project management. Recruitment for the additional positions requested for and approved is at an advance stage.

Name:

Position:

Date:

**Auditor’s conclusion**

**Audit Committee**

1. **Audit committee: Management’s non-assessment of the effectiveness of the audit committee.** **Ex 36**

**Audit Finding**

It is “Best Practice” for management to assess the effectiveness of the audit committee to determine if their mandate is being executed and performed.

With request for information number 137 dated 15 March 2012 such evidence was requested and the department replied that no formal assessment was performed by management for the 2011/12 financial year.

The finding occurred as a result of the fact that:

It was indicated that the assessment tool has been developed but not yet implemented by management.

The impact of the finding:

The department may not able to identify if there audit committee is not effective.

**Internal control deficiency**

Leadership

The leadership of the department does not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities.

**Recommendation**

A formal assessment on the effectiveness of the audit committee must be performed by management.

**Management response**

Agree with the finding.

| **Description** | **Response** | |
| --- | --- | --- |
| Corrective action to be taken | The assessment will be conducted during June/July 2012 | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | **No** |
|  | X |
| If yes, what corrections will be made to the population? | N/A | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | |
| Position of official responsible to take corrective action | Chief Audit Executive | |
| Estimated completion date of corrective action: | 31 July 2012 | |
| 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 | The tool has been developed but not yet implemented. | |

Name: T.F Tukisi

Position: Chief Audit Executive

Date: 11 May 2012

**Auditor’s response**

We acknowledge the management response but this matter will be reported in the management letter as other important matter as this is a governance issue.

1. **Compliance with laws and regulations - Audit Charter not adopted by the Minister Ex 18**

**Audit finding**

a) In terms of PFMA section 38(1) (a) (ii): “The accounting officer for a department, trading entity or constitutional institution must ensure that that department, trading entity or constitutional institution has and maintains a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77”

b) In terms of Treasury Regulations 3.1.8: “An audit committee must operate in terms of written terms of reference, which must deal adequately with its membership, authority and responsibilities. The terms of reference must be reviewed at least annually to ensure its relevance.

The following deviation was noted:

The audit committee charter was adopted by the chairperson of the audit committee but has not been reviewed and approved by the accounting officer and the executive authority.

The finding occurred as result of the fact that:

Through discussions with management it was determined that the charter was sent for review and approval on 20 December 2010. Follow up communications on the status of the review and approval of the audit committee charter was made on 25 May 2011 and 13 September 2011. The accounting officer’s office has not responded to communications regarding the review and approval of the audit committee charter.

The impact of the finding:

Non-compliance with Treasury Regulations 3.1.8

**Internal control deficiency**

Leadership

## Oversight responsibility

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

**Recommendation**

The accounting officer must ensure that the audit committee charter is reviewed and approved annually to ensure its relevance.

**Management response**

The Charter has been re-submitted to the new acting Director General and Minister on 11 November 2011.

Name: Tebogo Tukisi

Position: Chief Audit Executive

Date: 14 November 2011

**Auditor’s conclusion**

Management’s response has been noted, the charter has still not been approved; the finding constitutes non-compliance with TR.3.1.8 and will be reported as such.

Intangible assets

1. **Intangible Assets: Incorrectly classified Ex 196**

**Audit finding**

In terms of the Departmental Financial Reporting Framework Guide - chapter 9 accounting for capital assets page 40

*“Intangible Before an item can be recognised as an intangible asset the four characteristics of intangible assets must be present.  These are:*

*-  does the department control the item and can the department expect to derive future economic benefits or service potential from its use?*

*-  does it lack physical substance?*

*-  is the item identifiable?*

*-  is the item non-monetary?”*

The following deviation was noted:

It was noted the 25 assets with the rand value of R244 800,00 disclosed as intangible assets did not meet criteria for intangible assets as they were tangible assets which need to be disclosed as computer equipment under tangible assets

The finding occurred as a result of the fact that:

The asset management official’s does not obtain inputs from information technology officials to ensure that the computer equipment items are correctly allocated.

Impact of the finding:

Overstatement of intangible assets and understated of computer equipment.

**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 asset management officials must ensure that for all purchases of computer equipment and software they obtain input from the information technology officials to ensure the purchases is correctly allocated.

**Management response**

I am in agreement with the finding, the classification will be corrected and the financials adjusted accordingly.

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | The assets classification to be corrected on the asset register and the financials be adjusted accordingly | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
| X | |  |
| If yes, what corrections will be made to the population? | The financials will be adjusted accordingly | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action: | Deputy Director and Assistant Director Movable Assets | | |
| Estimated completion date for corrective action: | 31 July 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Humbulani Sigwavhulimu

Position: Deputy Director

Date: 11 July 2012

**Auditor’s conclusion**

The amount has been adjusted but the finding will remain in the management due to the weaknesses in the internal control systems.

Movable Tangible Assets

1. **Movable tangible asset - Assets without bar codes Ex 2**

**Audit finding**

*a) Section 38(1) (d) of the PFMA requires that  “The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution”*

*b) Treasury Regulation sections 10.1.1 and 10.1.2 states the following:*

*(i) section 10.1.1*

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*(a)Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*(b)Stock levels are at an optimum and economical level.”*

*(ii) section 10.1.2*

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

*c)  Movable Asset Management Policy – Maintenance of the Asset Register section 40, 42 43 and 44.*

*(i) section 40*

*“All assets of the department must be recorded in the Movable Asset Register.”*

*(ii)section 42*

*“The movable Asset Register of the department is maintained on LOGIS and must be used for updating when assets of the department are acquired, moved or disposed of”.*

*(iii)section 43*

*“All assets owned and controlled by DPW must be recorded on the LOGIS Asset Register”.*

*(iv)section 44*

*“Updating and maintaining information on the Asset Register must be done timely, accurate and complete”.*

The following deviation was noted:

The department did undertakes a programme/ actions to improve the safeguarding, recording and control over the movement of movable assets, it was noticed during the verifications that huge strides/ improvements were made pertaining to the safeguarding, recording and control over movement of movable assets.

During the assets verifications the assets were not bar coded.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Asset Description** | **Estimated Amount** | **Regional Office** | **Location** |
| 1 | Bed double base | 2 411,10 | Cape Town | Maroela 1 |
| 2 | Table Coffee | 533,52 | Cape Town | Heatherbell |
| 3 | Bed | 749,16 | Cape Town | Acacia Park C2 |
| 4 | Bed | 749,16 | Pretoria | Bryntirion 19 |
|  | **TOTAL** | **4 442,94** |  |  |

The finding occurred as the result of the fact that:

The asset controllers, house and estate managers do not regularly check to ensure that all asset bar codes are still attached to the relevant asset

Impact of the finding:

a) Non-compliance with section 38(1) (d) of the PFMA and Treasury Regulations 10.1.1 and 10.1.2.

b) Absence of barcodes might result in the theft and misappropriation of such assets going undetected and results in the inability of the department to safeguard and control the assets in question.

c) The movable asset register might be incomplete without the department being aware of the fact.

**Internal control deficiency**

Leadership

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

**Recommendation**

a) Process needs to be put in place to ensure that the relevant asset controllers, house and estate managers do check and verify that all asset bar codes are attached to the relevant asset.

b) In cases where bar-code labels are missing, where the bar-code/serial numbers are duplicated or where these do not correspond with the information in the asset control sheets, the asset controllers should ensure that the assets are marked with new labels and/or that the particulars in the asset control sheets and the asset register are corrected as soon as possible.

**Management response**

I am in agreement with the finding for the following reasons, the barcode fell of due to continuous renovations and movement taking place in the prestige environment, the matter has been resolved and barcode replaced accordingly

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | The barcode will be replaced and adjusted on LOGIS | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | DD/ASD Asset managers | | |
| Estimated completion date of corrective action: | 30/06/2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | Continuous renovations and movements taking place in the prestige environment | | |

Name:   Thembi Gumede

Position:  Director:  MAM

Date:  27 June 2012

**Auditor’s conclusion**

The finding will remain in the management report as management agrees with the finding.

1. **Movable Tangible Assets: Assets disclosed at R1 value Ex 68**

**Audit finding**

**Departmental Financial Reporting Framework Guide Chapter 9, par 1, states “a** capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.The option of valuing the asset at R1 may only be exercised where it is not possible to assess fair value.”

|  |
| --- |
| *All assets acquired prior to 1 April 2002 are included in the asset register at R1.\** |

The following deviation was noted:

It was noted that 399 assets were purchased after 1 April 2002 that we had expected to see the cost or at least the fair value but the assets were shown at R1.

