**FINAL MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**31 MARCH 2017**

**Communicated to the accounting officer on: 26 July 2017**

**MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**31 March 2017**

**Discussed with the accounting officer on: 26 July 2017**

**CONTENT**

|  |  |
| --- | --- |
| **Introduction** | **[04]** |
| **Overall message** | **[07]** |
| **Section 1: Interactions with stakeholders responsible for oversight and governance** | **[07]** |
| **Section 2: Matters relating to the auditor’s report** | **[08]** |
| 2.1 Audit of the financial statements | **[08]** |
| 2.2 Matters to be brought to the attention of users | **[08]** |
| 2.3 Audit of the annual performance report | **[08]** |
| 2.4 Audit of compliance with legislation | **[11]** |
| 2.5 Other information | **[11]** |
| 2.6 Internal controls | **[12]** |
| 2.7 Other reports | **[14]** |
| **Section 3: Assurance providers and commitments** | **[14]** |
| 3.1 Assessment of assurance providers | **[14]** |
| 3.2 Status of implementing commitments and recommendations | **[16]** |
| **Section 4: Specific focus areas** | **[19]** |
| 4.1 Financial viability | **[19]** |
| 4.2 Procurement and contract management | **[22]** |
| 4.3 Fraud and consequence management | **[23]** |
| 4.4 Value-add matters | **[24]** |
| **Section 5: Using the work of internal auditors** | **[27]** |
| **Section 6: Emerging risks** | **[28]** |
| **Section 7: Entities controlled by the department** | **[28]** |
| **Section 8: Ratings of detailed audit findings** | **[30]** |
| **Section 9: Conclusion** | **[30]** |
| **Section 10: Summary of detailed audit findings** | **[31]** |
| **Detailed audit findings contained in annexures A to C** | **[34]** |
| **Annexures D: Performance management and reporting framework** | **[147]** |
| **Annexures E: Auditor-general’s responsibility for the audit of the reported performance information** | **[152]** |
| **Annexures F: Assessment of internal controls** | **[154]** |

**MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE DEPARTMENT OF PUBLIC WORKS FOR THE YEAR ENDED 31 MARCH 2017**

**INTRODUCTION**

1. The purpose of the management report is to communicate audit findings and other key audit observations to the accounting officer and does not constitute public information. This management report includes audit findings arising from the audit of the financial statements, performance information and compliance with legislation for the year ended 31 March 2017.
2. These findings were communicated to management and the report details management’s response to these findings. The report includes information on the internal control deficiencies that we identified as the root causes of the matters reported. Addressing these deficiencies will help to improve the audit outcome.
3. In accordance with the terms of engagement, our responsibility in this regard is to:

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

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

1. This management report consists of the overall message arising from the audit, summary of key findings and observations, annexures containing the detailed audit findings, annexures to the report on the audit of performance information as well as the annexure to internal control deficiencies reported.
2. The auditor’s report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor’s report remains in draft form until the final auditor’s report is signed. In adherence to section 50 of the PAA, we do not disclose any information obtained during the audit and contained in this management report.
3. The **figure** that follows provides a pictorial summary of the audit results and our key messages on how to improve/ sustain the audit outcomes with the focus on the following:

* Status of the audit outcomes
* Status of the level of assurance provided by key role players
* Status of the drivers of internal controls
* Status of risk areas, and
* Root causes to be addressed/ Best practices that should be maintained

The tick mark or legends on the figure mean the following:

 / Improved

 / Unchanged / slight improvement / slight regression

 / Regressed

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Stagnation in audit outcomes | | | | | | |  | Assurance levels | | | | | | | | | | |
|  |  |  |  |  |  | Types of audit outcomes |  | First level of assurance | | |  | Second level of assurance | | |  |  | | |
|  |  |  |  |  |  |  |  |  | |  |  |  | |  |  |  | |  |
|  |  |  |  |  |  | Unqualified with no findings |  |  | |  |  |  | |  |  |  | |  |
|  |  |  |  |  |  | |  |  |  | |  |  |  | |  |
|  |  |  | Unqualified with findings |  | Senior management | |  |  | Audit committee | |  |  |  | |  |
|  |  |  |  |  |  | |  |  |  | |  |  |  | |  |
|  |  |  | Qualified with findings |  | Accounting officer | |  |  | Internal audit | |  |  |  | |  |
|  |  |  |  |  |  | |  |  |  | |  |  |  | |  |
|  |  |  | Adverse with findings |  | Executive authority | |  |  |  | |  |  |  | |  |
|  |  |  |  |  |  | |  |  |  | |  |  |  | |  |
|  |  |  | Disclaimed with findings |  |  |  | | | |  | | | |  | |

**2014-15 2015-16 2016-17**

|  |  |  |  |
| --- | --- | --- | --- |
| Provides assurance | Provides some assurance | Provides limited/ no assurance | Vacant/ not established |

**2**

**1**

**To improve/maintain the audit outcomes ... … the key role players need to assure that…**

**... the root causes are addressed... …the risk areas, and … ... attention is given to the key controls, and …**

**5**

**4**

**3**

**... the best practices are maintained.**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Root causes should be addressed |  | Risk areas | | | | |  | Status of the drivers of internal controls | | | | | | | | | |
| Lack of consequences for poor performance and transgressions  Vacancies in key positions and or support staff positions  Slow response by management |  | **Quality of submitted financial statements** |  | **Quality of submitted performance information** |  | **Supply chain management** |  | **Leadership** |  |  | **Financial and performance management** |  | **Governance** | |  | |
|  |  |  |  |  |  |  |  |  |  |  |  | |
|  |  |  |  | Effective leadership culture |  |  | Proper record keeping |  |  | Risk management |  | |
|  |  |  |  |  |  |  |  |  |  |  |  | |
|  |  |  |  | Oversight responsibility |  |  | Processing and reconciling controls |  |  | Internal audit |  | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |
|  | **Financial health** |  | **Human resource management** |  | **Information technology** |  | HR management |  |  | Regular reporting |  |  | Audit committee |  | |
|  |  |  |  |  |  |  |  |  |  |  |  | |
|  |  |  |  | Policies and procedures |  |  | Compliance monitoring |  |  |  |  | |
|  |  |  |  |  |  |  |  |  |  |  |  | |
|  |  |  |  | Audit action plans |  |  | IT system controls |  |  |  |  | |
|  |  |  |  |  |  |  |  |  |  |  |  | |
|  |  |  |  | IT governance |  |  |  |  |  |  |  | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |
|  | Good | In Progress | | Intervention required | |  | Good | | | In Progress | | | Intervention required | |  | |

**OVERALL MESSAGE**

1. The audit opinion of the department has remained unchanged for the past three financial years. The main obstacles preventing the department from obtaining a clean audit outcome remains the quality of submitted performance information.
2. The assurance provided by the key role players at the department is adequate, however there still remains room for improvement, especially with respect to performance reporting and monitoring of compliance. In addition, focus should be placed on continuing to strengthen internal controls as well as financial and compliance management practices.
3. AOPO – The actual achievements reported were not adequately supported by valid and complete source documentation. In addition, controls put in place to manage performance information were not adequate, resulting in material adjustments required to the performance information submitted.

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

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

| **Key stakeholder** | **Purpose of interaction** | **Number of interactions** |
| --- | --- | --- |
| Portfolio committee on Public works | * Audit outcomes * Audit outcomes presentation * Presentation on the BRRR * Feedback on the review of the annual performance plan 2017/18 | 2 |
| Standing committee on public accounts | * Late tabling of annual report | 1 |
| Minister of department of public works | * Debriefing session on the prior year audits * Tracking of audit outcomes for the portfolio * Anticipated audit outcome | 1 |
| Director-general | * Debriefing session on the prior year audits * Tracking of audit outcomes for the portfolio * Anticipated audit outcome * Audit Strategy and Engagement Letter | 5 |
| Audit committee | * Audit Strategy and Engagement Letter * Interim Management Report * Audit Outcomes | 6 |

1. At these interactions, we shared the following key matters affecting audit outcomes:

* Expected audit outcomes relating to the 2016-17 audit cycle.
* Reliability of Predetermined objectives Programme 3:EPWP
* Vacancies in the department
* Terms of the engagement for the current year 2016/17 audit cycle with specific emphasis on the roles and responsibilities of the auditor and management as well as those charged with governance.
* Overall audit strategy including the proposed nature, timing and extent of audit procedures to be performed, risk assessment (including fraud risk assessment) and the effectiveness of internal control
* Audit progress and findings were discussed on a continuous basis.

1. Some stakeholders made commitments to implement initiatives that can improve the audit outcome. The commitments given and the progress of previous commitments are included in section 3.2, which deals with the assessment of assurance providers.

**SECTION 2: Matters relating to the auditor’s report**

* 1. **AUDIT OF THE FINANCIAL STATEMENTS**

We commend the department for submitting financial statements that were free from material misstatements.

* 1. **MATTERS TO BE BROUGHT TO THE ATTENTION OF USERS**

Emphasis of matter paragraphs

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

* + 1. **Material losses/impairments – trade debtors**

As disclosed in note 12.6 to the financial statements, material impairments to the amount of R57 817 000 were provided for as a result of irrecoverable receivables

Other matter paragraphs

The following other matter paragraphs will be included in our auditor’s report to draw the users’ attention to matters regarding the audit, the auditor’s responsibilities and the auditor’s report:

* + 1. **Unaudited supplementary schedules**

The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon

* + 1. **Predetermined objectives**

For the current financial year, the department annual performance plan for 2016/17 did not include the Medium Term Strategic Framework indicator for the “number of work opportunities created”, which is an integral part of the department’s mandate under Programme 3: Expanded Public Works Programme.

* 1. **AUDIT OF THE ANNUAL PERFORMANCE REPORT**

In terms of the AG directive the opinion on the audit of reported information will be included in the management report. The report is included below to enable management and those charged with governance to see what the report will look like once it is published in the auditor’s report. We will report all the audit findings included under the basis for opinion and the other matter sections of this report in the auditor’s report.

**Introduction and scope**

I have undertaken a reasonable assurance engagement on the reported performance information for the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2017:

|  |  |  |  |
| --- | --- | --- | --- |
| **Programmes** | **Pages in annual performance report** | **Opinion** | **Mov.** |
| Programme 3 – Expanded Public Works Programme | x – x | Qualified |  |
| Programme 4 – Property and Construction Industry Policy and Research | x – x | Unqualified |  |
| Programme 5 – Prestige Policy | x – x | Disclaimer |  |

I conducted my reasonable assurance engagement in accordance with the International Standard on Assurance Engagements, ISAE 3000: *Assurance engagements other than audits or reviews of historical financial information.*

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

* + 1. **Programme 3 – Expended Public Works Programme**

**Qualified opinion**

Based on the procedures I have performed and the evidence I have obtained, except for the possible effects of the matter described in the basis for qualified conclusion section of my report, nothing has come to my attention that causes me to believe that the reported performance information for Programme 3 – Expanded Public Works Programme is not useful and reliable in accordance with the applicable criteria as developed from the performance management and reporting framework set out in annexure A to the auditor’s report.

**Basis for Qualified opinion**

**Indicator 4 – Number of public bodies provided with technical support**

The reported achievement for the target on technical support provided to public bodies was misstated as the evidence provided indicated 190 technical support provided to public bodies and not 297 technical support provided to public bodies as reported

* + 1. **Programme 4 – Property and Construction Industry Policy and Research**

Opinion

In my opinion, the reported performance information for Programme 4 – Property and Construction Industry Policy and Research is useful and reliable, in accordance with the applicable criteria as developed from the performance management and reporting framework as set out in Annexure D of this report

* + 1. **Programme 5 – Prestige Policy**

**Disclaimer of opinion**

I do not express a conclusion on the reported performance information for Programme 5 – Prestige Policy of the department because of the significance of the matters described in the basis for adverse of conclusion section of my report, I have not been able to obtain sufficient appropriate evidence to provide a basis for a conclusion on the reported performance information of the programme.

**Basis for Disclaimer of opinion**

**Indicator 2 – Number of working days taken to resolve mechanical breakdowns after logging of compliant**

I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target number of working days taken to resolve mechanical breakdowns after logging complaint. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 7 736 mechanical breakdowns.

**Indicator 3 – Number of working days taken to resolve emergency breakdowns after logging of compliant**

I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target number of working days taken to resolve emergency breakdowns after logging complaint. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means, consequently I was unable to determine whether any adjustments were required to the reported achievement of 6 372 emergency breakdowns.

* + 1. **Other** **matters**

I draw attention to the matters below. My opinion is not modified in respect of these matters.

Achievement of planned targets

Refer to the annual performance report on page(s) x to x; x to x for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the adverse opinions expressed on the usefulness and reliability of the reported performance information in paragraphs [x; x; x] of this report.

Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements related to the reported performance information of Programme 4 – Property and Construction Industry Policy and Research. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for disclaimer of conclusions paragraphs.

* + 1. **Responsibilities of the reported performance information**

The accounting officer is responsible for the preparation of the annual performance report in accordance with the prescribed performance management and reporting framework, as set out in Annexure D of this report and for such internal control as the accounting officer determines is necessary to enable the preparation of performance information that is free from material misstatement in terms of its usefulness and reliability.

* + 1. **Auditor-general’s responsibilities for the reasonable assurance engagement on the reported performance information**

My objectives are to obtain reasonable assurance about whether the reported performance information for the selected programmes presented in the annual performance report is free from material misstatement, and to issue an auditor’s report that includes my material findings. Reasonable assurance is at a high level of assurance, but this is not a guarantee that the assurance engagement conducted in accordance with the relevant assurance standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if they could reasonably be expected to influence the relevant decisions of users taken on the basis of the reported performance information.

My procedures address the reported performance information, which must be based on the approved performance planning documents of the department. I have not evaluated the appropriateness of the performance indicators established and included in the planning documents. My procedures do not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance. Accordingly, my opinion does not extend to these matters.