The finding occurred as a result of:

a) Assets register is not being reviewed for accuracy and correctness of the cost price by the asset controllers.

b) Asset register is inadequate.

Impact of the finding:

The balance for movable tangible capital assets in the financial statements might 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

**Recommendation**

a) Asset controllers should ensure that capital asset is recorded on receipt of the item at cost

b) Where the cost cannot be determined accurately, the movable capital asset is stated at fair value.

c) Where fair value cannot be determined, the capital asset is included in the asset register at R1.

**Management response**

a) See table below

| **Region** | **Management Response** | | | |
| --- | --- | --- | --- | --- |
| Johannesburg Region | I am in agreement with the finding; the AR has since been updated. (Regions to forward proof) | | | |
| Kimberley Region | I am in agreement with the finding; the AR has since been updated.  (Regions to forward proof) | | | |
| Port Elizabeth Region | I am not in agreement with the finding, AR was checked and verified by AGSA and requested for approved submission. (Annexure A) | | | |
| Polokwane Region | I am in agreement with the finding; the AR has since been updated.  (Regions to forward proof) | | | |
| Pretoria Region | I am not in agreement with the finding, the R1 value assets on the list are due to the curtain/heritage project and manual adjustment will be done on the AFS. | | | |
| Umtata Region | I am not in agreement with the finding, AR was checked and verified by AGSA and requested for approved submission.  (Annexure B) | | | |
|  | |  | | |
| **Description** | | **Response** | | |
| Corrective action to be taken: | | Asset Register will be updated accordingly | | |
| Does the finding affect an amount disclosed in the financial statements? | | Yes | | No |
| Only for PTA Regional Office | |  |
| If yes, what corrections will be made to the population? | | The whole population has been verified and only the ones on the attached list will have an impact on the AFS | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | | n/a | | |
| Position of official responsible to take corrective action: | | ASD in the Regions and AO HO | | |
| Estimated completion date for corrective action: | | 30 September 2012 | | |
| Does management agree with the root cause indicated | | Yes | No | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | | N/A | | |

**Auditor’s conclusion**

The finding was still applicable during the final audit but it will replaced by the exception number which has new examples for the final management report.

1. **Movable Tangible Assets: Assets with the same barcode Ex 70**

**Audit finding**

*a) Section 38(1) (d) of the PFMA requires that  “The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution”*

b) Treasury Regulation 10.1.1 and 10.1.2 state the following:

*i) Section 10.1.1*

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*a) Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*b) Stock levels are at an optimum and economical level.”*

ii)  Section 10.1.2

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

c)  Movable Asset Management Policy - Movable Asset Management Unit sections 12.1 and 30 states the following:

(i) Section 12.1.

*“The movable asset management unit will monitor and oversee the process of the maintenance of the Asset Register and of safeguarding the asset of the Department”.*

(ii) Section 30

*“Upon receipts of the movable assets procured, assets must be physically bar – coded/ marked for identification purposes where applicable”.*

The following deviation was noted:

The following assets with duplicate barcodes (serial numbers) were identified in the LOGIS Asset register:

| **No** | **Icn Description** | **Reporting level** | **Serial No** | **Location** | **Receipt Date** | **Cost Price** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | Lace | Furniture & Office Eq | 1 | 200DR601 | 20010822 | 2495,00 |
| 2 | Tumbler,water decanters | Furniture & Office Eq | 1 | 200D0056 | 20100927 | 410,00 |
| 3 | Container any size any colour | Furniture & Office Eq | 1 | 200D0050 | 20110323 | 49,02 |
| 4 | Oven,Microwave Micro Oven aim | Other Machinery & Eq | 1 | 200D04MR | 20110309 | 1 249,00 |
| 5 | Pan, Frying Pan Iron Square | Other Machinery & Eq | 1 | 200D0050 | 20110323 | 273,60 |
| 6 | Opener,Can Electric;Kenwood;40W | Other Machinery & Eq | 1 | 200D1MUS | 20010822 | 1,00 |
| 7 | Clock - any (Prestige) | Other Machinery & Eq | 1 | 200DMUSC | 20030222 | 500,00 |
| 8 | Plate Porcelani, any size, any type, (Prestige) | Other Machinery & Eq | 1 | 200D0050 | 20110323 | 68,40 |
| 9 | Ironing Board | Other Machinery & Eq | 1 | 200D0050 | 20110323 | 2 867,10 |
| 10 | Curtain any size, any colour (Prestige) | Other Machinery & Eq | 1 | 200D0020 | 20060522 | 400,00 |
| 11 | Lace | Furniture & Office Eq | 2 | 200DR601 | 20010822 | 2 495.00 |
| 12 | Tumbler,water decanters | Furniture & Office Eq | 2 | 200D0056 | 20100927 | 410,00 |
| 13 | Container any size any colour | Furniture & Office Eq | 2 | 200D0050 | 20110323 | 49,02 |
| 14 | Opener,Can Electric;Kenwood;40W | Furniture & Office Eq | 2 | 200D0056 | 20010822 | 1,00 |
| 15 | Oven,Microwave Micro Oven aim | Other Machinery & Eq | 2 | 200D04MR | 20110309 | 1 249,00 |
| 16 | Oven,Microwave Micro Oven aim | Other Machinery & Eq | 2 | 200B/DIS | 20110328 | 1 249,00 |
| 17 | Pan, Frying Pan Iron Square | Other Machinery & Eq | 2 | 200D0050 | 20110323 | 547,20 |
| 18 | Plate Porcelani, any size, any type, (Prestige) | Other Machinery & Eq | 2 | 200D0050 | 20110323 | 68,40 |
| 19 | Ironing Board | Other Machinery & Eq | 2 | 200D0050 | 20110323 | 2 867,10 |
| 20 | Curtain any size, any colour (Prestige) | Other Machinery & Eq | 2 | 200D0020 | 20060522 | 400,00 |
| 21 | Tumbler,water decanters | Furniture & Office Eq | 3 | 200D0056 | 20100927 | 410,00 |
| 22 | Container any size any colour | Furniture & Office Eq | 3 | 200D0050 | 20110323 | 49,02 |
| 23 | Pan, Frying Pan Iron Square | Other Machinery & Eq | 3 | 200D0050 | 20110323 | 832,20 |
| 24 | Venetian Blind Vertical; Any size; any colour | Other Machinery & Eq | 3 | 200D0100 | 20100223 | 283,86 |
| 25 | Plate Porcelani, any size, any type, (Prestige) | Other Machinery & Eq | 3 | 200D0050 | 20110323 | 68,40 |
| 26 | Washing machine | Other Machinery & Eq | 3 | 200D04MR | 20110309 | 4 999,00 |
| 27 | Curtain any size, any colour (Prestige) | Other Machinery & Eq | 3 | 200D0020 | 20060522 | 400,00 |
| 28 | Tumbler,water decanters | Furniture & Office Eq | 4 | 200D0056 | 20100927 | 410,00 |
| 29 | Container any size any colour | Furniture & Office Eq | 4 | 200D0050 | 20110323 | 49,02 |
| 30 | Pan, Frying Pan Iron Square | Other Machinery & Eq | 4 | 200D0050 | 20110323 | 2 183,10 |
| 31 | Plate Porcelani, any size, any type, (Prestige) | Other Machinery & Eq | 4 | 200D0050 | 20110323 | 68,40 |
| 32 | Washing machine | Other Machinery & Eq | 4 | 200D04MR | 20110309 | 4 999,00 |
| 33 | Tumbler,water decanters | Furniture & Office Eq | 5 | 200D0056 | 20100927 | 410,00 |
| 34 | Container any size any colour | Furniture & Office Eq | 5 | 200D0050 | 20110323 | 62,70 |
| 35 | Scale Weighing | Other Machinery & Eq | 5 | 200D0050 | 20110323 | 1 413,60 |
| 36 | Plate Porcelani, any size, any type, (Prestige) | Other Machinery & Eq | 5 | 200D0050 | 20110323 | 68,40 |
| 37 | Container any size any colour | Furniture & Office Eq | 6 | 200D0050 | 20110323 | 62,70 |
| 38 | Dishwashing Machine Dishwasher any type any size | Other Machinery & Eq | 6 | 200D04MR | 20110309 | 3 999,00 |
| 39 | Scale Weighing | Other Machinery & Eq | 6 | 200D0050 | 20110323 | 1 671,24 |
| 40 | Plate Porcelani, any size, any type, (Prestige) | Other Machinery & Eq | 6 | 200D0050 | 20110323 | 68,40 |
| 41 | Container any size any colour | Furniture & Office Eq | 7 | 200D0050 | 20110323 | 62,70 |
| 42 | Dishwashing Machine Dishwasher any type any size | Other Machinery & Eq | 7 | 200D04MR | 20110309 | 3 999,00 |
| 43 | Blender,Milkshake Juicer | Other Machinery & Eq | 7 | 200D0050 | 20110323 | 1 972,20 |
| 44 | Venetian blind vertical; any size any colour | Other Machinery & Eq | 7 | 200DE015 | 20100223 | 283,.86 |
| 45 | Plate Porcelani, any size, any type, (Prestige) | Other Machinery & Eq | 7 | 200D0050 | 20110323 | 68,40 |
| 46 | Container any size any colour | Furniture & Office Eq | 8 | 200D0050 | 20110323 | 62,70 |
| 47 | Plate Porcelani, any size, any type, (Prestige) | Other Machinery & Eq | 8 | 200D0050 | 20110323 | 68,40 |
|  |  |  |  |  |  | **46 674,14** |

In addition to the above mentioned it is of concern that in instances where the asset should contain a manufacturer’s serial number this serial number is not included in the asset register in conjunction with the barcode as a further control to ensure that the asset can be identified, maintained and safeguarded.