A further description of my responsibilities for the reasonable assurance engagement on reported performance information is included in Annexure E of this report.

* + 1. **Responsibilities of accounting officer for the reported performance information**

The accounting officer is responsible for the preparation of the annual performance report in accordance with the prescribed performance management and reporting framework, as set out in Annexure D of this report, and for such internal control as the accounting officer determines is necessary to enable the preparation of performance information that is free of material misstatement in terms of its usefulness and reliability.

* 1. **AUDIT OF COMPLIANCE WITH LEGISLATION**

We did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

* 1. **OTHER INFORMATION**

The department and accounting officer is responsible for the other information. The other information comprises the information included in the annual report, the audit committee’s report. The other information does not include the financial statements, the auditor’s report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor’s report.

My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit, my responsibility is to read the other information and in doing so consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor’s report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

* 1. **INTERNAL CONTROL**

The significant deficiencies in internal control which led to our overall assessment of the status of the drivers of key controls, as included in the figure in paragraph x, is described below. The detailed assessment of the implementation of the drivers of internal control in the areas of financial statements, performance reporting and compliance with legislation is included in Annexure F.

Leadership

**Effective leadership culture**

The department acknowledged that there were internal constraints within the governance, risk and compliance unit, which impacted their ability to conduct their own internal investigations. We have noted that the majority of investigations are initiated within the required time; however investigations take extremely long to finalise.

Some investigations are referred to Special Investigations Unit or to SAPS where criminal activities are suspected. Where follow up actions are required from the department as a result of findings from investigations (e.g. disciplinary hearings, etc.), these are not taking place on time.

**Oversight responsibility**

Compliance matters, particularly with regards to supply chain management, have received considerable attention from the department. It has been noted that the department confirmed that all awards are subject to a pre-audit by Inspectorate and Compliance unit across the department since September 2014 in order to prevent any potential irregular and fruitless and wasteful expenditure.

There should be an increased level of oversight in the upcoming year over performance reporting against predetermined objectives. This includes the interrogation of reasons why particular targets are not being achieved.

**Human resource management**

The department did not hold performance management and reporting staff accountable for shortcomings identified during the internal and external audit processes.

The department has finalised updating organisational structure in line with the restructuring that took place between the department and PMTE, which amongst others includes the approval of the new programme budget structure. A migration framework was also developed and it will be implemented from 01 April 2017 as results there are still vacancies in the senior management level which are vacant for more than 12 months

Some of the senior managers did not have signed performance agreements for the current performance period

**Action plans to address internal control deficiencies**

Implementation of the audit actions plan has not transpired in all instances. It is a concern that not all the internal and external audit findings from the prior year 2015/16 were addressed and we also noted that management did not monitor adherence to the plan in a timely manner.

Performance management

**Proper record keeping**

The department did not have a proper filing system and a proper record management system to maintain information that supported the reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information.

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

Challenges were still being experienced regarding the integrity of the data from EPWP reporting system as we have noted during the audit that the information on the EPWP reporting system was not adequately validated due to the errors noted.

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

The annual performance report contained numerous misstatements that were corrected and this was mainly due to inadequate reviewing by the senior officials.

The reported achievements for predetermined objectives included in the annual performance report were not supported by appropriate audit evidence.

**Compliance monitoring**

Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

**Information technology systems**

The department was undergoing an infrastructure refresh project and updates to the DRP had not been finalised due to the changes being effected within the new environment.

Inadequate patch management could be attributed to non-compliance to the patch management policy. Furthermore, certain best practice security principles or information security hardening standards had not been adequately documented in policies, standards and procedures to ensure the secure configuration of servers.

Database operating system policies, standards and procedures had not yet been formalised to ensure that servers would be securely configured and non-compliance to the database policies, standards and procedures. IT management is in the process of implementing a firewall management system to enable proper management of the network environment by the department officials. The project finalisation date was set for 2017-18 financial period

Governance

**Audit committee**

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

The audit committee is currently effectively involved from a governance perspective in the department and entity’s turnaround process, which is an on-going project.

**Summary**

The matters above, as they relate to the findings on the annual performance report, will be summarised in the auditor’s report as follows:

* + 1. **Leadership**

Inadequate monitoring of action plan to address prior year findings resulting in similar findings in the current year.

* + 1. **Financial and performance management**

Regular, accurate and complete performance reports were not always supported and evidenced by reliable information

* 1. **OTHER REPORTS**

I draw attention to the following engagements conducted by various parties that had, or I draw attention to the following engagements that could potentially impact on the department’s financial, performance and compliance related matters. My opinion is not modified in respect of the engagements that are either in progress or have been completed.

**Investigations**

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

**SECTION 3: Assurance providers and status of implementation of commitments and recommendations**

* 1. **Assessment of assurance providers**

The annual report is used to report on the financial position of auditees, their performance against predetermined objectives and overall governance. One of the important oversight functions of Parliament is to consider auditees’ annual reports. To perform this oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report includes our auditor’s report, which provides assurance on the credibility of the financial statements and the annual performance report, as well as on the auditee’s compliance with legislation.

Our reporting and the oversight processes reflect on past events, as it takes place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.

We assess the level of assurance provided by these assurance providers based on the status of internal controls (as reported in section 2.6) and the impact of the different role players on these controls. We provide our assessment for this audit cycle below.

* + 1. Senior management: Provides some assurance
* The senior management should continue with an increased level of oversight in the upcoming financial year over performance reporting of predetermined objectives. This includes the interrogation of reasons why particular targets are not being achieved, but even more importantly putting in place mechanisms of ensuring that all performance reported is accurate, valid and complete, and that the required supporting documentation is in place and easily retrievable for audit purposes. This is the significant obstacle to obtaining a clean audit outcome, and should be prioritised.
* Improvement has been noted in terms of the audit findings, especially with relation to areas of compliance with regulation. Although no material findings were identified, there were issues identified that need to be considered to ensure that no regression takes place. Focus must now be placed to ensure the preventative controls in place are effectively implemented.
  + 1. Accounting officer: Provides some assurance
* The accounting officer has put initiatives in place to provide assurance. These initiatives are monitored regularly and management is held accountable where weaknesses are identified. Some of the interventions did not take place timeously, and as a result the required improvements in audit outcome has not yet realised
* Compliance matters, particularly with regards to supply chain management, have received considerable attention from the department. It has been noted that the department confirmed that all awards are subject to a pre-audit by Inspectorate and Compliance unit across the department in order to prevent any potential irregular and fruitless and wasteful expenditure. To date it has been partially effective given that instances of non-compliance are still being identified by management and through the audit process.
  + 1. Executive authority: Provides assurance
* During the year under review the implementation of measures aimed at embedding a culture of honesty, ethical behaviour and good governance in the department continued. A formal code of conduct that addresses appropriate ethical and moral behaviour is in place. Cognisance is taken of the fact that the department managed address the backlog of investigations, to this effect the establishment of the Governance, Risk and Compliance Unit has been instrumental.
* The ‘turnaround’ strategy was a key focus area during the Minister’s term in office. As part of the strategy, the internal control environment was enhanced and preventative controls were implemented on SCM matters.
* The interventions put in place resulted in a reduction of findings over the past 3 years, especially with regards to compliance, with no material findings on compliance being raised in the current period.
  + 1. Internal audit: Provides some assurance
* Internal audit units form part of the internal control and governance structures of the department and play an important role in its monitoring activities. Internal audit provides an independent assessment of the department’s governance, risk management and internal control processes.
* The internal audit unit of a department prepared a risk-based audit plan and internal audit programme for each financial year. It advise the accounting officer and report to the audit committee on implementing the internal audit plan and matters relating to internal audit; internal controls; accounting procedures and practices; risk and risk management; performance management; The internal audit unit must also perform such other duties as may be assigned by the accounting officer.
  + 1. Audit committee: Provides assurance
* The audit committee is an independent advisory body to the accounting officer and the management and staff of the department on matters relating to internal financial control and internal audits; risk management; accounting policies; the adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; the PFMA, Treasury Regulations and any other applicable legislation; performance evaluation; and any other issues.
* The audit committee is also expected to review the annual financial statements to provide an authoritative and credible view of the department, its efficiency and effectiveness and its overall level of compliance with the applicable legislation.
* The assurance provided by the audit committee improved over the past three years, and they provided a level of assurance linked to their legislative mandate. This contributed to an improvement in key controls, particularly those relating to governance. However, in some instances, management was slow in implementing the recommendations from the audit committee to ensure positive audit outcomes.
  1. **Status of implementing commitments and recommendations**

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

| **No.** | **Commitment** | **Made by** | **Date** | **Status** |
| --- | --- | --- | --- | --- |
| 1 | Review of the Litigation report to ensure compliance with Contingent Assets disclosure note | DDG: Finance | 31 March 2017 | Implemented, Quarterly monitoring of the litigation report. |
| 2 | Review of the transactions report prior to submission of the inputs for the annual report - Restatement of the corresponding figures | DDG: Finance | 31 March 2017 | Reviews of the transactions is performed quarterly as interim financial statements are submitted |
| 3 | Implementation of milestone monitoring tool in all offices | DDG: Finance | 31 Jan 2017 | Implemented  Work in progress |
| 4 | Enforce compliance in terms of SCM policies and financial delegations | DDG: Finance | 31 Jan 2017 | Implemented  Work in progress |
| 9 | Disposal of the Ministerial vehicle - Movable Assets- Ministerial vehicle not in use | DDG: SCM AND FINANCE | 30 Sep 2016 | The vehicle has been disposed and the movable register has been updated. |
| 10 | Conduct external quality assurance review for the Unit | 30 September 2016 | CD: Internal Audit | External quality assurance was conducted in August 2016  The report presented at EXCO and AMC on 28 September 2016. |
| 11 | Conduct audit on EPWP transfers | 31 March 2017 | CD: Internal Audit | Audit on EPWP transfers is currently being conducted  The audit will be completed by the 27th March 2017 |
| 12 | Implementation of the new organizational structure will result in advertisement and the filling of funded posts - High vacancy rate | DDG: Corporate Services | 01 April 2017 | Organizational structure reviewed and approved for Organisational structure reviewed and approved for implementation  65% of the vacant posts were filled within six month of being vacant. The 35% filled outside six months was due delays outcomes of the pre-employment screening for old and foreign qualifications implementation in April 2017. |
| 13 | Implementation of the new organisational structure will result in reduced number of posts additional to the establishment.  Reduce number of appointments additional to the establishment through non-extension of identified contracts | 01 April 2017 | DDG: Corporate Services | Organisational structure reviewed and approved for implementation in April 2017  Process of matching and placing is currently under way and will be completed by the end of March 2017 |
| 14 | Issue circular emphasizing the need to perform criminal record and financial/asset check | 19 November 2015 | DDG: Corporate Services | Done. The circular was issued in September 2015 and is fully implemented. |
| 15 | CD: Human Resource Management to do road show to conduct workshop to ensure compliance.  The department to follow up on employees who do not submit their temporary incapacity leave application forms within 5 working days after the first day of absence. | 31 March 2017 | DDG: Corporate Services | Road shows have been conducted in all regions.  Employees/Managers were informed of processes to follow when employees exhausted sick leave before end of sick leave cycle.  Leave of absence regarding incapacity leave is fully implemented. |
| 16 | Continue to send reminders to be sent to all SMS Members and supervisors;  Continue with the practice of ensuring that Disciplinary action to be instituted against employees who do not sign and / or signed their performance agreements after the due date. | 31 May 2016 | DDG: Corporate Services | Members who failed to comply with the due date of 31 May 2016 were given written warning and excluded from performance related incentive |
| 17 | Ensure that the Payroll reconciliation register is implemented  Regular communication with Head of finance and implementation of the Register as well as spot checks quarterly  Disciplinary action to taken against managers not complying | 31 March 2017 | DDG: Corporate Services | Managers/Regions informed to keep reconciliation register on a monthly basis |
| 18 | The EPWP-RS loads id copies for the work opportunities reported by public bodies.  Sampled site visits to include verification of project files of implementing public bodies.  Engage Provincial departments of public works to provide EPWP M&E with their quarterly Data Quality Assessment (DQA) reports as per their Customized Indictor in the APP.  Communication on the findings in terms of lack of record keeping to be sent to the affected public bodies.  EPWP to conduct pre-audit site visits on a sample basis to audit project files of reporting public bodies.  Audit outcomes reports presented in various fora to make public bodies aware of the findings as EPWP does not keep records of work opportunities reported.  It has been made a condition that all projects in the project lists submitted with the signed incentive agreements, must be registered in the system and the project identity (ID) number generated to written next to each projects before the transfer is made.  Incentive grant projects reported on the system are now been monitored | Ongoing  Ongoing  31 March 2017  30 November 2016  Ongoing  Ongoing  April 2016  Ongoing | DDG: EPWP  DDG: EPWP | Data capturers upload ID copies for all the work opportunities reported in the EPWP-RS.  Technical Support and Sectors conducting site visits on a monthly basis and DQA on a bi-annual basis and reports have been produced.  The proposal was presented at the MINTOP meeting held for Q1 performance. It was also proposed at the NATPROV Structure led by the DPW M&E.  3 provinces have been sent letters signed by the DDG: EPWP on the feedback findings of the audit.  Pre-audits were done in Q1 in collaboration with the regions.  Report presented to MINMEC, NCC, EAC M&R committee and PEP-IMC meetings in September 2016.  The projects lists for provincial departments and municipalities have been registered in the system.  Projects are monitored using the project id numbers verifying them against the validated report. |
| 19 | In the event of variances on the performance, reasons are provided on performance report submitted to the DPW M Directorate. | Quarterly | DDG: GRC | Q1 and Q2 reports inclusive of reasons for variances |
| 20 | Supporting documents in terms of attendance registers and participant information for work opportunities reported is kept by the implementing public bodies as outlined in the Ministerial Determination 4: EPWP. | Ongoing | DDG: GRC | EPWP has increased its monitoring, through increased site visits, to ensure public bodies keep the records of documents as required by the Ministerial Determination. |
| 21 | EPWP Reporting System is a system which allows for the collection, collation, verification and storage of information. The system also has built-in validation. The actuals reported are validated as based on the information captured by implementing public bodies in the system. | Ongoing | DDG: GRC | The EPWP circulated the Q1 performance reports to the public bodies. A variation report (achievement against target) to HoDs, Sector  Departments, etc) weekly.  Also the EPWP generates a report on ‘non-compliant and pending data’ for public bodies to correct. |
| 22 | EPWP monitors the progress through performance review reports.  This is sent to sectors to develop action plans towards achieving their annual goals. | October 2016  February 2017 | DDG: GRC | Mid-Term Review Strategic Planning session held. |

* The status of implementation contributed to the number of repeat findings in the management report when compared to the prior year.