Furthermore, certain of the asset descriptions are generic which further complicates the possibility of being able to identify the asset subsequent to purchasing.

The finding occurred as a result of the fact that:

The asset controller did not adhere to the policy to barcode each individual asset with a unique barcode and that the asset management unit did not review the asset register to ensure that each asset has a uniquely identifiable barcode number.

Impact of the finding:

a) In the absence of a unique barcode number assets cannot be uniquely identified and properly controlled and safeguarded as envisaged in the PFMA and the department’s own policy on movable asset management.

b) Non-compliance with Movable Asset Management Policy and Public Finance Management Act.

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

a) All new assets must be bar-coded with a unique bar-code and the department should investigate all duplication of barcodes in the asset register (not only examples cited above). Asset counts and reviews of the asset register should be performed regularly in order detect any unusual items or transactions and resolve any discrepancies immediately.

b) Where an asset contains a manufacturer’s serial number this should be added to the asset register to add a further control to ensure the asset is uniquely identifiable in the event of there being an accidental duplication of barcodes.

c) Should it not be possible to attach a barcode to an asset for example a plate, the movable asset management policy should clearly stipulate the procedures that must be followed to ensure that the asset in question is still identifiable so that it can be maintained and safeguarded.

**Management response**

a) I am not agreement with this finding due to the fact that laces and cutlery and crockery are not bar-coded.  The asset management is in the process of changing the assets numbers for curtains, laces and blinds that use VA numbers that will be unique to ensure assets are easily identified.

Crockery and cutlery for Ministerial houses were previously recorded with same number but currently asset management uses different VA number. We are busy rectifying the crockery and cutlery that were previously purchased

b) I am in agreement with the during assets verification these assets were found in the location (200d04MR) without the barcodes and they were bar-coded as most of the new houses were purchased with assets. The new assets were received on the system as extraordinary items (cx-200008) whereas these assets were purchased with an order (Or-020664). The submission is in place to write off these surpluses:

Oven microwave:     000001

Oven microwave:        000002

Washing machine:      000003

Washing machine:      000004

Dishwasher machine: 000006

Dishwasher machine: 000007

Name: Nolitha Poswa

Position: Deputy Director

Date: 05 March 2012

**Auditor’s conclusion**

Management comment noted, this finding therefore remains valid, but differences will be investigated during the final audit.

1. **Movable Tangible Assets: Asset policy not aligned to Departmental Financial Reporting Framework Guide Ex 84**

**Audit finding**

(a) In terms of the Departmental Financial Reporting Framework Guide chapter 9 section (b) initial recognition

*“An asset is classified as either a major or a minor asset on the date of acquisition.  This classification is based on the value (cost price) of the asset.  If an asset has a cost of R5, 000 or above it is classified as a major asset, however if the cost is less than R5, 000 it is a minor asset.*

*A major asset is acquired with capital funds whist the operational (current) budget of a department is used for the acquisition of a minor asset and reflected under goods and services.*

*All assets belonging to a department must be recorded in its asset register, major assets are included in the major asset register and minor assets in the minor asset register.*

(b) Movable asset management policy paragraph 19.1 states that the movable asset with a cost or value less than R500, 00 will not be recorded in the movable asset register which is in contravention with the departmental Financial Reporting Framework Guide chapter 9 section (b) Initial recognition which states that all assets belonging to a department must be recorded in its asset register, major assets are included in the major asset register and minor assets in the minor asset register.

The following deviation was noted:

a) Despite the aforementioned discrepancy it was noted that the asset register actually did contain assets with a cost price of less than R500, 00 which is indicative that officials are not adhering to the policy and that principles of asset capitalisation are not being applied consistently.  The following serves as example of assets with the cost price of less R500, 00 included in the register:

| **No** | **ICN Description** | **Serial No** | **Location** | **Receipt date** | **Cost Price** |
| --- | --- | --- | --- | --- | --- |
| 1 | COAT RACK COSTUMER, WEARING APPAREL, STAND, HAT AND COAT WOODEN, (M2180-04) | 10084409 | 101J0006 | 20110819 | 380,00 |
| 2 | WHITEBOARD ,NON MAGNETIC WHITE BOARD 1500X 1200    DELUX MODEL FOR EASY RAIL | 10232987 | 101IR103 | 20050120 | 319,20 |
| 3 | FLIP CHART FLIPCHART STAND MAGNETIC | 10058200 | 100I1406 | 20070807 | 371,64 |
| 4 | FLIP CHART FLIPCHART STAND MAGNETIC | 10165950 | 100DLT31 | 20070917 | 371,64 |
| 5 | FLIP CHART FLIPCHART STAND MAGNETIC | 10165953 | 100DLTOP | 20070807 | 371,64 |
| 6 | FLIP CHART FLIPCHART STAND MAGNETIC | 10231869 | 201AA213 | 20091203 | 371,64 |
| 7 | FLIP CHART FLIPCHART STAND MAGNETIC | 10232994 | 101JLT26 | 20080423 | 371,64 |
| 8 | BULLETIN BOARD ALUMINIUM FRAME;FELT;1230MM LG X 810MM H | 10055304 | 101DA223 | 20031212 | 299,00 |
| 9 | TABLE CONFERENCE TABLE;6 DARK BROWN LEGS;WOOD OVERALL;5500,0MM DIA. X 1060,0MM WIDTH | AJ0000000211657 | 101CSTAB | 20030118 | 300,50 |
| 10 | WHITEBOARD ,NON MAGNETIC WHITE BOARD 1500X 1200    DELUX MODEL FOR EASY RAIL | 10054557 | 103H118E | 20020416 | 323,76 |
| 11 | WHITEBOARD ,NON MAGNETIC WHITE BOARD 1500X 1200    DELUX MODEL FOR EASY RAIL | 10055671 | 100F207A | 20020416 | 323,76 |
| 12 | MOP ,MOPPING UNIT/OUTFIT STEEL FRAME-HAND TRUCK ON 4 CASTORS WITH HANDLE-WITH WRINGER AND 2 BUCKETS | 10144608 | 101CSTOR | 20020731 | 364,80 |
| 13 | MOP ,MOPPING UNIT/OUTFIT STEEL FRAME-HAND TRUCK ON 4 CASTORS WITH HANDLE-WITH WRINGER AND 2 BUCKETS | 10144657 | 100F0063 | 20030118 | 364,80 |
| 14 | MOP ,MOPPING UNIT/OUTFIT STEEL FRAME-HAND TRUCK ON 4 CASTORS WITH HANDLE-WITH WRINGER AND 2 BUCKETS | 10144672 | 100F0063 | 20030118 | 395,00 |
| 15 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10050721 | 102IRECE | 20030118 | 360,00 |
| 16 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10054478 | 100ERM07 | 20030118 | 360,00 |
| 17 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10054520 | 201AA215 | 20030118 | 360,00 |
| 18 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10054619 | 102IOPPL | 20030118 | 360,00 |
| 19 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10055851 | 101DRM37 | 20030118 | 360,00 |
| 20 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10055944 | 101DRM27 | 20030118 | 360,00 |
| 21 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10058351 | 201AR127 | 20030118 | 360,00 |
| 22 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10058358 | 102IWROF | 20030511 | 360,00 |
| 23 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10058379 | 102IWROF | 20030511 | 360,00 |
| 24 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10058624 | 201AR125 | 20030118 | 360,00 |
| 25 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10059822 | 101J3001 | 20030118 | 360,00 |
| 26 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10059892 | 100DLT18 | 20030118 | 360,00 |
| 27 | RACK DISTRIBUTION;DESK;WOOD;12-COMPARTMENT;3-TOP AND 9-PIGEON HOLE;860MM W X 405MM DP X 800MM H | 10232875 | 100ACARP | 20030118 | 360,00 |
| 28 | DESK, L-UNIT, PEDESTAL, OAK, 3 DRAWERS | 10054142 | 102IRM38 | 20031201 | 291,14 |
| 29 | DESK, L-UNIT, PEDESTAL, OAK, 3 DRAWERS | 10054144 | 101DA219 | 20031201 | 291,14 |
| 30 | DESK, L-UNIT, PEDESTAL, OAK, 3 DRAWERS | 10055157 | 102IRM29 | 20031201 | 291,14 |
| **Total                                                                                                                                       10 482,44** | | | | | |

b)  Section 29 of the movable asset management policy states that: all assets are initially recorded at cost in the movable asset register (minor and major) which contravene section 19.1 of the same policy.