**SECTION 4: Focus areas**

* 1. **FINANCIAL VIABILITY**

Our audit included a high-level overview of the department’s financial viability as at year-end. The financial viability assessment provides useful information for accountability and decision-making purposes and complements the financial statements by providing insights and perspectives thereon. The financial viability assessment is expected to enhance timely remedial decision-making and policy reforms where financial viability may be at risk. It will also highlight to management those issues that may require corrective action and the urgency and magnitude of the reforms and decisions necessary to maintain operations. The information should be used to complement, rather than substitute, management’s own financial assessment.

It should be noted that the financial viability assessment below is based on the department’s financial statement amounts adjusted to reflect certain accrual accounting concepts.

| **Financial viability assessment** | | | |
| --- | --- | --- | --- |
|  | | **As at 31 March 2017** | **As at 31 March 2016** |
| **Expenditure management** | | | |
| 1.1 | Creditor payment period | **44.3 Days** | **51.3 Days** |
| 1.2 | 30+ day accruals as a percentage of total accruals | **7.2 %** | **0.2%** |
| * Amount of 30+ day accruals * Amount of total accruals | **R3 567 000**  **R48 879 000** | **R101 000**  **R58 449 000** |
| **Revenue management** | | | |
| 2.1 | Debtor collection period (after impairment) | **48.4 Days** | **110.5 Days** |
| 2.2 | Debtors impairment provision as a percentage of accrued departmental revenue | **0.00%** | **69.7%** |
| * Amount of debtors impairment provision * Amount of accrued departmental revenue | **R0.00**  **R1 416 000** | **R1 193 000**  **R1 711 000** |
| **Asset and liability management** | | | |
| 3.1 | An accrual-adjusted deficit for the year was realised (total expenditure exceeded total revenue) | **No** | **No** |
| * Amount of accrual-adjusted surplus/(deficit) for the year | **R42 224 000** | **(R43 973 000)** |
| 3.2 | An accrual-adjusted net current liability position was realised (total current liabilities exceeded total current assets) | **Yes** | **Yes** |
| * Amount of accrual-adjusted net current assets/(liability) position | **(R334 736 000)** | **R471 312 000** |
| 3.3 | An accrual-adjusted net liability position was realised (total liabilities exceeded total assets) | **No** | **No** |
| * Amount of accrual-adjusted net asset/(liability) position | **R181 572** | **(R176 931 000)** |
| **Cash management** | | | |
| 4.1 | The year-end bank balance was in overdraft | **Yes** | **Yes** |
| * Amount of year-end bank balance (cash and cash equivalents)/(bank overdraft) | **(R753 533 000)** | **(R648 528 000)** |
| 4.2 | Cash shortfall as a percentage of next year’s total appropriation (budget) \*\* | **12.3%** | **10.3%** |
| * Amount of cash surplus/(shortfall) * Amount of appropriation (budget) for the next year | **(R625 145 000)**  **R7 038 100 000** | **(R673 629 000)**  **R6 528 000 000** |
| 4.3 | Cash shortfall as a percentage of next year’s appropriation (budget), excluding compensation of employees \*\* | **12.8%** | **11.1%** |
| * Amount of cash surplus/(shortfall) * Amount of next year’s appropriation (budget), excluding compensation of employees | **(R625 145 000)**  **R6 788 100 000** | **(R673 629 000)**  **R6 058 000 000** |
| **Overall assessment** | | | |
| Overall the financial viability is assessed as: | | **Yellow** | **Yellow** |
| *\* The department is not revenue intensive and minimal departmental revenue is received (R14 608 000 for the year under review) – therefore no meaningful ratio analysis can be performed*  *\*\* This indicator assumes that the unauthorised expenditure of R261 169 000 which relates to prior, per note 9 will not be approved with funding.* | | | |

* + 1. **High-level comments**

The department is able to undertake its objectives and the vote has not been depleted or exceeded and there is no significant unpaid expenditure.

Underspending of the capital assets and delay in filling of positions that are vacant, remains a concern, given the direct impact on the achievement of the department’s mandate and objectives in terms of the annual performance plan.

The bank overdraft primarily emanated as a result of unauthorised expenditure and it is important to note, as highlighted above, that these indicators assume that any unauthorised expenditure that the auditee may have incurred will not be approved with funding. If the unauthorised expenditure is approved with funding, the cash shortfall will decrease.

Should the unauthorised expenditure however not be approved with funding it could result a shortage of available funds to implement planned activities, programs and projects in the future. The department should therefore continue in their efforts to obtain the necessary approval.

* 1. **PROCUREMENT AND CONTRACT MANAGEMENT**

The audit included an assessment of procurement processes, contract management and the related controls in place. To ensure a fair, equitable, transparent, competitive and cost-effective supply chain management (SCM) system, the processes and controls need to comply with legislation and minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

A summary of the findings from the audit are as follows:

* + 1. Irregular expenditure

R 169 000,00 (100%) of irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. The root cause is of the lack of ineffective prevention controls for non-adherence to SCM processes.

* + 1. Awards to persons in the service of the state and their close family members

The audit included an assessment of the interests of officials and their close family members who are suppliers to the department. Legislation does not prohibit such awards, but compliance with the legislation and policies was tested to ensure that conflicts of interest did not result in contracts being unfairly awarded or unfavourable price quotations being accepted, and that employees obtained approval for performing remunerative work outside their employment as required.

The findings were as follows

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Finding** | **Number and value of awards made** | **Number and positions of official identified** | **Number of suppliers identified** | **Further non-compliance or irregularities regarding the awards** | | | |
| **Supplier did not submit declarations of interest** | **Supplier did not declare interest (false declaration)** | **Official did not declare interest** | **Official was involved in awarding the contract/ quotation** |
| Awards to persons in the service of other state institutions | Thirteen  R 773 786.99 | Thirteen | Thirteen |  |  |  | None |

* + 1. Employees doing business with the State

Regulation 13 (c) of the Public Service Regulations of 2016 prohibits employees of departments from doing business with the State from 1 August 2016. The transitional provisions of the regulations require that the following actions must be taken by 1 February 2017 in relation to those contracts that were awarded before 1 August 2017:

An employee shall:

* cease conducting business with the organ of the state;
* resign as an employee; or
* resign as a director of a company that conducts business with an organ of state or resign as an employee;

Furthermore, section 30(1) of the Public Service Act of 1994 states “*No employee shall perform or engage himself or herself to perform remunerative work outside his or her employment in the relevant department, except with the written permission of the executive authority of the department*.”

The table below provides a summary of findings on employees doing business with the State. These findings amount to contravention of the Public Service Code of Conduct, which must be investigated and action taken in accordance with the provisions of the Public Service Act.

|  |  |
| --- | --- |
|  | Employees doing business with other organs of state |
| 1. Contracts secured after 1 August 2016 |  |
| * 1. Number of employees | 10 |
| * 1. Number of contracts/quotations | 10 |
| * 1. Value of contracts | R572 675.50 |
| 1. Ongoing contracts awarded before 1 August 2016 – where no action was taken to dispose of the interest |  |
| * 1. Number of employees | 76 |
| * 1. Number of contracts/quotations | 76 |
| * 1. Value of contracts | R4 646 556.88 |
| 1. Number of employees performing other remunerative work without approval | 86 |

* 1. **FRAUD AND CONSEQUENCE MANAGEMENT**

The primary responsibility for preventing and detecting fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and to issue an auditor’s report that includes our opinion. Due to the inherent limitations of an audit, there is a risk that some material misstatements, including fraud, may not be detected.

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

* + 1. Ongoing investigations

A total of R160 033 000,00 (7383) investigations was ongoing at year end on allegations relating to financial misconduct, improper conduct in SCM. Some of these investigations have been ongoing for a long time. The table below provides a summary of investigations which had not been completed as at year-end:

| **Details** | **Type of allegation under investigation** | **Allegation include element of fraud/ corruption** | **Length of investigation** |
| --- | --- | --- | --- |
| Three quotations not obtained | Irregular Expenditure | No | One month |
| Catering payment made on the cancelled meeting | Fruitless and Wasteful expenditure | No | One month |
| Procurement processes not followed | Irregular Expenditure | No | More than five years |
| Local content not applied | Irregular Expenditure | No | More than three years |
| Transfer payment increase to Commonwealth not approved by National Treasury | Irregular Expenditure | No | More than a year |

* + 1. Irregular expenditure

| Finding | Value |
| --- | --- |
| **Irregular expenditure** | |
| Irregular expenditure identified in the previous year was not investigated to determine whether a person was liable for the expenditure | 159 854 000,00 |

* 1. **VALUE ADD MATTERS**

The AGSA identified job creation as a focus area for 2016-17 financial year and key departments involved in job creation and work opportunities initiatives were identified of which one of them was the DPW through its EPWP.

The EPWP Programme is a key government initiative, which contributes to Governments Policy Priority in terms of decent work & sustainable livelihoods. EPWP subscribes to outcome 4 in the Medium Term Strategic Framework (MTSF) which sets out to achieve “Decent employment through inclusive economic growth.”

Phase III of the EPWP is being implemented over the 2014/2015 – 2018/2019 financial years with the aim of creating six million work opportunities by the end of the period.

EPWP Phase III is based on the following four principles:

* + Adherence to the EPWP minimum wage and employment conditions under the EPWP ministerial determination.
  + Selection of workers based on clearly defined process and defined criteria
  + Work provides or enhances public goods or community services
  + Minimum labour intensity appropriate to each sector.

The department is responsible for the transfer and monitoring of the following conditional grants:

a) Expanded Public Works Programme Integrated Grant for Municipalities

b) Expanded Public Works Programme Integrated Grant for Provinces

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

**Overview of system challenges**

This overview was prepared based on the information obtained from EPWP Reporting system.

The following are the exceptions noted in the current financial year which might compromise the integrity of work opportunities created by the department for the current financial year.

Management should consider the exceptions noted and decide whether the investigation is required:

|  |  |  |  |
| --- | --- | --- | --- |
| **Test** | **Number of records in the current year - interim** | **Number of records in the current year - Final** | **Number of records in the prior year records** |
| Beneficiaries with invalid ID numbers | 65 | 93 | 0 |
| Beneficiaries wages less than R78,00 per day | 6 043 | 8 929 | 27 227 |
| Beneficiaries with the Persal number | 74 161 | 25 920 | 77 588 |
| The beneficiaries that exceeded the maximum of 230 days worked in a year | 0 | 51 015 | 4 678 |
| Deceased beneficiaries | 116 | 2 365 | 0 |
| Beneficiaries more than 65 years old and younger than 16 | 18 259 | 8 185 | Not done |
| Beneficiaries appearing in the multiple projects in the current year | 95 027 |  | Not done |

**Deceased beneficiaries** – The number of deceased workers is 2 365 in 2016/17 (2015/16: nil). The EPWP RS is fully integrated with the Home Affairs to check on the deceased participants. All the EPWP participants are verified at the point of entry into the system and there is also a continuous verification that is established though a live link with Department of Home Affairs

**No identity documents (ID’s) and invalid identity documents** – We have identified 93 such instances in the current financial year which represents a regression in this area (2015/16: nil). There were no issues raised in the prior year. The department advised that EPWP RS has built in validation rules that make it impossible for the participant to be reported without a valid ID number that is also verified with the Department of Home Affairs. However the exceptions identified in the current financial year indicates that the controls implemented by management do not appear to be effective

**Minimum wage** – We identified 8 929 beneficiaries who were paid a wage below the minimum wage of R78,00 per day in the current year (2015/16: 27 227).

This represents non-compliance with the new ministerial determination issued by the Department of Labour. Management have indicated for social sector programmes that there is a limited budget allocated in the equitable share grant for the social sector programmes. However we have identified beneficiaries from other sectors (i.e. Environmental, infrastructure and Non-state) who are also paid an amount below the minimum wage.

**Employees on PERSAL** - Beneficiaries who are included on PERSAL amounted to 25 920 in the current year (2015/16: 77 588). It should be noted that the primary reason for this is to ensure a more efficient payment process for these beneficiaries. We have highlighted this matter for the department to ensure that the beneficiaries paid are not permanent employees of any public bodies.

**Beneficiaries on multiple projects –** The number of instances of beneficiaries on multiple projects was 95 027 for the current financial year. Beneficiaries are permitted to be on multiple projects which are not running simultaneously, however we have identified instances where some beneficiaries have been included on multiple projects when they have only worked on one project.

**EPWP benefiting beneficiaries of pensionable age**

* Job opportunities that could assist in alleviating unemployment to the youth and economically active individuals are being provided to beneficiaries of pensionable age that should be receiving an old age grant.
* Investing in beneficiaries of pensionable age will not lay the desired foundation because the likelihood that the skills and experience gained from the EPWP will be used to start businesses or find permanent employment is limited.
* The EPWP opportunity could have been given to a beneficiary who has no other benefit and is also economically active. A person of pensionable age is not counted in the unemployment statistics and providing them with a job does not count towards reducing the rate of unemployment in the country.

**Youth of school going age as EPWP beneficiaries**

* The beneficiary lists for the 2016/17 financial year included beneficiaries that were younger than the age of 18. These beneficiaries are of school going age and should be in school and not working. The risk is that these children will miss out on receiving an education therefore limiting their opportunity of being formally employed in future. Although this did not constitute a significant proportion of the beneficiaries the impact will be significant as this will have an impact on their future.
* The department responded that the EPWP is meant to alleviate poverty by providing job opportunities to families in distress. The identification of beneficiaries is done by the implementing body such as municipalities. The department does not have much authority in this area as other families are child headed.

**Incomplete EPWP beneficiaries’ information captured**

* Data captured on the beneficiaries list provided did not indicate the dates when the beneficiaries began with the programme and when they finished. It was therefore not possible to determine at what point in time the beneficiary was employed on the programme. There is a risk that beneficiaries may be benefiting from more than one EPWP initiatives at the same time.
* The department responded that the system is designed in such a way that the id numbers will pick up duplications if captured the same time. However since the department does not have much authority in ensuring that the implementing bodies submit complete information hence there might gaps in the system.

**The root cause for deficiencies identified**

The senior management indicated that there is a challenge in monitoring and coordination of EPWP implementing partners as they have autonomy and report to different authorities. The challenge is also pronounced in the 2015-2020 strategic plan of DPW as under reporting and poor reporting of data, inconsistent implementation of labour intensive projects across all implementing bodies by the three spheres of Government due to poor technical capacity of public bodies, and the inability to meet the Full Time Equivalent (FTE) targets.

**Recommendations**

* Management should ensure that proper control measures are put in place. Only beneficiaries who meet the selection criteria should benefit from the programme. We do acknowledge that the department’s senior management indicated that the AGSA should be aware that limiting the age of EPWP will need to go through different consultation processes as it has a potential to cause social unrest.
* In order to deal with instances where children under the age of 18 seek employment on the programme; Management should work together with the Department of Basic Education to assist them to complete their primary schooling and the Department of Social Development to assist them with the social issues that drive them to seek employment at a young age. Beneficiaries of school going age who cannot complete primary school can be assisted through collaboration with the Department of Higher Education and Training to obtain a skill/qualification that would make them more employable.
* The department’s senior management responded that this matter is outside of their mandate as it involves another department. However, the audit team noted that there is an EPWP social sector consisting of the departments of social development, health, basic education and higher education and training. This sector could be consulted to deliberate on possible solutions to the beneficiaries who are under the age of 18.
* Management should ensure that important information such as start and end dates of beneficiaries are included in their data. A standard template with all the required fields can be developed for this purpose and the department can also consider the use of an information management system. The department responded that as far as they are aware, their system does capture details as indicated in the recommendation, however, they will investigate the matter and if confirmed corrective measures will be put in place.

**SECTION 5.** **Using the work of internal audit**

The auditing standards allow external auditors the optional use of the work of internal audit for external audit purposes and for direct assistance.

The internal auditors completed the EPWP IT System review for the current financial year.

In line with the AGSA’s drive to bring about efficiencies and improve combined assurance, the Information system audit (ISA) continued to work closely with internal audit in this current financial year. The internal auditors planned and executed EPWP Reporting System and IT Governance Reviews in this current year which had an impact on the AGSA’s audit. Both reviews performed by internal audit were used by the ISA auditors for risk assessment and understanding the control environment during the current financial year audit.

**SECTION 6: Emerging risks**

**Treasury Regulations**

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

**Local content**

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

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

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

**SECTION 7: Entities controlled by the department**

In terms of the PFMA, the department has certain oversight responsibilities regarding the entities over which it has ownership control. The audit outcomes of these entities are summarised below.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name of entity** | **Audit outcome** | | | **Significant deficiencies in internal control** | | | | | |
| **Financial statement opinion** | **Findings on the performance report** | **Findings on compliance** | **Leadership** | | **Financial and performance management** | | **Governance** | |
| **Assessment** | **Movement** | **Assessment** | **Movement** | **Assessment** | **Movement** |
|  |  |  |  |  |  |  |  |  |  |
| Property Management Trading Entity | In Progress |  |  |  |  |  |  |  |  |
| Construction Industry Development Board (CIDB | Unqualified with findings | **X** | **X** |  |  |  |  |  |  |
| Council for the Built Environment (CBE) | Unqualified with no finding |  |  |  |  |  |  |  |  |
| Independent Development Trust (IDT) | In Progress |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | | | |  |  | | |  |  |  |
| Improved | | | | |  | Unchanged | | |  | Regressed |
|  | | | | |  |  | | |  |  |
| Good | | | | |  | Concerning | | |  | Intervention required |
|  | |  |  |  |  | | |  |  | | | |

**SECTION 8: Ratings of detailed audit findings**

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

**SECTION 9: Conclusion**

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

Yours faithfully

Senior Manager: National A

31 July 2017

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**Distribution:**

Audit committee

Head of internal audit unit

**SECTION 10: Summary of detailed audit findings**

| **Page no.** | **Finding** | **Classification** | | | | | **Rating** | | | **Number of times reported in previous three years** | **Status of implementation of previous year(s) recommendation** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Misstatements in financial statements** | **Misstatements in annual performance report** | **Non-compliance with legislation** | **Internal control deficiency** | **Service delivery** | **Matters affecting the auditor’s report** | **Other important matters** | **Administrative matters** |
| 34 | Predetermined Objectives - Reported achievement not supported by sufficient evidence |  | X |  |  |  | X |  |  | 3 | In progress |
| 37 | Predetermined Objectives - Reported targets not consistent when compared with planned targets |  | X |  |  |  | X |  |  | 3 | In progress |
| 40 | Predetermined Objectives - Reported achievement not in agreement with evidence provided |  | X |  |  |  | X |  |  | 3 | In progress |
| 42 | Procurement and Contract Management –Suppliers that conducted business with the department did not declare that some of their members are employed by other state organs |  |  | X |  |  | X |  |  | 3 | In progress |
| 47 | Predetermined Objectives: Inconsistencies were noted between the performance indicators included in the approved Annual Performance Plan and Annual Performance Report. |  |  | X |  |  | X |  |  | 3 | In progress |
| 49 | Transfers and Subsidies - EPWP grants are not effectively monitored. |  |  |  | X |  |  | X |  | 1 | In progress |
| 54 | Transfers and Subsidies - EPWP Expenditure Reports submitted by Public bodies do not indicate what the funds were used for. |  |  |  | X |  |  | X |  | 1 | In progress |
| 57 | Goods and Services: Payments made after 30 days from the receipts of the invoice |  |  | X | X |  |  | X |  | 3 | In progress |
| 61 | Procurement and Contract Management: SMS members did not declare their interest |  |  |  | X |  |  | X |  | 3 | In progress |
| 64 | Procurement and Contract Management: No approval obtained for remunerative work |  |  |  | X |  |  | X |  | 3 | In progress |
| 74 | Predetermined objectives (2017-18 APP) – Not all the targets from MTSF were included in the APP |  |  |  |  | X |  | X |  | 1 | In progress |
| 77 | Predetermined objectives: Errors on beneficiary reported on EPWP systems for quarter 4 – ending 31 March 2017. |  |  |  | X |  |  | X |  | 3 | In progress |
| 79 | Predetermined objectives: EPWP the projects were not reported on the EPWP reporting system |  |  |  | X |  |  | X |  | 3 | In progress |
| 82 | Predetermined objectives: EPWP beneficiaries were not reported on the EPWP Fourth quarter data. |  |  |  | X |  |  | X |  | 3 | In progress |
| 89 | Predetermined objectives: EPWP beneficiaries were duplicated on the EPWP reporting system. |  |  |  | X |  |  | X |  | 3 | In progress |
| 91 | Predetermined objectives: EPWP Non submission of ID copies, attendance registers and proof of payment |  |  |  | X |  |  |  |  | 3 | In progress |
| 107 | Predetermined objectives: EPWP beneficiaries listed on the EPWP reporting system list not employed on the project. |  |  |  | X |  |  | X |  | 3 | In progress |
| 111 | Human Resource Management: Management of vacancy rates |  |  | X |  |  |  | X |  | 3 | In progress |
| 114 | Human Resource Management - Posts vacant for over 12 months |  |  | X |  |  |  | X |  | 3 | In progress |
| 119 | Human Resource Management: Payroll certificates not certified and returned timeously. |  |  | X |  |  |  | X |  | 3 | In progress |
| 123 | Human Resource Management – Leave forms not captured timeously. |  |  |  |  |  |  | X |  | 3 | In progress |
| 127 | Human Resource Management - Performance agreement deviations |  |  | X |  |  |  | X |  | 3 | In progress |
| 133 | Security Management |  |  |  | X |  |  | X |  | 1 | In progress |
| 137 | IT Service Continuity |  |  |  | X |  |  | X |  | 3 | In progress |
| 138 | Key Management Personnel disclosure note is not correctly calculated. | X |  |  | X |  |  |  | X | 3 | In progress |
| 142 | Departmental revenue is overstated. | X |  |  | X |  |  |  | X | 3 | In progress |
| 144 | Contingent liabilities – The amount disclosed for claim against the department differs with the confirmation form state Attorneys. |  |  |  | X |  |  |  | X | 1 |  |

**Detailed audit findings**

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

**Predetermined Objectives**

Predetermined Objectives - Reported achievement not supported by sufficient evidence

**Audit Finding**

Laws, rules and regulations

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

*b) “The FMPPI requires auditee’s to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets.”*

During the audit of performance information, the following deviations were noted for Programme 5: Prestige Policy

a) Indicator 2 – Number of working days taken resolve mechanical breakdowns after logging of compliant

I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target number of working days taken to resolve mechanical breakdowns after logging complaint. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 7 736.

b) Indicator 3 – Number of working days taken resolve emergency breakdowns after logging of compliant

I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target number of working days taken to resolve emergency breakdowns after logging complaint. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 6 372.

The aforementioned finding may result in:

a) The above may result into actual performance reported not supported by adequate evidence thus leading to a qualification of the objective on reliability of information provided.

b) Non-compliance with National Treasury *FMPPI and* Section 40(3)(a) of the PFMA.

**Internal control deficiency**

Reason for deviation

The department does not have a proper filing system and a proper record management system to maintain information that supported the reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information.

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

***Financial and performance management***

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

**Recommendation**

It is recommend that management should streamline the process of record management and collation of performance information reporting data to ensure only valid, accurate and complete information is reported.

**Management response**

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

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

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

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

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

Submitted information has been acknowledged and the following adjustments have been made to the finding:

Technical indicator 4: Number of planned State events: The finding has been resolved and will not be reported.

However for technical indicator 2 - Number of working days taken to resolve mechanical breakdowns after logging of compliant: A list of calls logged was submitted and alternative procedures were performed. The total number of calls as per the list amounts to 15 553 total calls logged as opposed to the 15 567 reported. Further of the resolved calls within 20 working days amounts to 6 280 while 7 736 was reported.

Technical indicator 3 - Number of working days taken resolve emergency breakdowns after logging of compliant: From the list provided, it could not be determined as to which calls are classified as emergency breakdowns. However alternative procedures were performed on the list of calls received. A total of 4 343 resolved calls within 4 working days could be identified, as opposed to the 6 372 calls that has been reported for the actual achievement.

Therefore the finding remains unresolved and will be reported in the management report.

Predetermined Objectives - Reported targets not consistent when compared with planned targets

**Audit Finding**

Laws, rules and regulations

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

b) Framework for Managing strategic objective Performance Information par 5.1 (b) and (c) states the following:

*“(b)    Accounting officers: The accounting officer or head official of an institution is accountable for establishing and maintaining the systems to manage performance information. Their performance agreements should reflect these responsibilities. They should be assisted by chief information officers, and by ensuring there is appropriate capacity within the institution, as described in section 5.3 below.*

*(c)     Line managers and other officials: Line managers are accountable for establishing and maintaining the performance information processes and systems within their areas of responsibility. Their performance agreements must reflect these responsibilities. A range of officials is responsible for capturing, collating and checking performance data related to their activities. The integrity of the institution's overall performance information depends on how conscientiously these officials fulfill these responsibilities. Consequently, their performance agreements and assessments should deal explicitly with the quality of this aspect of their work.”*

During the audit of performance information the following deviation was noted for Programme 4: Property and Construction Industry Policy and Research:

Indicator 3 – Revised Built Environment Professions (BEP) Policy

The target was reported as Draft CBE Amendment Bill developed towards consultation with stakeholders while the target was approved as BEP Policy submitted for Ministerial approval in the annual performance plan.  This is not in line with the requirements of treasury regulation 5.2.4 which states that the strategic plan must form basis of the annual reports of accounting officers as required by sections 40(1)(d) and (e) of the PFMA Act.

The aforementioned finding may result in:

a) Non-compliance with National Treasury *FMPPI and the PFMA Section 40(3)(a)*

b) Misinterpretation of performance by the users of the Annual Report.

**Internal control deficiency**

Reason for deviation

The department does not adequately review the reported target against the supporting documentation to ensure that the reported information is accurate, valid and complete.

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

***Leadership***

a) Management did not exercise oversight responsibility regarding performance reporting, compliance and related internal controls.

b) Management did not monitor the implementation of action plans to address internal control deficiencies.

**Recommendation**

It is recommended that management should address the misstatement by adjusting the annual performance report accordingly. Further review process should be put in place to minimize the risk of reporting incorrect achievements.

**Management response**

A reference is made to the Management letter of 13 July 2017 (Ref: Communication No 27 of 2016/17) with specific reference to the approved **BEP Policy submitted for Ministerial approval** target read together with indicator 3- **Revised Built Environment Professions (BEP) Policy** under Programme 4 of the 2016/17 APP. The cited management letter alludes to a potential deviation primarily caused through the reporting against the approved target. This response attempts to provide a substantive response to the suggested deviation albeit without being defensive. The next paragraph elaborates.