c)  Section 48 of the movable asset management policy states that: the straight -line depreciation is the method selected and will be used for all movable assets in DPW. If the straight line method is not suitable for a certain category of assets, special permission may be obtained from Accountant-Officer to use an alternative method, where the department is not required to depreciate their assets.

The finding occurred as a result of:

a) Asset Management Unit section did not review the movable asset management policy to ensure that it is aligned to the departmental Financial Reporting Framework Guide chapter 9 for capital assets.

b) Asset Management Unit does not review the Accountant-General website for any updated circulars/practice note which might have been issued regarding the capital assets.

Impact of the finding:

a) Non-compliance with departmental Financial Reporting Framework Guide.

b) Asset register and disclosure note might be understated as a result of assets less than R500.00 not included in the register.

**Internal control deficiency**

Leadership

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

**Recommendation**

The asset management unit should have a register where all the updates relating to the capital assets are recorded and it also indicates what action has been taken for implementation of the circular/practice note issued.

**Management response**

I am in agreement with the finding, the policy was recently approved on the 2011 and the error was identified and the Asset Team tasked to engage National Treasury, however due to human error it was not corrected before printing hence the addendum is routed for approval.

Name: Thembi Gumede

Position:  Director

Date:

**Auditor’s conclusion**

Management agrees with the finding therefore this matter remains valid and will be reported in the management letter until the management amend the report.

1. **Movable Tangible Assets - Asset recorded twice on the 31 March 2012 asset register Ex 207**

**Audit finding**

*a)  Section 38(1) (d) of the PFMA requires that  “The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution”*

*b) Treasury Regulation sections 10.1.1 and 10.1.2 states the following:*

*(i) Section 10.1.1*

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*(a)Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*(b)Stock levels are at an optimum and economical level.”*

*(ii)Section 10.1.2*

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

*c) Movable Asset Management Policy – Maintenance of the Asset Register section 40, 42, 43 and 44.*

*(i)  Section 40*

*“All assets of the department must be recorded in the Movable Asset Register.”*

*(ii) Section 42*

*“The movable Asset Register of the department is maintained on LOGIS and must be used for updating when assets of the department are acquired, moved or disposed of”.*

*(iii) Section 43*

*“All assets owned and controlled by DPW must be recorded on the LOGIS Asset Register”.*

*(iv) Section 44*

*“Updating and maintaining information on the Asset Register must be done timely, accurate and complete”.*

The following deviation was noted:

The department did undertakes a programme/ actions to improve the safeguarding, recording and control over the movement of movable assets, it was noticed during the verifications that huge strides/ improvements were made pertaining to the safeguarding, recording and control over movement of movable assets.

The following assets were recorded twice on 31 March asset register submitted for annual financial statements.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Asset Description** | **Asset Barcode** | **Estimated amount** | **Regional Office** | **Location** |
| 1 | Cabinet | 10056826 | 1 300,00 | Cape Town | Robben Island |
| 2 | 2 Chair | CTA12-2644 | 4 500,00 | Cape Town | Genadendal |
| 3 | Table Coffee | C0004381/5184 | 658,92 | Cape Town | Genadendal |
|  | **TOTAL** |  | **6 458,92** |  |  |

The finding occurred as a result of the fact that:

The LOGIS system is not configured to uniquely identify the serial number of the asset for integrity only on the ICN number of the asset.

The impact of the finding:

a)      Asset register amount is overstated by R 6 458, 92.

b)      Potential misappropriation of assets and misstatements in the disclosure note.

c)      Non-compliance with Movable Asset Management Policy

**Internal control deficiency**

Financial and Performance Management

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

The department did not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

**Recommendation**

a) The LOGIS asset register must be audited at least once a year over and above any other verification done

b) The department must standardise the ICN numbers used in all regions so that the same items are recorded against the same ICN number and categories.

c) The LOGIS system must be updated to include parameters for maintaining serial number integrity.

**Management response**

I am in agreement with the finding.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | Asset Register audits will be done to ensure that there are not duplicates on the AR. | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
| X | |  |
| If yes, what corrections will be made to the population? | The whole population will be checked to ensure that the financials are not overstated. | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | Manual adjustments will be made and adjustments made in the financial year | | |
| Position of official responsible to take corrective action | DD/ASD Asset management | | |
| Estimated completion date of corrective action: | 27/06/2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name:   Thembi Gumede

Position:  Director:  MAM

Date:  27 June 2012

**Auditor’s conclusion**

The department has adjusted the asset register but the financial statements were not adjusted as the amount is immaterial but the finding will remain in the letter due to the weaknesses in the controls.

1. **Movable Tangible Asset - Assets found on location but were not recorded on the RR032 report Ex 208**

**Audit finding**

*a)  Section 38(1) (d) of the PFMA requires that  “The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution”*

*b) Treasury Regulation sections 10.1.1 and 10.1.2 states the following:*

*(i) Section 10.1.1*

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*(a)Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*(b)Stock levels are at an optimum and economical level.”*

*(ii)Section 10.1.2*

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

*c) Movable Asset Management Policy – Maintenance of the Asset Register section 40, 42, 43 and 44.*

*(i)  Section 40*

*“All assets of the department must be recorded in the Movable Asset Register.”*

*(ii) Section 42*

*“The movable Asset Register of the department is maintained on LOGIS and must be used for updating when assets of the department are acquired, moved or disposed of”.*

*(iii) Section 43*

*“All assets owned and controlled by DPW must be recorded on the LOGIS Asset Register”.*

*(iv) Section 44*

*“Updating and maintaining information on the Asset Register must be done timely, accurate and complete”.*

The following deviation was noted

The department did undertakes a programme/ actions to improve the safeguarding, recording and control over the movement of movable assets, it was noticed during the verifications that huge strides/ improvements were made pertaining to the safeguarding, recording and control over movement of movable assets.

During the assets verifications assets were found on the location but were not recorded on the RR 032 (LOGIS report) “Count Asset register used for the asset verification.

| **No** | **Asset Description** | **Asset Barcode** | **Estimated Amount** | **Regional Office** | **Location** |
| --- | --- | --- | --- | --- | --- |
| 1 | Table server | Not bar coded | 2 999,99 | Durban | Kings House |
| 2 | Mirror | 10234077 | 1 199,00 | Cape Town | Oak Avenue 25A |
| 3 | Table telephone | 10093539 | 830,00 | Cape Town | Maroela 1 |
| 4 | Couch | 10184930 | 5 000,00 | Cape Town | Saldana Pump Station |
| 5 | Ornament – Bowl | CTA12- 2578 | Unknown | Cape Town | Genadendal |
| 6 | Cabinet Television | 10088330 | 5 039,00 | Cape Town | Rygersdal 202 |
|  | **TOTAL** |  | **15 067,99** |  |  |

The finding occurred as the result of the fact that:

Estate or house managers do not submit movement forms timeously to asset management section for timeously updating the LOGIS system

Impact of the finding:

a) The asset register and the RR 032 (LOGIS report) is not the same, therefore the assets can be misappropriated.

b) Asset register is not updated and correct pertaining to the asset location

c) Non-compliance with Movable Asset Management Policy

d) Incorrect asset register, asset catalogues and RR032 reports are used when performing asset verification

**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)  Any movements of assets should be recorded in the asset register immediately when movement forms are received.

b) Spot check counts and annual verifications should be performed by the relevant asset management section in the region to ensure that the asset register and the relevant RR 032 LOGIS report at any time are the same.

c)  A inventory list per location should be kept by the estate or house manager so as to easily track the asset movements and also the copy of the movement schedules should be kept at the location when the is moved.