The approved target and indicator were retained as is to the end of the reporting period. Process was initiated to meet the target, inter alia, reviewing the BEP Policy through concept paper (Annexure 1). The review indicated that, in its current format, the BEP Policy still provides a solid policy position and mandate for the CBE. Furthermore, the review showed that the current challenges in the built environment could be tackled through the overhaul of current and operational CBE Act and related statutory instruments. A technical and managerial approach was followed in motivating for the review of the current CBE Act which culminated in the development of the Draft CBE Amendment Bill (Annexure 2).

Effectively the performance indicator, that is, **Revised Built Environment Professions (BEP) Policy,** was partially achieved as the review was undertaken (ref Annexure 1), however it is noted there was an unintentional oversight in not preparing and submitting a policy position on retention of the BEP Policy in its current format for Ministerial approval. The procedural flaw is regretted and was not meant to deviate from the target not to misinterpret performance.

Management takes the emerging lessons seriously and has already initiated a process of enhancing internal controls which amongst others clearly outlines points of Management and Ministerial approval in the policy development and review value chain. Given the above, it is therefore management’s humble motivation that the AG considers this as partial achievement at 80% of the planned target as opposed to a deviation.

**Auditor’s conclusion**

Management agreed to adjust the Annual Performance report and the finding will be reported as material adjustment to the Annual Performance report

Predetermined Objectives - Reported achievement not in agreement with evidence provided

**Audit Finding**

Laws, rules and regulations

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

*b) “The FMPPI requires auditee’s to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets.”*

During the audit of performance information the following deviation was noted for Programme 3: Expanded Public Works Programme

“Technical support reports for the following public bodies could not be provided during the audit of indicator number of technical support provided to the public bodies”

|  |  |  |
| --- | --- | --- |
| **No.** | **Name of Public Body** | **Sector** |
| 1 | EC - Education | Social Sector |
| 2 | EC – Social Development | Social Sector |
| 3 | WC – Cultural Affairs and Sports | Social Sector |
| 4 | FS - Sports, Arts, Culture and Recreation | Social Sector |
| 5 | GP – Community Safety | Social Sector |

Indicator 4 – Number of public bodies provided with technical support

The reported achievement for the target on technical support provided to public bodies was misstated as the evidence provided indicated 190 technical support provided to public bodies and not 297 technical support provided to public bodies as reported

The aforementioned finding may result in:

a) Non-compliance with National Treasury *FMPPI and the PFMA Section 40(3)(a)*

b) The reported achievement for the target: number of public bodies provided with technical support been materially misstated.

**Internal control deficiency**

Reason for deviation

The department does not adequately review the reported targets against supporting evidence to ensure that the reported targets are valid, accurate and complete.

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

***Leadership***

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

**Recommendation**

It is recommend that management should streamline the process of record management and collation of performance information reporting data to ensure only valid, accurate and complete information is reported.

**Management response**

No management response was received.

**Auditor’s conclusion**

Management submitted the attendance registers and not the technical support report as per technical indicator description, therefore the finding remains unresolved.

ANNEXURE B: OTHER IMPORTANT MATTERS

Procurement and Contract Management

Procurement and Contract Management – Suppliers Interest not declared

**Audit Finding**

Laws, rules and Regulations

In terms of Practice note no. 7 of 2009/2010 of National Treasury Paragraphs

2.2 Section 16A8.4 states that:

*"If a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must –*

1. *disclose that interest; and*
2. *withdraw from participating in any manner whatsoever in the process relating to that contract.”*

*“2.3 To give effect to the above, the National Treasury issued a standard bidding document (SBD 4) “Declaration of Interest” on 5 December 2003 as part of Supply Chain Management (SCM) Practice Note Number SCM 1 of 2003. In terms of this document, accounting officers and accounting authorities are required to customize and utilize the form as part of their bidding documents so that bidders or their authorized representatives could declare their position in relation to any person employed by the principal institution”.*

*3.2 Standard bidding document (SBD 4): Declaration of interest*

*3.2.1 The scope of the declaration of interest in the SBD 4 issued on 5 December 2003 is limited only to a declaration if the bidder has a relationship with a person employed by the principal. The principal refers to the institution that invited the bid. In other words, if an employee of an institution is a director, shareholder or member of a company or close corporation and that company or close corporation conducts business with an institution other than the one at which he or she is employed, there is no obligation to disclose his or her own or his or her spouse’s interest in the company or close corporation. The word “principal” should, therefore, be replaced with the word “state” so that declaration of any interest is broadened to all state institutions.*

The following deviation was noted:

We noted that the following employees where employed by the state, however the declaration of interest (SBD4) was completed and signed by the winning supplier but there was no declaration whether the bidder or any person connected with the bidder is employed by the state.

The following deviation was noted:

The following officials who are employed by other state organs engaged in business with the department and they did not declare their interest on the (SBD4) form, which is used for declaration of interest by the bidding suppliers

| **No.** | **Name of person** | **State institution employed** | **Supplier Name** | **Position in supplier** | **Total rand-value of award**  **R** |
| --- | --- | --- | --- | --- | --- |
| 1 | Nxalati Tsakani Malongete | Education Training and Development Practices SETA | Alitha Development Projects (Pty) Ltd | Director | 42 000,00 |
| 2 | Sivile Tali | PetroSA | Hashtag Green Recycling and Projects | Director | 87 696,99 |
| 3 | Mboneni M Nethavhakone | State Information Technology Agency | Kalahari Business X-perts | Director | 32 448,00 |
| 4 | Mbuyiseli George Meko | Nelson Mandela Bay Metro | Koloni Energy Solutions (Pty) Ltd | Director | 19 600,00 |
| 5 | Harold Shobane | Brand SA | 5WH Media Solutions (PTY) LTD | Director | 344 400,00 |
| 6 | Andries Carl Hauptfleisch | University of the Freestate | Career Excel Academy (Pty) Ltd | Director | 202 500,00 |
| 7 | Ntombani Jeanette Manana | National Botanical Institute (NBI) | South African Facilities Management Association | Director | 12 540,00 |
| 8 | Lufuno Mbudzeni Renny | Department of Defence | Mafumo Holdings (Pty) Ltd | Director | 27 450,00 |
| 9 | Taboko Manala | National Consumer Commission | Atley Pty Ltd | Director | 2 500,00 |
| 10 | Kgomotso Maphalla | Transnet Engineering | Mapkga Trading and Projects | Director | 6 400,00 |
| 11 | D P Modise | Tlokwe Local Municipality | Momamo Construction and Projects | Member | 10 320,00 |
| 12 | XPC Ntshangase | FS: HEALTH | Nalenhle Investments | Director | 21 932,00 |
| 13 | BR Mtsweni | NAT: LABOUR | Vukani Projects and Transport SO | Director | 6 000,00 |
|  | **Total** |  |  |  | **773 786,99** |

Impact of the finding:

a) Non-compliance with Practice note no. 7 of 2009/2010 of National Treasury

b) This may result in possible fraudulent act by the supplier (i.e. false declaration or misrepresentation).  If the auditee fails to investigate or take action after being informed of the possible fraud, auditors may consider reporting this as a non-compliance with TR 16A9.1 (f)

**Internal control deficiency**

Reason for the deviation:

The department does not perform their own company registration verification where suppliers disclosed in the SBD 4(PA11) that they are not employed by the state.

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

**Leadership**

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

**Financial and performance management**

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

**Recommendation**

a) In cases where the suppliers have not declared their business interest the department should perform their own company registration verification of the suppliers chosen from Central Supplier Database (CSD) to confirm that directors of those suppliers are employed by the state or not.

b) The auditee must investigate and/ or take action against the suppliers who knowingly supplied/ declared false information in their bids.

c) The department must also inform the relevant state organs about this conflict of interest in regard to their employees

**Management response**

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

Supply Chain Management issues *Standard bidding document (SBD 4): Declaration of interest Form internally known as PA11 Form as a compulsory returnable documents for all transactions processed. The form compels bidders to certify that information furnished through the PA11 declaration form is true and correct and that bidders accept that action may be taken against them should the declaration be proven to be false.*

*Furthermore, the Department utilises the CSD to verify if Directors of prospective companies are not in the service of the state. The CSD information reflected none of the listed names to be in the service of the state.*

*Based on all documentary evidence and CSD verification in our disposal, management believe that there was no contravention of National Treasury* Practice note no. 7 of 2009/2010 as well as any general non-compliance on the part of the Department as none of the alleged Directors participated *in any manner whatsoever in the process relating to the relevant contracts*.

However, should more information be availed and provided by the Auditors, Management will follow necessary steps to investigate the allegations for appropriate recourse to be taken.

| **No.** | **Name of person** | **State institution employed** | **Supplier Name** | **Position in supplier** | **Management Comment** |
| --- | --- | --- | --- | --- | --- |
| 1 | Nxalati Tsakani Malongete | Education Training and Development Practices SETA | Alitha Development Projects (Pty) Ltd | Director | Not a Director |
| 2 | Sivile Tali | PetroSA | Hashtag Green Recycling and Projects | Director | Not government employee |
| 3 | Mboneni M Nethavhakone | State Information Technology Agency | Kalahari Business X-perts | Director | Not government employee |
| 4 | Mbuyiseli George Meko | Nelson Mandela Bay Metro | Koloni Energy Solutions (Pty) Ltd | Director | Not government employee |
| 5 | Harold Shobane | Brand SA | 5WH Media Solutions (Pty) Ltd | Director | Not government employee |
| 6 | Andries Carl Hauptfleisch | University of the Freestate | Career Excel Academy (Pty) Ltd | Director | Not government employee |
| 7 | Ntombani Jeanette Manana | National Botanical Institute (NBI) | South African Facilities Management Association | Director | Not government employee |
| 8 | Lufuno Mbudzeni Renny | Department of Defence | Mafumo Holdings (Pty) Ltd | Director | Not government employee |

The following information is supplied for reference: Internal Directives on application of CSD provisions in the Department. CSD Reports of the specified entities / suppliers

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

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

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

*Name:* Maria Lekota

*Position: Director: Demand & Acquisition*

*Date: 04 July 2017*

**Auditor’s conclusion**

The finding remains unresolved for the following reasons:

* The CSD only interfaces with the PERSAL database. OCPO is still in the process to build capabilities to interface with databases of other organs of state. Treasury Instruction note 4A of 2016-17 did not exempt institutions from the requirement to obtain declaration of interests from bidders.
* The department should submit evidence that the above employees are not employees of other organs of the state.

**Predetermined Objectives**

Predetermined Objectives: Inconsistencies noted between the indicator on the approved Annual Performance Plan and Annual Performance Report.

**Audit Finding**

Laws, rules and regulations

Treasury Regulation *5.2.4 state that*:

*“The strategic plan & annual performance plan to form the basis for the annual report (annual performance report), therefore requiring consistency of strategic objectives, performance indicators and planned annual targets between planning and reporting documents”*

During the audit of performance information, the following inconsistencies were noted between the planned indicators as per the Annual Performance Plan and the reported indicators as per the Annual Report.

|  |  |  |
| --- | --- | --- |
| **Programme** | **Planned Performance Indicator as per APP** | **Reported Performance Indicator as per APR** |
| Programme 4: Property and Construction Policy Research | Public Works white paper developed | Draft Public Works White Paper developed. |
| Programme 4: Property and Construction Policy Research | Review of the Construction Industry Development Board (CIDB) Act | CIDB Act reviewed |

The aforementioned finding may result in:

a) Non-compliance with Treasury Regulation.

b) Inconsistencies between the planned indicators and the reported indicators.

**Internal control deficiency**

Reason for deviation

The above is as a result of proper reviews have not been implemented to ensure consistency of the reported information with the planned information

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

*Financial and performance management*

The department did not review and monitor compliance with applicable legislation.

**Recommendation**

Management should develop a policy to be implemented during strategic planning which will enforce thorough review of the approved annual performance plan and the final approved annual performance report to ensure consistency in reporting of performance indicators in order to meet the criteria required by the National Treasury’s Framework for managing programme performance information (FMPPI).

**Management response**

I am in agreement with the finding the necessary adjustments will be made.

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

Management agrees with the finding, the adjusted annual performance report will be inspected to ensure that the necessary adjustments are made.

TRANSFERS AND SUBSIDIES

Transfers and Subsidies - EPWP grants are not effectively monitored.

**Audit Finding**

Laws, rules and regulations

a) Public Finance Management Act sections 38 (1) (d) states 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) Division of Revenue Act Section 10 (b) (i) states that:

*“in respect of Schedule 5 allocations-*

*transfer funds only after receipt of all information required to be submitted by the receiving officer in terms of this Act and submission of all relevant information to the National Treasury;”*

Section 10 (c) states that:

*“ensure that all other provisions of this Act and the relevant framework for the transfer of the*

*allocation is complied with.”*

Section 18 (1) (a)

*“a transferring officer may withhold the transfer of a Schedule 4 or 5 allocation, or any portion thereof, for a period not exceeding 30 days, if*

*a) the province or municipality does not comply with any provision of this Act;”*

*c) Grant Agreement for the Integrated EPWP Grant states that”*

*Section 15.1 “Your department must ensure that adequate records are maintained for the purpose of verifying and/or auditing job creation performance reported”*

*Section 15.3 “The National Department of Public Works reserves the right not to disburse the EPWP Integrated Grant to your department in cases where there is failure to comply with the requirements of the Division Revenue Act,2016, the grant framework and/or the Agreement”*

*Section 16.1.2 “The National Department of Public Works will disburse the EPWP Integrated Grant in three tranches provided that the eligible public body is compliant to the conditions of this agreement according to the approved payment schedule and issue a disbursement letter to your department and the relevant Provincial Treasury indicating the portion of the grant allocation to be disbursed in a particular tranche;”*

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

The below mentioned municipalities received the EPWP grant disbursements from the department although the following deviations were identified during the audit:

a) The public bodies does not maintain adequate records, which can be evidenced by non-submission of ID copies, proof of payments, and attendance registers during the audit of EPWP. Furthermore it was noted that some of the beneficiaries reported on the EPWP reporting system did not work on the EPWP projects.

b) Municipalities were not reporting progress of EPWP projects timeously, which can be evidenced by beneficiaries that have not been reported as at 31 March 2017.

| **No.** | **Municipality** | **Province** | **Amount disbursed: 2nd Tranche** | **Amount disbursed: 3rd Tranche** | **Total** |
| --- | --- | --- | --- | --- | --- |
| 1 | Enoch Mgijima M | Eastern Cape | 1,835,000,00 | 1 224 000,00 | 3 059 000,00 |
| 2 | Nelson Mandela Bay Metro | Eastern Cape | 3,824,000,00 | 2 549 000,00 | 6 373 000,00 |
| 3 | Chris Hani DM | Eastern Cape | 3 509 000,00 | 2 339 000,00 | 5 848 000,00 |
| 4 | Buffalo City Metro | Eastern Cape | 535 000,00 | 356 000,00 | 891 000,00 |
| 5 | Kouga LM | Eastern Cape | 476 000,00 | 317 000,00 | 793 000,00 |
| 6 | Mbashe LM | Eastern Cape | 515 000,00 | 343 000,00 | 858 000,00 |
| 7 | Alfred Nzo DM | Eastern Cape | 2 703 000,00 | 1 802 000,00 | 4 505 000,00 |
| 8 | OR Tambo DM | Eastern Cape | 1 446 000,00 | 964 000,00 | 2 410 000,00 |
| 9 | Letsemeng LM | Free State | 450 000,00 | 300 000,00 | 750 000,00 |
| 10 | Dihlabeng LM | Free State | 450 000,00 | 300 000,00 | 750 000,00 |
| 11 | Setsotso LM | Free State | 858 000,00 | 573 000,00 | 1 431 000,00 |
| 12 | Emfuleni LM | Gauteng | 1 137 000,00 | 759 000,00 | 1 896 000,00 |
| 13 | City of Johannesburg | Gauteng | 21 426 000,00 | 14 284 000,00 | 35 710 000,00 |
| 14 | Ekurhuleni Metro | Gauteng | 9 957 000,00 | 6 637 000,00 | 16 594 000,00 |
| 15 | Emfuleni LM | Gauteng | 1 137 000,00 | 759 000,00 | 1 896 000,00 |
| 16 | Uthungulu DM | Kwa Zulu Natal | - | - | 1 367 000,00 |
| 17 | Alfred Duma LM | Kwa Zulu Natal | 2 207 000,00 | 1 472 000,00 | 3 679 000,00 |
| 18 | Ethekwini Metro | Kwa Zulu Natal | 22 266 000,00 | 14 843 000,00 | 37 109 000,00 |
| 19 | Maphumulo LM | Kwa Zulu Natal | 569 000,00 | 378 000,00 | 947 000,00 |
| 20 | New Castle LM | Kwa Zulu Natal | 1 428 000,00 | 952 000,00 | 2 380 000,00 |
| 21 | Harry Gwala DM | Kwa Zulu Natal | 1 514 000,00 | 1 009 000,00 | 2 523 000,00 |
| 22 | Vhembe DM | Polokwane | 1 558 000,00 | 1 038 000,00 | 2 596 000,00 |
| 23 | Elias Motsoaledi | Polokwane | 492 000,00 | 329 000,00 | 821 000,00 |
| 24 | Capricorn DM | Polokwane | 1 315 000,00 | 876 000,00 | 2 191 000,00 |
| 25 | Bushbuckridge LM | Nelspruit | 1 701 000,00 | 1 134 000,00 | 2 835 000,00 |
| 26 | Nkomazi | Nelspruit | 2 662 000,00 | 1 776 000,00 | 4 438 000,00 |
| 27 | Pixley Ka Seme LM | Nelspruit | 765 000,00 | 511 000,00 | 1 276 000,00 |
| 28 | Msukaligwa LM | Nelspruit | 619 000,00 | 413 000,00 | 1 032 000,00 |
| 29 | City of Mbombela LM | Nelspruit | 2 558 000,00 | 1 706 000,00 | 4 264 000,00 |
| 30 | Gert Sibande DM | Nelspruit | 1 400 000,00 | 935 000,00 | 2 335 000,00 |
| 31 | Thaba Chweu LM | Nelspruit | 757 000,00 | 505 000,00 | 1 262 000,00 |
| 32 | Sol Plaatje LM | Kimberly | 2 508 000,00 | 1 672 000,00 | 4 180 000,00 |
| 33 | Hantam Municipality | Kimberly | 507 000,00 | 338 000,00 | 845 000,00 |
| 34 | Rustenburg LM | Mahikeng | 1 899 000,00 | 1 265 000,00 | 3 164 000,00 |
| 35 | Mafikeng LM | Mahikeng | 1 652 000,00 | 1 102 000,00 | 2 754 000,00 |
| 36 | Moses Kotane LM | Mahikeng | 1 231 000,00 | 820 000,00 | 2 051 000,00 |
| 37 | Madibeng LM | Mahikeng | 695 000,00 | 464 000,00 | 1 159 000,00 |
| 38 | Naledi LM | Mahikeng | 848 000,00 | 565 000,00 | 1 413 000,00 |
| 39 | Moretele LM | Mahikeng | 1 903 000,00 | 1 268 000,00 | 3 171 000,00 |
| 40 | Saldanha Bay | Cape Town | 482 000,00 | 321 000,00 | 803 000,00 |
| 41 | Langeberg Municipality | Cape Town | 792 000,00 | 527 000,00 | 1 319 000,00 |
| 42 | Stellenbosch Municipality | Cape Town | 791 000,00 | 527 000,00 | 1 318 000,00 |
|  | **Total** | | **105 377 000,00** | **70 252 000,00** | **175 629 000,00** |

The impact of the Finding

a) Non-compliance with section 38 (1) (d) of the Public Finance Management Act

b) Non-compliance with Division of Revenue Act

c) The department may be in breach of the Grant Agreement for the Integrated EPWP grant.

**Internal control deficiency**

Reason for the deviation:

The above is due to lack of appropriate monitoring and reviews by the department on the reported EPWP projects.

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

***Financial and Performance Management***

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

***Leadership***

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

**Recommendation**

The department should frequently undertake audits on the reported performance of the EPWP projects.

**Management response**

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

* It is the responsibility of public bodies to keep records of EPWP participants that include certified Identity Card (ID) documents, attendance registers, proof of payment and contracts on site in line with the EPWP Ministerial Determination. The National Department of Public Works conducts site visits to different projects to monitor compliance. A site visit report of projects conducted in the 16/17 financial year is attached for reference. In addition, the department does monitor reporting of financial progress on EPWP Integrated Grant projects. In cases the municipalities where not complaint, withholding letters were sent. Some of the withholding letters sent and responses received are attached for reference. Funds were paid to public bodies on the basis of response to withholding letters and provision of information requested in withholding letters.
* The National department of Public Works monitors the reporting of work opportunities from EPWP Integrated Grant. All the municipalities sampled with the exception of Moretele Local Municipality have reported on their EPWP Integrated Grant Project. Moretele Local Municipality delayed the implementation of their EPWP Integrated Grant project, payment was made on the basis to the response to the withholding letter that is attached for reference. A list of projects reported from the municipalities sampled is attached for reference.

| **Description** | | **Response** | | | |
| --- | --- | --- | --- | --- | --- |
| Corrective action to be taken | |  | | | |
| Does the finding affect an amount disclosed in the financial statements | | **Yes** | | **No** | |
|  | | X | |
| If yes, what corrections will be made to the population | | N/A | | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | | N/A | | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | | N/A | | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | | **Yes** | | | **No** |
|  | | | X |
| 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. | Projects are implemented and reported on EPWP reporting system. Municipalities have a responsibility to ensure that adequate records are kept on site as tabulated in the grant manual. | | | | |
| **Description** | **Response** | | | | |
| Does management agree with the internal control deficiencies indicated | **Yes** | | **No** | | |
|  | | X | | |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | The implementation of the grant is monitored through the expenditure reports, non-financial information which includes performance information, challenges in the implementation, data captured in the EPWP reporting system, withholding letters sent to non-complying public bodies and site visits conducted to ensure compliance to the DoRA requirements. | | | | |

Name: Mr S.W. Henderson

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Deputy Director-General (DDG): EPWP

Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Auditor’s conclusion**

Management comment is noted and the finding remains unresolved for the following reasons:

* Non-compliance by the various public bodies was identified during the site visits. and
* The department did not withhold second and third transfers funds or issue warning letters to public bodies for non- reporting on progress

Transfers and Subsidies - EPWP Expenditure Reports submitted by Public bodies do not indicate what the funds were used for.

**Audit Finding**

Laws, rules and regulations

a) Public Finance Management Act sections 38 (1) (d) states 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) Grant Agreement for the Integrated EPWP Grant states that*”*

*Section 10.3 “Expenditure on the EPWP grant must be reported to the relevant Provincial Treasury in the monthly In-Year-Monitoring tool used by your Provincial Treasury and copied to National Department of Public Works by 10 calendar days after the end of every month”*

*Section 10.4 “The reports should include the outputs intended to be achieved on the projects implemented through the grant. This will be measured monthly until the projects are finished.”*

c) In terms of DORA act No 3 of 2016 paragraph

***17. Expenditure in terms of purpose and subject to conditions.*** *(1) Despite a provision of other legislation to the contrary, an allocation referred to in Schedules 4 to 7 may only be utilised for the purpose stipulated in the Schedule concerned and in accordance with the applicable framework.*

During the audit of EPWP, the following deviation was noted:

a) The monthly expenditure reports submitted by the public bodies are not reflecting the requirements as per section 10.4 of the grant agreement.

b) Public bodies monthly reports only indicate the expenditure received and expenditure spent

c) There is no indication of how the EPWP grant was utilized, thereby reporting on the intended output achieved for a particular month on the projects implemented.

The aforementioned finding may result in:

a) Non-compliance with section 38 (1) (d) of the Public Finance Management Act

b) Expenditure may be reported for which the intended output has not been implemented or achieved.

c) Non-compliance with Dora Act No 3 of 2016 paragraph 17.

**Internal control deficiency**

Reason for the deviation:

The EPWP monthly in-year-monitoring tool utilized for reporting expenditure is not aligned to the

requirements of the grant agreement, to ensure that the projects being implemented are properly

measured with regards to outputs intended to achieved.

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

*Leadership*

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

**Recommendation**

a) The department should develop a template where the public bodies report the breakdown of the incentive grants received, what the funds were utilised for and how many work opportunities were created based on the incentive grants.

b) The department should visit the public bodies to ensure that adequate records are maintained for what the incentive was utilised for.

**Management response**

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

The National Department of Public Works monitors outputs from EPWP Integrated Grant projects on the EPWP reporting system. Outputs from EPWP Integrated Grant projects from the municipalities sampled are attached for reference. Where there are gaps in figures, follow up is being made to ensure all outputs are captured.

| **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, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
| 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. | Outputs on EPWP Integrated Grant projects do not have to be measured on the monthly In-Year-Monitoring (IYM) monthly reports. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Adequate controls are put in place to ensure compliance to the DoRA. Outputs on EPWP Integrated Grant projects are monitored on the EPWP Reporting system. | |

*Name: Mr S.W. Henderson*

*Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

*Deputy Director-General (DDG): EPWP*

*Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

**Auditor’s conclusion**

Management comment noted, however the finding remains unresolved for the following reasons:

a) The Portfolio of Evidence submitted by the department for the finding reflects a consolidation of sampled public bodies and it also does not specify how the grant allocation is utilized by the different public bodies.

b) The project list which is used to monitor the spending of grants by the public bodies does not indicate how the incentive grants were utilized by the public bodies and for what services was the funds spent on, there is no detailed breakdown of how the incentives grants are spend by the public bodies.

c) There was no evidence that the budgeted amount on the project list included the incentive grants received from the department, as the public bodies does not separate their own budget from the inventive grants amounts, which makes it impossible for the department to determine how many work opportunities were created using the incentive grants.

Goods and Services:

Goods and Services: Payments made after 30 days.

Laws, rules and regulations

1. In terms of Public Finance Management Act (PFMA)

Section 38(1) (f) states 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. In terms of Treasury Regulations

Regulation 8.2.3states 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 2011

Paragraph 4.1 states that:

“*The accounting officer’s responsibility [in terms of section 38(1) (f)] to settle all*

*contractual obligations and to pay all money owing, including intergovernmental claims, within the prescribed (30 days) or agreed period is hereby re-iterated.”*

“*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.”*

During the testing of expenditure the following payment was not made within 30 days from the date of receipt of the invoice:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Supplier** | **Invoice number** | **Date invoice received** | **Payment date of invoice** | **Days** | **Amount** | **Region** |
| 1 | Posh Curtain Designer CC | 1859 | 14-Oct- 2016 | 18–Nov-2016 | 36 | 143 864,00 | Cape Town |
| 2 | Watlhalefo Trading And Projects | 1 | 15–Jun- 2016 | 22–Aug- 2016 | 67 | 6 000,00 | Mmabatho |
| 3 | Barberton Members Clubs | 17 | 24–Jan- 2017 | 03–Mar- 2017 | 37 | 22 720,00 | Nelspruit |
| **TOTAL** | | | | | | **172 584,00** |  |

Impact of the finding:

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

b) Non-compliance with Regulation 8.2.3 of the Treasury Regulation.

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

**Internal control deficiency**

Reason for the deviation:

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

The finding was also reported in the 2015/16 financial year.

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

**Leadership**

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

**Financial and Performance Management**

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

**Recommendation**

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

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

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

**Management response**

Cape Town: Management is in agreement with the finding. The specification for the making of curtains also calls for the installation thereof which needs to be physically verified and barcoded before the payment is made. The properties for which the assets were purchased is occupied by Members of Parliament and the Moveable Asset Management Section together with the Prestige Section must obtain access or make appointments to perform the mentioned verification and barcoding.