**Management response**

I am in agreement with the finding for the following reasons: The following assets were moved in the houses but the system was not updated yet: Mirror 10234077, Table telephone 10093539, couch 10184930 Ornament bowl CTA12-2578 and cabinet television 10088330

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | AR will be updated as and when transactions/movement occurs | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | |  |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | C | | |
| Position of official responsible to take corrective action | DD:  Asset Management | | |
| Estimated completion date of corrective action: | 30/06/2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | N/A | | |

Name:   Nolitha Poswa

Position: Deputy Director: MAM

Date:  28 June 2012

**Auditor’s conclusion**

The assets were found but the finding remains in the management letter as the register is not updated timeously with the movements.

1. **Movable Tangible Assets - Asset were not found on location as per RR032 report Ex 209**

**Audit finding**

*a)  Section 38(1) (d) of the PFMA requires that  “The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution”*

*b) Treasury Regulation sections 10.1.1 and 10.1.2 states the following:*

*(i) Section 10.1.1*

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*(a)Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*(b)Stock levels are at an optimum and economical level.”*

*(ii)Section 10.1.2*

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

*c) Movable Asset Management Policy – Maintenance of the Asset Register section 40, 42, 43 and 44.*

*(i)  Section 40*

*“All assets of the department must be recorded in the Movable Asset Register.”*

*(ii) Section 42*

*“The movable Asset Register of the department is maintained on LOGIS and must be used for updating when assets of the department are acquired, moved or disposed of”.*

*(iii) Section 43*

*“All assets owned and controlled by DPW must be recorded on the LOGIS Asset Register”.*

*(iv) Section 44*

*“Updating and maintaining information on the Asset Register must be done timely, accurate and complete”.*

The following deviation was noted:

The department did undertakes a programme/ actions to improve the safeguarding, recording and control over the movement of movable assets, it was noticed during the verifications that huge strides/ improvements were made pertaining to the safeguarding, recording and control over movement of movable assets.

During the assets verifications the asset was not found on the location as recorded on the RR 032 (LOGIS report) “Count Asset register used for the asset verification.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Asset Description** | **Asset Barcode** | **Estimated Amount** | **Regional Office** | **Location** |
| 1 | Mirror | 10222522 | 1 199,00 | Cape Town | Oak Avenue 25A |
|  | **TOTAL** |  | **1 199,00** |  |  |

The finding occurred as the result of the fact that:

Estate or house managers do not submit movement forms timeously to asset management section for timeously updating the LOGIS system

Impact of the finding:

a) The asset register and the RR 032 (LOGIS report) is not the same, therefore the assets can be misappropriated.

b) Asset register is not updated and correct pertaining to the asset location

c) Non-compliance with Movable Asset Management Policy

d) Incorrect asset register, asset catalogues and RR032 reports are used when performing asset verification

**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) Any movements of assets should be recorded in the asset register immediately when movement forms are received.

b)  Spot check counts and annual verifications should be performed by the relevant asset management section in the region to ensure that the asset register and the relevant RR 032 LOGIS report at any time are the same.

c)  A inventory list per location should be kept by the estate or house manager so as to easily track the asset movements and also the copy of the movement schedules should be kept at the location when the is moved.

**Management response**

I am in agreement with the finding for the following reasons: The asset was moved from the house to the store and the system was not yet updated.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | The movement will be updated as and when they occur | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | DD:  MAM | | |
| Estimated completion date of corrective action: | 30/06/2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | N/A | | |

Name:   NOLITHA POSWA

Position:  DD:  MOVABLE ASSET

Date: 28 June 2012

**Auditor’s conclusion**

The assets were found on the register but the finding remains in the management letter as the register is not updated timeously with the movements.

1. **Movable Tangible Assets: List of assets transferred not submitted to Treasury and the Auditor-General within 14 days of the transfer Ex 105**

**Audit Finding**

Section 42 of PFMA states that:

*“(1) Accounting officers’ responsibilities when assets and liabilities are transferred.—*

*(1) When assets or liabilities of a department are transferred to another department or other institution in terms of legislation or following a reorganization of functions, the accounting officer for the transferring department must—*

*(a) draw up an inventory of such assets and liabilities; and*

*(b) provide the accounting officer for the receiving department or other institution with substantiating records, including personnel records of staff to be transferred.*

*(2)  Both the accounting officer for the transferring department and the accounting officer for the receiving department or other institution must sign the inventory when the transfer takes place.*

*(3)  The accounting officer for the transferring department must file a copy of the signed inventory with the relevant treasury and the Auditor-General within 14 days of the transfer.*

The following issue were identified:

The accounting officer of the Department of Public Works approved the transfer of assets on 21 September 2011 and the accounting officer of the Department of Education acknowledged the receipt of the assets on 23 September 2011, which included the schedule of movable assets transferred.

Request for information 257 dated 14 June 2012 was sent to the Department for the proof of submission of the list of transfers to National Treasury and the Auditor-General. The management response received on 19 June 2012 stated that *“The Department will file the list of transferred assets as soon as section 42(1) and (2) of the PFMA are complied with.”*

Therefore, the Department of Public Works did not submit the list of the movable assets transferred to the Department of Education to the Treasury and the Auditor-General within the 14 days of the transfer.

The finding occurred as a result of the fact that:

The Department misinterpreted the application of section 42 of the PFMA.

The impact of the finding:

Non-compliance with section 42 (3) of PFMA

**Internal control deficiency**

Leadership

The accounting officer does not exercise oversight responsibility over compliance with laws and regulations and internal control.

**Recommendation**

Adherence to the requirements of laws and regulations by submitting the list of assets transferred to National Treasury and Auditor General.

**Management response**

I am in agreement with the finding for the following reasons: The assets were physically transferred, however the accounting officers are yet to signed the transfer certificate as required by section 42 of the PFMA that both Accounting Officers of the transferring and the receiving department should sign the inventory list of the assets transferred.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: | The signing of the transfer certificate will be finalised and the transfer filled with both the AG and the Treasury | | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action |  | | |
| Estimated completion date of corrective action: | 31 August 2012 | | |
| 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 |  | | |

**Auditor’s conclusion**

The finding will remain in the letter management agrees with the finding

1. **Movable Tangible Assets: Incorrect asset descriptions used on either 31 March 2112 register or RR032 report Ex 210**

**Audit finding**

*a)  Section 38(1) (d) of the PFMA requires that  “The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution”*

*b) Treasury Regulation sections 10.1.1 and 10.1.2 states the following:*

*(i) Section 10.1.1*

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*(a)Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*(b)Stock levels are at an optimum and economical level.”*

*(ii)Section 10.1.2*

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

*c) Movable Asset Management Policy – Maintenance of the Asset Register section 40, 42, 43 and 44.*

*(i)  Section 40*

*“All assets of the department must be recorded in the Movable Asset Register.”*

*(ii) Section 42*

*“The movable Asset Register of the department is maintained on LOGIS and must be used for updating when assets of the department are acquired, moved or disposed of”.*

*(iii) Section 43*

*“All assets owned and controlled by DPW must be recorded on the LOGIS Asset Register”.*

*(iv) Section 44*

*“Updating and maintaining information on the Asset Register must be done timely, accurate and complete”.*

The following deviation was noted:

The department did undertakes a programme/ actions to improve the safeguarding, recording and control over the movement of movable assets, it was noticed during the verifications that huge strides/ improvements were made pertaining to the safeguarding, recording and control over movement of movable assets.

During the assets verifications incorrect asset descriptions were used on either the 31 March 2012 asset register or RR 032 (LOGIS report) “Count Asset register used for the asset verification.

The following serves as examples

| **No** | **Asset Barcode** | **Asset Description – Actual** | **Asset Description – 31 March asset register** | **Asset Description - RR 032 (LOGIS report)** | **Estimated amount** | **Regional Office** | **Location** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | 10262117 | Chest of drawers | Unknown | Holder , Fire fighting equipment | 3 534,00 | Cape Town | Robben Island |
| 2 | 10087776 | Cabinet | Couch | Cabinet | 1,00 | Cape Town | Robben Island |
| 3 | 10250622 | Single bed | Bed double base | Bed double base | 2 611,00 | Cape Town | Pelikan Park 88 |
| 4 | 10249953 | Mirror | Mirror | Headboard | 1 292,76 | Cape Town | Sunrise Villas 25 |
| 5 | 10215883 | Dresser stool | Chair easy | Chair easy | 8 270,94 | Pretoria | 199 Rautenbach |
| 6 | 10192064 | Laundry basket | Chair | Chair | 13 674,30 | Pretoria | Lisdogan 3 |
| 7 | 10192067 | Laundry basket | Stool | Stool | 1 068,60 | Pretoria | Lisdogan 3 |
| 8 | 10210914 | Bed | Headboard | Headboard | 3 799,00 | Pretoria | Gazania 214 |
| 9 | 10226745 | Table server | Pedestal | Table server | 1 300,00 | Pretoria | 214 Bauhemia |
|  | **TOTAL** |  |  |  | **35 551,60** |  |  |

The finding occurred as the result of the fact that:

Departmental officials interpreted the different descriptions available on LOGIS differently, hence the inconsistence use of the descriptions.