As a result of occupants not always being available when the verification and barcoding needs to be done payments are sometimes delayed

Mmabatho: I am in agreement with the finding for the following reasons [and supply the following/attached information in support of this]: The supplier was appointed to render the service for the region and when he submitted his payment it was discovered that his banking details are not captured on Sage system subsequent he was given entity form to be filled in. The supplier took time to return the entity forms to the region and was notified several times to submit the entity forms, by the time he submitted the entity form 30 days has already lapsed and the region had to wait for the head office to capture suppliers banking details on the system.

No management response was received from Nelspruit regional offices.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | To improve our internal processes, payments will be managed more effectively to curb delay in processing of payments. | | |
| 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 |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions | DD: Assets | | |
| Estimated completion date for corrective action | 31 March 2017 | | |
|  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **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. |  | |

**Auditor’s conclusion**

Management agrees with the finding and based on the management’s response, it still indicates that the controls are still not effective, to ensure that payments are made within 30 days form the receipt of the invoice.

**PROCUREMENT AND CONTRACT MANAGEMENT**

Procurement and Contract Management: SMS members did not declare their interest

Laws, rules and regulations

***Paragraph 13 c of PSR states that***

*An employee shall;*

*(c) not conduct business with any organ of state or be a director of a public or private company conducting business with an organ of state, unless such employee is in an official capacity a director of a company listed in schedule 2 and 3 of the Public Finance Management Act;*

***Paragraph 18 of PSR states that***

*18 (1) SMS members, except for a head of department shall, not later than 30 April of each year, disclose to the relevant head of department, in a form prescribed for this purpose by the Minister, particulars of all his or her interests in respect of the period 1 April of the previous year to 31 March of the year in question*

*18 (3) Any other designated employee not contemplated in subregulations (1) and (2) shall submit to the relevant head of department, on a date and form directed by the Minister, particulars of all his or her interests for the period as may be directed by the Minister.*

*18 (4) Any person who assumes duty as a designated employee on or after 1 April in a year shall make such disclosure within 30 days after assumption of duty in respect of the period from 1 April to date of disclosure.*

**The following deviation was noted:**

The employees noted below completed the annual financial disclosure forms, however they did not disclose their interests in the below mentioned companies:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No** | **Persal No** | **Employee Name** | **Rank** | **Supplier Name** | **State institution were supplier is doing business** | **Total Payment**  **R** |
| 1 | 52002713 | HH Bubu | Director: Facilities Management | Two For Joy Trading | National: Energy | 762 303.90 |
| 2 | 22688064 | I Nemasetoni | Director: Construction Policy | Masetoni Farming Ventures | Mangaung Metro | 4 680.00 |
| 3 | 53503732 | Z Tafane | Director: Knowledge Management & Research | ZT Rainbow Professional Consultants | Gauteng Fund Agency | 0.00 |

Impact of the finding:

Non-compliance with section 18 of Public Service Regulation and Sections 30 and 31 of Chapter VII of the Public Service Act, 1994 (Act 103 of 1994

**Internal control deficiency**

Reason for the deviation:

a)

The department should perform a test of all their senior management employees against the registration of companies’ data to ensure that all employees declared their interest.

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

***Leadership***

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

***Financial and performance management***

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

**Recommendation**

a) The department should review the annual declaration submitted by the employees to ensure that all employees have declared their interests in business which deals with the state and that the declarations clearly specify any business activity not approved by management.

b) Disciplinary measures should be institute against the employees which did not declare their interest in dealing with the state.

c) The department should ensure that all senior management are made aware of what to declare in their annual declarations and consequences of not declaring.

**Management response**

I am in agreement with the finding the employees have been forwarded a communique to request reasons for non-disclosure. Based on the reposes further investigation will be requested

| **No** | **PERSAL Number** | **Employee** | **EMPL\_POSITION** | **Supplier Name** | **State institution were supplier is doing business** | **Communique** |
| --- | --- | --- | --- | --- | --- | --- |
| 1. | 52002713 | Bubu HH | Director: Facilities Management | Two for Joy Trading | NAT: Energy | Sent Tag A |
| 2 | 22688064 | Nemasetoni EMASETONI I | Director: Construction Policy | Masetoni Farming Ventures | Mangaung Metro | Sent Tag B |
| 3 | 53503732 | Tafane Z | Director: Knowledge Management & Research | ZT Rainbow Professional Consultants | Gauteng Fund Agency | Sent Tag C |

| **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, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | **No** |
|  | X |
|  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | |
| Position of official responsible to take corrective actions | D: HRA and/ D: LRM | |
| Estimated completion date for corrective action | 31 July 2017 | |

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

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

*Name:* Ms R Mostert

*Position: HRA*

*Date: 6/7/2017*

**Auditor’s conclusion**

Management comments are noted, the finding remains management needs to investigate the reason why senior management did not declare their interest and take the necessary disciplinary actions were appropriate.

Procurement and Contract Management: No approval obtained for remunerative work

Laws, rules and regulations

***Paragraph 2.1 of the National Treasury Practice note no. 7 of 2009/2010 states that:***

*Sections 30 and 31 of Chapter VII of the Public Service Act, 1994 (Act 103 of 1994) stipulate the following regarding employees of the state who are performing other remunerative work:*

*.*

*“No employee shall perform or engage himself or herself to perform remunerative work outside his or her employment in the relevant department, except with the written permission of the executive authority of the department."*

The following below employee of Department of Public works were noted as having business interest; however the department could not submit their approvals to perform remunerative work.

| **No** | **Persal No** | **Employee** | **Rank** | **Supplier Name** | **State institution were supplier is doing business** | **Total Payment**  **R** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | 28071166 | Ndou A | Leaners: Plumbing joint youth smart | Dimani Cash Crop & Farming Prima | LP: Agriculture | 315 814,96 |
| 2 | 22805702 | Lindsky B | Quantity Surveyor chief grade B | A & G Construction Consultants | Cape Agulhas Local Municipality | 150 239,00 |
| 3 | 27900746 | Doyoyo F | Interns: Water Graduate Programme | Endafara Projects | NAT: Correctional Services | 5 040,00 |
| 4 | 27593380 | Mlamleli KKL | Learner | Today Destiny Trading & Project | NAT: Correctional Services | 19 270,00 |
| 5 | 22026134 | Xulu Ka Dlamini LM | Deputy Director: Lease Management | Bay City Trading | NAT: Correctional Services | 1 360,00 |
| 6 | 20716141 | Madimabe MD | Administration Officer: Acquisitions/disposals | Impuga Trading & Projects(Pty) Ltd | FS: Sport, Arts Culture & Recreation | 190 410,00 |
| 7 | 28156501 | Ramudzuli | Leaners: Plumbing joint youth smart water project | Youth in Dream IT Solution | NAT: Justice & Constitutional Development | 10 000,00 |
| 8 | 18336558 | Madzebe MS | Construction Project Manager:Cchief Grade A | Sebokane Management Services | Independent Development Trust | 203 925,15 |
| 9 | 27962784 | Zwane NA | Data Capturer: Contract : EPWP | Za-Tha-Aya Collaboration | KZ: Arts and Culture | 37 500,00 |
| 10 | 28062841 | Makhavhu RR | Data Capturer: Contract : EPWP | Ngema Dream Team | LP: Sport, Arts and Culture | 14 864,50 |
| 11 | 27837131 | Boqwana S | Interns: Water Graduate Programme | SST Security | EC: Social Development | 38 200,00 |
| 12 | 22137637 | Modise SP | Admin. Officer: Project Support | Vans Office Supplies | Independent Electoral Commission | 47 975,79 |
| 13 | 27836452 | Loabile TM | Interns: Water Graduate Programme | Cestas Trading Enterprise (Pty) Ltd | NAT: Environmental Affairs | 4 060,00 |
| 14 | 27167402 | Gumede ZM | State Accountant | Mbutho Cleaning | KZ: Health | 974,61 |
| 15 | 19961001 | Abrahams CR | Assistant Director: Utilisation & Contract Admin. | Cosmic Gold Trading 257CC | NC: Sport, Arts and Culture | 2 165 441,99 |
| 16 | 52002713 | Bubu HH | Director: Facilities Management | Two For Joy Trading | NAT: Energy | 762 303,90 |
| 17 | 22688064 | Masetoni I | Director: Construction Policy | Masetoni Farming Ventures | Mangaung Metro | 4 680,00 |
| 18 | 27692051 | NgoashengKD | Deputy Director: Finance: Clean Audit | Mzanzi Trips (Pty) Ltd | National Economic Development and Labour Council | 27 850,00 |
| 19 | 28172787 | Cele Z | Director: Programme Management: PMTE | Zimcele PIPP Project Management CC | uMhlathuze Local Municipality | 112 847,18 |
| 20 | 28089642 | Babile N | Cleaner | Sosobala Catering Stationery GRO | MP: Health | 258 639,00 |
| 21 | 28089642 | Babile N | Cleaner | Biks Mats Catering | MP: Health | 3 300,00 |
| 22 | 23806443 | Makgoe ES | Cleaner | African Clothing & Training | Gauteng Fund Agency | 0,00 |
| 23 | 27512631 | Raaff MA | Quantity Surveyor: Chief: Grade A | Afriquantum Consulting CC | Camdeboo Local Municipality | 0,00 |
| 24 | 27415511 | Hlayisi M | Cleaner | Ahifambeni Travel Agency | South African Social Security Agency | 0,00 |
| 25 | 26999501 | Chipangura AT | Architect: Chief: Grade A | Alliance architects Pty Ltd | Gauteng Fund Agency | 0,00 |
| 26 | 23662191 | Faku AKK | IT Technician | Attistik Trading CC | King Sabata Dalindyebo Local Municipality | 0,00 |
| 27 | 27834484 | Cezula B | LG CETA Interns | Baz Consulting (Pty) Ltd | Reg. Of Deeds Trading Account | 0,00 |
| 28 | 21060525 | Mbulali M | Learner | Boyisi Trading Enterprise | Joe Gqabi District Municipality | 0,00 |
| 29 | 28188349 | Mtwa NW | Executive Secretary | Busy Bee Tents for Hire | Amatola Water Board | 0,00 |
| 30 | 24172316 | Sojini SA | Assistant Director: Leasing/ Acquisitions | Contemporary Real Estate Valuers | Gauteng Fund Agency | 0,00 |
| 31 | 19166486 | Mokoena VN | Assistant Provisioning Admin. Officer | Dijalo Farming CC | Gauteng Fund Agency | 0,00 |
| 32 | 18709192 | Montshioa MG | Admin. Officer | Dikarabo Trading CC | Gauteng Fund Agency | 0,00 |
| 33 | 23732733 | Mxenge S | Assistant Admin. Officer: Property Payment | Eyabasuthu Trading | Amatola Water Board | 0,00 |
| 34 | 27469590 | Mathabathe MP | Construction Project Manager: Chief: Grade A | Fig Tree Projects and Management 3 | Gauteng Fund Agency | 0,00 |
| 35 | 27503861 | Gabara ZT | Call Centre Agent: Human Capital Investment | Gabs IT Group | Gauteng Fund Agency | 0,00 |
| 36 | 22426442 | Seletela KTE | Director: Financial Reporting | Goree Island Trading 1 | South African Social Security Agency | 0,00 |
| 37 | 52039692 | Kango MG | Deputy Director: Technical Support: EPWP | Grow Africaproject Managers & C | OR Tambo District Municipality | 0,00 |
| 38 | 27654443 | Gqirana N | Admin. Officer:: Parliamentary Office | Inkuthalo Cleaning Services | National Youth Development Agency | 0,00 |
| 39 | 28139267 | Mahlamvu M | Director: Facilities Management | Into Fabrics and Decor t/a Happy Ho | Gauteng Fund Agency | 0,00 |
| 40 | 23734493 | Thabethe NC | Investigator: State Immovable Assets | Isibuko Recruitment & Consulting | KZN Nature Conservation Board | 0,00 |
| 41 | 55663354 | Nakoo J | Deputy Director: Infrastructure EPWP | JNA Civils (Pty) Ltd | Richtersveld Local Municipality | 0,00 |
| 42 | 26630893 | Dyantyi CM | Architectural Technician: Production: Grade A | Juno Beach Trading 8 CC | South African Social Security Agency | 0,00 |
| 43 | 26056330 | Ntshangase BO | Learner | Kabaka Trading | Ehlanzeni TVET | 0,00 |
| 44 | 26846853 | Mohamed S | Quantity Surveyor: Chief: Grade B | Kagisano Quantity Surveyors CC | Gauteng Fund Agency | 0,00 |
| 45 | 52456862 | Sobuce WN | Deputy Director: Social Sector | Khawula Training and Facilitaty | Alfred Nzo District Municipality | 0,00 |
| 46 | 61687499 | Zondi SA | Director: Service Delivery Improvement Programme | Khukhuza HR Solutions T/A Khukhuza | KZN Nature Conservation Board | 0,00 |
| 47 | 80138632 | Ntimane GN | Admin. Officer: Property Payments | Khulantimane Trading | South African Social Security Agency | 0,00 |
| 48 | 13416031 | Ndlovu T | Cleaner | Kuyahanjwa Trading CC | Gauteng Fund Agency | 0,00 |
| 49 | 80484000 | MbathaSGN | Deputy Director: Waste Management | Kwavukayibambe Wasteman CC | Gauteng Fund Agency | 0,00 |
| 50 | 27888380 | Malahlela MV | Intern | Lengana Management and Consulting P | Gauteng Fund Agency | 0,00 |
| 51 | 22822259 | Phokoane S | Groundsman | Lifa Laruna Trading cc | Gauteng Fund Agency | 0,00 |
| 52 | 80484000 | Mbatha SGN | Deputy Director: Waste Management | Mabomu Trading and Projects | Gauteng Fund Agency | 0,00 |
| 53 | 22039627 | Ndabeni L | Assistant Director: Leasing/ Acquisitions | Magombe Construction CC | OR Tambo District Municipality | 0,00 |
| 54 | 61687499 | Zondi SA | Director: Service Delivery Improvement Programme | Malwande Fleet Management cc | Gauteng Fund Agency | 0,00 |
| 55 | 28087216 | Mathentjwa NL | Cleaner | Masekeso Catering Printings | Gauteng Fund Agency | 0,00 |
| 56 | 22055860 | Bhembe NT | Assistant Provisioning Adimin. Officer | Masonja Trading | South African Social Security Agency | 0,00 |
| 57 | 18397981 | Vilakazi S | Secondary Driver | Masonja Trading | South African Social Security Agency | 0,00 |
| 58 | 21888281 | Mathaba M | Deputy Director: Environment & Culture Sector | Matsapa Trading 579 | South African Social Security Agency | 0,00 |
| 59 | 28139267 | Mahlamvu M | Director: Facilities Management | Mbokoto Conference Training & Guest0 | Gauteng Fund Agency | 0,00 |
| 60 | 82490449 | Lethuba ML | Construction Project Manager: Production: Grade A | Mererong Trading0 cc | Gauteng Fund Agency | 0,00 |
| 61 | 19065370 | Nxumalo ND | Cleaner | Mkhamfanyoka Building Construction | South African Social Security Agency | 0,00 |
| 62 | 23764503 | Mphahlele JCM | Chief Works Manager | Mphediseng Trading Enterprise | Gauteng Fund Agency | 0,00 |
| 63 | 23734493 | Thabethe NC | Investigator: State Immovable Assets | Mpompa Consulting (Pty) Ltd | KZN Nature Conservation Board | 0,00 |
| 64 | 22178252 | Mosalo MRR | Chief Director: Immovable Asset Management | MRM Advisory Services Pty Ltd | Gauteng Fund Agency | 0,00 |
| 65 | 80484000 | Mbatha SGN | Deputy Director: Waste Management | Mthonzima Trading and Projects | Gauteng Fund Agency | 0,00 |
| 66 | 83042385 | MaphangaCG | Deputy Director: Training Quality Systems EPWP | Myobodzi Business Enterprise CC | South African Social Security Agency | 0,00 |
| 67 | 27908232 | Motloung TE | Deputy Director: Eenergy Efficiency Project Support | Oheit Energy | Nketoana Local Municipality | 0,00 |
| 68 | 22806792 | Tshibalanganda CT | Cleaner | Pendani Trading Enterprise | Gauteng Fund Agency | 0,00 |
| 69 | 82426163 | Ndandani N | Assistant Director: OHSA :Mechanical | Qhayizo Trading | OR Tambo District Municipality | 0,00 |
| 70 | 55340431 | Adonis S | Administrative Clerk | SAS Investments and Trading (Pty) Ltd | OR Tambo District Municipality | 0,00 |
| 71 | 27900151 | Lehoko MJ | Project Manager: Asset Register Management | Sithembe Imports & Exports | Gauteng Fund Agency | 0,00 |
| 72 | 28035887 | Mntonintshi SM | Data Capturer: Contract: EPWP | South African Debt Mediator | King Sabata Dalindyebo Local Municipality | 0,00 |
| 73 | 15501396 | Sibiya AM | Service Delivery Improvement Programme Coordinator | Sprint International Import and | Gauteng Fund Agency | 0,00 |
| 74 | 22917471 | Macheke NP | Management Trainees | Switshongo Trading Enterprise | Gauteng Fund Agency | 0,00 |
| 75 | 55663371 | Skenjana L | Internal Auditor Regional Audits | Tiba and Masiba Catering & Cleaning CC | South African Social 0Security Agency | 0,00 |
| 76 | 27983731 | Makgamatho ME | Change Management Specialist: Turnover Task Team | Tlholego Business Consultants (Pty) Ltd | Gauteng Fund Agency | 0,00 |
| 77 | 26935911 | Khumalo KM | General Manager: Property Management | Tshepang Electrical (Pty) Ltd | Gauteng Fund Agency | 0,00 |
| 78 | 53837207 | MphaphuliM | Groundsman | Tshina Constructionand Services | South African Social Security Agency | 0,00 |
| 79 | 27848876 | Moloto TP | Deputy Director: Administration | Tumiso Health Alliance cc | Gauteng Fund Agency | 0,00 |
| 80 | 23727993 | Hlaisi ML | Assistant Admin. Officer: Litigation | Xihahela Trading Enterprise | Gauteng Fund Agency | 0,00 |
| 81 | 23757108 | Hlungwani RI | Data Capturer: Contract: EPWP | Xirhami Holdings | South African Social Security Agency | 0,00 |
| 82 | 22672923 | Mkhonza AA | Admin. Officer: Bid Administration | Yaya Construction | South African Social Security Agency | 0,00 |
| 83 | 53503732 | Tafane Z | Director: Knowledge Management & Research | ZT Rainbow Professional Consultants | Gauteng Fund Agency | 0,00 |
| 84 | 20160301 | Jacob RJ | Administration. Officer | Gangalee Powerline Services | GP: Education | 295 995,30 |
| 85 | 20160801 | Zulu SI | Administration Clerk Chief | Ukubhukuda Trading and Projects | GP: Education | 538 541,00 |
| 86 | 17363080 | Maki NP | Data Capturer :EPWP | Bitshinigitshane Trading(Pty) ltd | EC: Education | 10 000,00 |
|  | **Total** | | | | | **5 219 232,38** |