The impact of the finding:

The asset is incorrectly recorded in the wrong description in the asset register.

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

a) The asset register must be investigated to ensure that all descriptions and bar code numbers correspond with the actual item on location.

b) The department must standardize the use of the different descriptions available on LOGIS for all offices.

**Management response**

I am in agreement with the finding for the following reasons, the department is aware of the description challenges on the Asset Register which is mainly due to Limited Item Control Numbers (ICN’s) on LOGIS and the variety and uniqueness of assets especially in the Prestige environment. The decision taken was to standardize similar assets to one description to avoid having different  (ICN”s) for one asset to accommodate different features in what is basic viewed as similar in description.

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | During verification asset management will ensure that that descriptions are the same for similar items on the AR | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | DD/ASD Asset managers HO & Regions | | |
| Estimated completion date of corrective action: | 31 March 2013 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | System related Challenges | | |

Name:   Thembi Gumede

Position:  Director: MAM

Date:  28 June 2012

**Auditor’s conclusion**

The finding remain in the management letter as management agrees with the finding

1. **Movable Tangible Assets: Asset barcodes incorrectly recorded Ex 211**

**Audit finding**

*a)  Section 38(1) (d) of the PFMA requires that  “The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution”*

*b) Treasury Regulation sections 10.1.1 and 10.1.2 states the following:*

*(i) Section 10.1.1*

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*(a)Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*(b)Stock levels are at an optimum and economical level.”*

*(ii)Section 10.1.2*

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

*c) Movable Asset Management Policy – Maintenance of the Asset Register section 40, 42, 43 and 44.*

*(i)  Section 40*

*“All assets of the department must be recorded in the Movable Asset Register.”*

*(ii) Section 42*

*“The movable Asset Register of the department is maintained on LOGIS and must be used for updating when assets of the department are acquired, moved or disposed of”.*

*(iii) Section 43*

*“All assets owned and controlled by DPW must be recorded on the LOGIS Asset Register”.*

*(iv) Section 44*

*“Updating and maintaining information on the Asset Register must be done timely, accurate and complete”.*

The following deviation was noted

The department did undertakes a programme/ actions to improve the safeguarding, recording and control over the movement of movable assets, it was noticed during the verifications that huge strides/ improvements were made pertaining to the safeguarding, recording and control over movement of movable assets.

During the assets verifications the asset barcode number was incorrectly recorded on the RR 032 (LOGIS report) “Count asset register”

| **No** | **Asset Description** | **Asset Barcode number - actual** | **Asset Barcode number - RR 032 (LOGIS report)** | **Estimated amount** | **Regional Office** | **Location** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | Ward rope | 10206302 | 10206902 | 2 500,00 | Cape Town | Saldana Pump Station |
|  | **TOTAL** |  |  | **2 500,00** |  |  |

The finding occurred as the result of the fact that:

Human error and that capture information were not reviewed after capturing.

Impact of the finding:

Asset barcode is incorrect on the RR032 report.

**Internal control deficiency**

Financial and performance management

a) 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

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

**Recommendation**

a) The asset register must be investigated to ensure that all descriptions and bar code numbers correspond with the actual item on location.

b) Quarterly asset counts should be performed.

**Management response**

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

The bar code was mistakenly captured incorrectly and it has been corrected.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | DD | | |
| Estimated completion date of corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | N/A | | |

Name: Nolita Poswa

Position: DD

Date: 28/06/2012

**Auditor’s conclusion**

The finding remain in the management letter as the department agrees with the finding

1. **Movable Tangible Assets - Genadendal - Different asset serial number as RR032 report and catalogue Ex 212**

**Audit finding**

*a)  Section 38(1) (d) of the PFMA requires that  “The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution”*

*b) Treasury Regulation sections 10.1.1 and 10.1.2 states the following:*

*(i) Section 10.1.1*

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*(a)Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*(b)Stock levels are at an optimum and economical level.”*

*(ii)Section 10.1.2*

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

*c) Movable Asset Management Policy – Maintenance of the Asset Register section 40, 42, 43 and 44.*

*(i)  Section 40*

*“All assets of the department must be recorded in the Movable Asset Register.”*

*(ii) Section 42*

*“The movable Asset Register of the department is maintained on LOGIS and must be used for updating when assets of the department are acquired, moved or disposed of”.*

*(iii) Section 43*

*“All assets owned and controlled by DPW must be recorded on the LOGIS Asset Register”.*

*(iv) Section 44*

*“Updating and maintaining information on the Asset Register must be done timely, accurate and complete”.*

Following deviation was noted:

The department did undertakes a programme/ actions to improve the safeguarding, recording and control over the movement of movable assets, it was noticed during the verifications that huge strides/ improvements were made pertaining to the safeguarding, recording and control over movement of movable assets.

During the assets verifications the asset serial number as per RR 032 (LOGIS report) “Count Asset register” does not correspond with the asset serial number in the catalogue for Genadendal in Cape Town.

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Asset Description** | **Asset Barcode number - RR 032 (LOGIS report)** | **Estimated Amount** |
| 1 | Cabinet storage | C0004553/ CTA12-2645 | 20 000,00 |
| 2 | Chair wingback | V0005665 | 21 349,00 |
|  | **TOTAL** |  | **41   349,00** |

The finding occurred as the result of the fact that:

a) The asset registers are not regularly updated with the results of the asset verifications done by the asset management teams.

b) The catalogues and RR 032 LOGIS reports are not reconciled back to the asset register

Impact of the finding:

Incorrect asset register and asset catalogues because the asset is incorrectly recorded against the wrong serial number in the asset register.

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

a) The asset register must be investigated to ensure that all descriptions and bar code numbers correspond with the actual item on location

b) The catalogues must be compiled in line with the RR 032 LOGIS report per room.

c) File dividers must be added to the catalogues between the different rooms for easy referencing.

d) The asset register, RR 032 report and catalogues must be compared with each other to ensure that the correct serial numbers are used in all three the mentioned documents.

**Management response**

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

The system has been updated with the correct catalogue number to ensure that all descriptions and bar code numbers correspond with the actual items on each location.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | DD | | |
| Estimated completion date of corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | N/A | | |

Name: Nolita Poswa

Position: DD

Date: 28 June 2012

**Auditor’s conclusion**

The finding remain in the management letter as department agrees with the finding.

1. **Movable Tangible Assets - Genadendal - Different asset descriptions as per RR032 report and catalogue Ex 213**

**Audit finding**

*a)  Section 38(1) (d) of the PFMA requires that  “The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution”*

*b) Treasury Regulation sections 10.1.1 and 10.1.2 states the following:*

*(i) Section 10.1.1*

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*(a)Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*(b)Stock levels are at an optimum and economical level.”*

*(ii)Section 10.1.2*

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

*c) Movable Asset Management Policy – Maintenance of the Asset Register section 40, 42, 43 and 44.*

*(i)  Section 40*

*“All assets of the department must be recorded in the Movable Asset Register.”*

*(ii) Section 42*

*“The movable Asset Register of the department is maintained on LOGIS and must be used for updating when assets of the department are acquired, moved or disposed of”.*

*(iii) Section 43*

*“All assets owned and controlled by DPW must be recorded on the LOGIS Asset Register”.*

*(iv) Section 44*

*“Updating and maintaining information on the Asset Register must be done timely, accurate and complete”.*

Following deviation was noted:

The department did undertakes a programme/ actions to improve the safeguarding, recording and control over the movement of movable assets, it was noticed during the verifications that huge strides/ improvements were made pertaining to the safeguarding, recording and control over movement of movable assets.

During the assets verifications the asset description as per RR 032 (LOGIS report) “Count Asset register” does not correspond with the description in the catalogue for Genadendal in Cape Town.

| **No** | **Asset Description** | **Asset Barcode number - RR 032 (LOGIS report)** | **Estimated Amount** |
| --- | --- | --- | --- |
| 1 | Cabinet television | C0004866/ CTA12-3579 | 7 500,00 |
| 2 | Chair wingback | V0005665 | 21 349,00 |
| 3 | Chair couch | C0003691 | 1 579,55 |
| 4 | Couch | CKC0009/ CTA12-2569 | 25 000,00 |
| 5 | Desk workstation | C0003981/ CTA12-3566 | 12 000,00 |
| 6 | Headboard | CKC00015/ CTA12-3561 | 4 500,00 |
| 7 | Coffee Table | C0005317 | 658,92 |
|  | **TOTAL** |  | **72 587,47** |

The finding occurred as the result of the fact that:

a) The asset registers are not regularly updated with the results of the asset verifications done by the asset management teams.

b) The catalogues and RR 032 LOGIS reports are not reconciled back to the asset register.

c) Departmental officials interpreted the different descriptions available on LOGIS system differently, hence the inconsistence use of the descriptions.

Impact of the finding:

Incorrect asset register and asset catalogues because the asset is incorrectly recorded against the wrong asset description in the asset register.

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

a) The asset register must be investigated to ensure that all descriptions and bar code numbers correspond with the actual item on location.

b) The asset register, RR 032 report and catalogues must be compared with each other to ensure that the correct serial numbers are used in all three the mentioned documents.

 c) The department must standardise the use of the different descriptions available on LOGIS for all offices.

d) All similar items seen as a set must be recorded together under the same description heading in the RR 032 report.

e) The catalogues must be compiled in line with the RR 032 LOGIS report per room.

f) File dividers must be added to the catalogues between the different rooms for easy referencing.

**Management response**

I am in agreement with the finding for the following reasons, the department is aware of the description challenges on the Asset Register which is mainly due to Limited Item Control Numbers (ICN’s) on LOGIS and the variety and uniqueness of assets especially in the Prestige environment. The decision taken was to standardize similar assets to one description to avoid having different  (ICN”s) for one asset to accommodate different features in what is basic viewed as similar in description.

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | During verification asset management will ensure that that descriptions are the same for similar items on the AR | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | DD/ASD Asset managers HO & Regions | | |
| Estimated completion date of corrective action: | 31 March 2013 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | System related Challenges | | |

Name:   Thembi Gumede

Position:  Director: MAM

Date:  28 June 2012

**Auditor’s conclusion**

The finding remain in the management letter as department agrees with the finding.

1. **Movable Tangible Assets - Assets appear on HO and PTA asset registers Ex 226**

**Audit finding**

*Movable Asset Policy section 42 states “The Movable Asset register of the Department is maintained on LOGIS and must be used for updating when assets of the Department are acquired, moved or disposed of. etc.”*

The following deviation was noted:

The following assets are recorded in the asset registers of Pretoria Regional Office and Head Office as at 31 March 2012

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Serial Number** | **Cost Price** | **Barcode** |
| Recorder, Digital Reproducer sound | 10242243 | 3 254,70 | n/a |
| Computer (CPU), Dell optiplex | 10240024 | 7 600,00 | 2089001576 |
| Printer, Any | 10176915 | 83 413,40 | TH65K5Z0G6 |
| **Total** |  | **94 268,10** |  |

The finding occurred as a result of the fact that:

The department indicated that it could not be rectify due to a system error on LOGIS

Impact of the finding:

The closing balance for the movable assets disclosure note might be overstated 94 268.10

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

a) Asset must be removed from any one of the two locations.

b) LOGIS system must be corrected with the action above.

c) The disclosure note of the annual financial statements must be adjusted with the overstated amount

**Management response**

I am in agreement with the finding but not in agreement with the impact for the following reasons the assets in PTA regional office are correctly allocated and the duplication occurs in Head Office Asset Register.  The overstated amount is R7 019,63 for minor assets and R9 148,03 for major assets with the overall impact of R16 167,76 not R94 268,10 as indicated above and the Financial will be updated accordingly:

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken: | The duplicated assets on HO register will be written off. | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
| X | |  |
| If yes, what corrections will be made to the population? | The financials will be adjusted with the over stated amount | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | DD and ASD asset management | | |
| Estimated completion date of corrective action: | 30/06/2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name:  Thembi Gumede

Position:  Director: MAM

Date:  28 June 2012

**Auditor’s conclusion**

The management agrees with the finding it will be included in the management report.

1. **Movable Assets: Assets recorded on the 31 March asset register but not on the RR 032 Ex 206**

**Audit Finding**

Laws, rules and regulations

1. *Section 38(1)(d) of the PFMA requires that  “The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution”*

1. *Treasury Regulation sections 10.1.1 and 10.1.2 states the following:*
2. *section 10.1.1*

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*(a)     Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*(b)     Stock levels are at an optimum and economical level.”*

*(ii) section 10.1.2*

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

1. *Movable Asset Management Policy – Maintenance of the Asset Register section 40, 42 43 and 44.*
2. *section 40*

*“All assets of the department must be recorded in the Movable Asset Register.”*

*(ii) section 42*

*“The movable Asset Register of the department is maintained on LOGIS and must be used for updating when assets of the department are acquired, moved or disposed of”.*

*(iii) section 43*

*“All assets owned and controlled by DPW must be recorded on the LOGIS Asset Register”.*

*(iv) section 44*

*“Updating and maintaining information on the Asset Register must be done timely, accurate and complete”.*

The department did undertakes a programme/ actions to improve the safeguarding, recording and control over the movement of movable assets, it was noticed during the verifications that huge strides/ improvements were made pertaining to the safeguarding, recording and control over movement of movable assets.

The following asset were recorded on 31 March asset register submitted for annual financial statements but could not be traced to the RR 032 (LOGIS report) “Count asset register”

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Asset Description** | **Asset Barcode** | **Estimated amount** | **Regional Office** | **Location** |
| 1 | Desk workstation | 10168175 | 8 735,00 | Cape Town | Genadendal |
| 2 | Bin Waste | 10209122 | 911,43 | Cape Town | Genadendal |
| 3 | Table side | 10207449 | 1,00 | Cape Town | Genadendal |
|  | **TOTAL** |  | **9 647,43** |  |  |

Impact of the finding:

a)      Incomplete asset register.

b)      Potential misappropriation of assets and misstatements in the disclosure note.

c) Non-compliance with Movable Asset Management Policy

The finding occurred as a result of:

Movement forms not correctly/ properly filed or timeously submitted for capturing, hence the system is not updated timeously.

**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)        All movements forms must be immediately recorded and filed when they are received.

b)        Spot check counts and annual verifications should be performed by the relevant asset management section in the region to ensure that the asset register and the relevant RR 032 LOGIS report at any time are the same and all differences must be verified back to the relevant movement forms.

**Management response**

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

a) Desk workstation (10168175) was and is still there on the RR032 Page 18. It must also be mentioned that physically is there

b) Bin Waste (10209122) was and is still there on the RR032 of cutlery for Genadendal Page 1. It must also be mentioned that this house’s cutlery has its own inventory point (200d0051) due to large quantities.

c) Table side (10207449) was and is still there on the RR032 Page 35. It must also be mentioned that physically is there and was reclassified as heritage asset hence the price changed.

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: |  | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | x |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | Deputy Director | | |
| Estimated completion date of corrective action: | N/A | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | N/A | | |

*Name:* Nolitha Poswa

*Position: DD: MOVABLE ASSET MANAGEMENT*

*Date: June 28, 2012*

**Auditor’s conclusion**

The management agrees with the finding it will be included in the management report.

1. **Movable Assets: Assets on the RR 032 (LOGIS report) “Count asset register” but not on the 31 March asset register** (Ex 109)

**Audit Finding**

Laws, rules and regulations

*a) Section 38(1) (d) of the PFMA requires that  “The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution”*

*b) Treasury Regulation sections 10.1.1 and 10.1.2 states the following:*

1. *section 10.1.1*

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*(a)     Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*(b)     Stock levels are at an optimum and economical level.”*

*(ii) section 10.1.2*

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

1. *Movable Asset Management Policy – Maintenance of the Asset Register section 40, 42 43 and 44.*
2. *section 40*

*“All assets of the department must be recorded in the Movable Asset Register.”*

*(ii) section 42*

*“The movable Asset Register of the department is maintained on LOGIS and must be used for updating when assets of the department are acquired, moved or disposed of”.*

*(iii) section 43*

*“All assets owned and controlled by DPW must be recorded on the LOGIS Asset Register”.*

*(iv) section 44*

*“Updating and maintaining information on the Asset Register must be done timely, accurate and complete”.*

The department did undertakes a programme/ actions to improve the safeguarding, recording and control over the movement of movable assets, it was noticed during the verifications that huge strides/ improvements were made pertaining to the safeguarding, recording and control over movement of movable assets.

The following asset were recorded on RR 032 (LOGIS report) “Count asset register” but could not be traced to the 31 March asset register submitted for annual financial statements.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Asset Description** | **Asset Barcode** | **Estimated amount** | **Regional Office** | **Location** |
| 1 | Couch | 10265317 | 1 778,40 | Cape Town | Welwitschia 16 |
| 2 | Mirror | 10100839 | 1 199,00 | Cape Town | Welwitschia 16 |
| 3 | Table Server | 10244791 | 4 212,30 | Cape Town | Welwitschia 16 |
| 4 | Couch | 10201874 | 1 200,00 | Cape Town | Mopanie 48 |
| 5 | Table Coffee | 10181066 | 533,00 | Cape Town | Mopanie 48 |
| 6 | Fridge | 10250555 | 2 724,60 | Cape Town | Welwitschia12 |
| 7 | Stove | 10250559 | 1 400,00 | Cape Town | Welwitschia12 |
| 8 | Fridge | 10250578 | 3 767,77 | Cape Town | Welwitschia 13 |
| 9 | Stove | 10250585 | 3 648,00 | Cape Town | Welwitschia 13 |
| 10 | Bed | 10173215 | 2 262,90 | Cape Town | Acacia Park B51 |
| 11 | Coffee Table | 10189381 | 2 223,00 | Cape Town | Acacia Park B51 |
|  | **TOTAL** |  | **24 948,97** |  |  |

Impact of the finding

a) The asset register and the RR 032 (Logis report) is not the same, therefore the assets can be misappropriated.

b) Asset register is not updated and correct pertaining to the asset location

c) Non-compliance with Movable Asset Management Policy

The finding occurred as a result of the fact that:

Estate or house managers do not submit movement forms timeously to asset management section for timeously updating the LOGIS system

**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)        Any movements of assets should be recorded in the asset register immediately when movement forms are received.

b)        Spot check counts and annual verifications should be performed by the relevant asset management section in the region to ensure that the asset register and the relevant RR 032 LOGIS report at any time are the same.

c)        A inventory list per location should be kept by the estate or house manager so as to easily track the asset movements and also the copy of the movement schedules should be kept at the location when the is moved.

**Management response**

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

Welwitschia 12 and 13 are amongst the houses that were recently renovated and received new appliances as per tender WCS 045661. Since these are new items, the system automatically updates the location when assets are received but in this case as the procurement was processed through WCS, Asset management will wait for the payment to be processed and then update the system accordingly.

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: | AR will be updated as and when transactions occur. | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | DD: Asset Management | | |
| Estimated completion date of corrective action: |  | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
|  |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Nolitha Poswa

Position: Deputy Director: MAM

Date: 28/06/2012

**Auditor’s conclusion**

The management agrees with the finding it will be included in the management report.

1. **Movable Assets: Ministerial vehicles not in use Ex 154**

**Audit Finding**

Laws, rules and regulations

a) Public Finance Management Act sections 38 (1) (d) states the following:

*“The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets and for the management of the liabilities, of the department, trading entity or constitutional institution”*

b) Treasury Regulation sections 10.1.1 and 10.1.2 states the following:

1. section 10.1.1

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*(a)     Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*(b)     Stock levels are at an optimum and economical level.”*

(ii) section 10.1.2

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

c) Movable assets policy section 56 states that:

*“When movable assets become surplus, redundant, obsolete, un-serviceable or irreparable the Department shall dispose of such assets.”*

During the inspection of the department premises it was noted the under-mentioned ministerial vehicles parked at CGO building on the 9 May 2012 it was found that the vehicles were not been used by the Department.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | |  |  |
| **No** | **Description** | **Registration No** | **Receipt date** | **Cost price** |
| 1 | MOTOR VEHICLES | PJV899GP | 20030704 | 446 875,00 |
| 2 | MOTOR VEHICLES | KGP004GP | 20000330 | 218 472,00 |
|  |  |  |  | **665 347,00** |

The finding occurred as a result of the fact that:

Management did not obtained approval for the disposal of the assets.

Impact of the finding

a) The assets register contains items that are not in use which might overstate the disclosure note because these items are not timeously disposed off.

b) Non-compliance with Movable Asset Management Policy pertaining to the disposal of assets

c) The department may suffer losses due to vehicles not timeously disposed off because of the decrease in the vehicle’s book value.

**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**

Movable Asset Management section must on a regular basis work through the asset register and identify all the assets not been used.

Movable Asset Management section must put processes in place to ensure all identified assets are timeously disposed off.

**Management response**

I am in agreement with the finding for the following reasons, the above mentioned assets have already been identified for disposal and approval was granted by the Acting Director General. (See attached approved submission). The Department has kept proper record keeping on the movable asset register of the Department including its motor vehicles.

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: | Approval was granted 11 June 2012. The disposal process is underway. | | |
| Does the finding affect an amount disclosed in the financial statements? | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population? | N/A | | |
| If yes, and no corrections will be made, the reason why such a conclusion has been reached | N/A | | |
| Position of official responsible to take corrective action | Director Provisioning & Logistics and Director: Movable Asset Management | | |
| Estimated completion date of corrective action: | 31 March 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| X |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management |  | | |

Name: Thembi Gumede

Position: Director: MAM

Date: 02/07/2012

**Auditor’s conclusion**

The management agrees with the finding it will be included in the management report.

1. **Movable assets - No location on the asset register Ex 178**

**Audit Finding**

Laws, rules and regulation

*a)    Section 38(1) (d) of the PFMA requires that  “The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution”*

*b)    Treasury Regulation sections 10.1.1 and 10.1.2 states the following:*

*(i)      section 10.1.1*

*“The accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that*

*(a)     Preventative mechanisms are in place to eliminate theft, losses, wastage and misuse and*

*(b)     Stock levels are at an optimum and economical level.”*

*(ii)    section 10.1.2*

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

*c)    Movable Asset Management Policy – Maintenance of the Asset Register section 40, 42 43 and 44.*

*(i)     section 40*

*“All assets of the department must be recorded in the Movable Asset Register.”*

*(ii)  section 42*

*“The movable Asset Register of the department is maintained on LOGIS and must be used for updating when assets of the department are acquired, moved or disposed of”.*

*(iii)  section 43*

*“All assets owned and controlled by DPW must be recorded on the LOGIS Asset Register”.*

*(iv)  section 44*

*“Updating and maintaining information on the Asset Register must be done timely, accurate and complete”.*

It was noted that 45 assets on the Logis asset register did not have any location.

The finding occurred as the result of the fact that:

That asset controller’s do not regularly check the asset register to ensure that all the assets have location to them.

Impact of the finding:

a) Non-compliance with section 38(1) (d) of the PFMA and Treasury Regulations 10.1.1 and 10.1.2.

b) The department might not be able to locate the asset which might result in the theft and misappropriation of such assets.

c) The movable asset register might be incomplete without the department being aware of the fact.

**Internal control deficiency**

Leadership

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

**Recommendation**

The department need to review the logis asset register and relevant asset controllers need verify that all asset location are included on the asset register and investigate the cases were the location is not recorded and update the logis asset accordingly

**Management response**

I am in agreement with the finding for the following reasons: The assets could not be allocated to the respective locations due to the ICN’ that were on hold, some assets were received on the last day of the financial year and could not be moved before the system closed for the year end, the query has since been resolved

|  |  |  |  |
| --- | --- | --- | --- |
| **DESCRIPTION** | **RESPONSE** | | |
| Corrective action to be taken: | Assets to be allocated to the respective locations on LOGIS | | |
| 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, and no corrections will be made, the reason why such a conclusion has been reached |  | | |
| Position of official responsible to take corrective action | ASD movable asset management | | |
| Estimated completion date of corrective action: | 31st July 2012 | | |
| Does management agree with the root cause indicated | **Yes** | **No** | |
| Partially |  | |
| If management does not agree with the root cause indicated, please provide the root cause according to management | Some assets were received on the last day of the financial year and system closed before they could be moved to from the store to the respective inventory points. | | |

Name: Humbulani Sigwavhulimu

Position: Deputy Director

Date: 11 July 2012

**Auditor’s conclusion**

The management agrees with the finding it will be included in the management report.

1. [↑](#footnote-ref-1)
2. [↑](#footnote-ref-2)
3. [↑](#footnote-ref-3)
4. [↑](#footnote-ref-4)
5. [↑](#footnote-ref-5)