Impact of the finding:

Non-compliance with section 18 of Public Service Regulation and Sections 30 and 31 of Chapter VII of the Public Service Act, 1994 (Act 103 of 1994

**Internal control deficiency**

Reason for the deviation:

a) Annual declarations are not properly reviewed by the senior officials to ensure that all employees have annual declarations.

b) The department should perform a test of all their senior management employees against the registration of companies’ data to ensure that all employees declared their interest.

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

***Leadership***

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

***Financial and performance management***

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

**Recommendation**

a) The department should review the annual declaration submitted by the employees to ensure that all employees have declared their interests in business which deals with the state and that the declarations clearly specify any business activity not approved by management.

b) Disciplinary measures should be institute against the employees which did not declare their interest in dealing with the state.

c) The department should ensure that all senior management I made aware of what to declare in their annual declarations and consequences of not declaring.

**Management response**

I am not in agreement with the finding pending the responses from the relevant employees.

| **No** | **PERSAL Number** | **Employee** | **EMPL\_POSITION** | **Supplier Name** | **State institution were supplier is doing business** | **Communique** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | 22426442 | KTE Seletela | Director: Financial Reporting | Goree Island Trading 1 | South African Social Security Agency | Sent Tag D |
| 2 | 28172787 | Z Cele | Director: Programme Management: PMTE | Zimcele PIPP Project Management CC | uMhlathuze Local Municipality | Sent Tag E |
| 3 | 61687499 | SA Zondi | Director: Service Delivery Improvement Programme | Malwande Fleet Management CC | Gauteng Fund Agency | Sent Tag F |
| 4 | 22178252 | MRR Mosalo | Chief Director: Immovable Asset Management: | MRM Advisory Services (Pty) Ltd | Gauteng Fund Agency | Sent Tag G |

**Management response**

I am not in agreement with the finding in terms of PSR Regulation 18 for the following reasons:

Public Service Regulations, 2016 (amended with effect from 1 August 2016) Regulation 18 states that all SMS Members must disclose their financial interest no later than 30 April. The below list is not members of SMS with the exception of number 18 Ms LM Xulu Ka Dlamini.

The Public Service Regulations, 2016 empowers the Minister of DPSA to designate other groups of employees to declare financial interest. With effect from 1 June 2017 and 1 July 2017 two categories of employees were added to disclose financial interest: group 1: Deputy Directors on level 12, OSD equivalent to level 13 and up and OSD equivalent to level 12 must disclose from 1 June to 30 June of a year and group 2 Deputy Directors on level 11, OSD equivalent to level 11 and employees in Finance and SCM from 1 July to 31 July of each year. The period has however been extended by the MPSA to 30 September 2017 and allowing Department to verify information until 30 November 2017. Annexure A

Senior Members are timeously informed every year of disclosure via national communique, personal e-mail follow-ups and telephonic follow-ups during the period of disclosure. The Department has had a 100% submission rate for the past 4 years in terms of compliance.

MMS and OSD will only be in contravention of PSR 18 if they did not disclose as per the new amendments with effect from 1 June 2017 postponed to 30 September 2017. Employees below MMS suspected of performing remunerative work must first be investigated. Please see on the below list the salary levels of employees also note that numbers 1, 5, 7, 11, 14, 15, 20, 24, 29, 33, 38, 40, 41, 42, 44, 52 and 56 are no longer in service.

The Directive on Remunerative Work requires an employee to request approval for performing remunerative work. A company registered at CIPC is not seen as remunerative work only once the employee intends to do business.

Employees on the list will be requested to provide responses and based on that further action will be taken

| **No** | **PERSAL Number** | **Employee** | **Salary Level** | **RWOPS requested Y/N** | **Comment** |
| --- | --- | --- | --- | --- | --- |
| 1 | 28071166 | A NDOU | 0 |  | Learner – Contract Expired |
| 2 | 22672923 | AA MKHONZA | 7 | N |  |
| 3 | 23662191 | AKK FAKU | 8 | N |  |
| 4 | 26999501 | AT CHIPANGURA | 12 | N |  |
| 5 | 27834484 | B CEZULA | 1 |  | Service Terminated |
| 6 | 22805702 | B LIDSKY | 12 | N |  |
| 7 | 26056330 | BO NTSHANGASE | - |  | Org 16 – (Transfer) |
| 8 | 26630893 | CM DYANTYI | 8 | N |  |
| 9 | 22806792 | CT TSHIBALANGANDA | 2 | N |  |
| 10 | 23806443 | ES MAKGOE | 2 | N |  |
| 11 | 27900746 | FZ DOYOYO | 1 |  | Service Terminated |
| 12 | 80138632 | GN NTIMANE | 7 | N |  |
| 13 | 23764503 | JCM MPHAHLELE | 8 | N |  |
| 14 | 27593380 | KKL MLAMLELI | 0 |  | Learner - Contract Expired |
| 15 | 28021100 | L MOKWENA | 2 |  | Service Terminated |
| 16 | 22039627 | L NDABENI | 10 | N |  |
| 17 | 55663371 | L SKENJANA | 8 | N |  |
| 18 | 22026134 | LM XULU KA DLAMINI | 13 | N | Case has been referred for investigation to GRC |
| 19 | 27415511 | M HLAYISI | 2 | N |  |
| 20 | 21060525 | M MBULALI | 0 |  | Learner – Contract Expired |
| 21 | 27512631 | MA RAAFF | 12 | N |  |
| 22 | 20716141 | MD MADIMABE | 7 | N |  |
| 23 | 18709192 | MG MONTSHIOA | 7 | N |  |
| 24 | 28156501 | MG RAMUDZULI | 0 |  | Learner - Contract Expired |
| 25 | 23727993 | ML HLAISI | 6 | N |  |
| 26 | 82490449 | ML LETHUBA | 11 | N |  |
| 27 | 27469590 | MP MATHABATHE | 12 | N |  |
| 28 | 18336558 | MS MADZEBE | 12 | N |  |
| 29 | 27888380 | MV MALAHLELA | 1 |  | Service Terminated |
| 30 | 28089642 | N BABILE | 2 | N |  |
| 31 | 27654443 | N GQIRANA | 7 | N |  |
| 32 | 82426163 | N NDANDANI | 10 | N |  |
| 33 | 27962784 | NA ZWANE | 2 |  | Service Terminated |
| 34 | 23734493 | NC THABETHE | 8 | N |  |
| 35 | 19065370 | ND NXUMALO | 2 | N |  |
| 36 | 28087216 | NL MATHENTJWA | 2 | N |  |
| 37 | 22917471 | NP MACHEKE | 7 | Y | Tag A. Requested RWOPS and attached is the application |
| 38 | 17363080 | NP MAKI | 2 |  | Service Terminated |
| 39 | 28188349 | NW MTWA | 8 | N |  |
| 40 | 23757108 | RI HLUNGWANI | 2 |  | Service Terminated |
| 41 | 15838617 | RJ JACOB | 6 |  | Service Terminated |
| 42 | 28062841 | RR MAKHAVHU | 2 |  | Service Terminated |
| 43 | 55340431 | S ADONIS | 4 | N |  |
| 44 | 27837131 | S BOQWANA | 1 |  | Service Terminated |
| 45 | 26846853 | S MOHAMED | 12 | N |  |
| 46 | 23732733 | S MXENGE | 6 | N |  |
| 47 | 22822259 | S PHOKOANE | 2 | N |  |
| 48 | 18397981 | S VILAKAZI | 4 | N |  |
| 49 | 24172316 | SA SOJINI | 10 | Y | Tag B. Requested RWOPS and attached is the application |
| 50 | 80484000 | SGN MBATHA | 12 | N |  |
| 51 | 63017105 | SI ZULU | 7 | N |  |
| 52 | 28035887 | SM MNTONINTSHI | 2 |  | Service Terminated |
| 53 | 22137637 | SP MODISE | 7 | N |  |
| 54 | 13416031 | T NDLOVU | 3 | N |  |
| 55 | 27908232 | TE MOTLOUNG | 12 | N |  |
| 56 | 27836452 | TM LOABILE | 1 |  | Service Terminated |
| 57 | 53837207 | TM MPHAPHULI | 2 | N |  |
| 58 | 19166486 | VN MOKOENA | 6 | N |  |
| 59 | 52456862 | WN SOBUCE | 12 | N |  |
| 60 | 27167402 | ZM GUMEDE | 7 | N |  |
| 61 | 27503861 | ZT GABARA | 1 | N |  |

| **No** | **PERSAL Number** | **Employee** | **EMPL\_POSITION** | **Supplier Name** | **Salary Level** | **Financial Disclosure & RWOPS** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | 15501396 | AM SIBIYA | SERVICE DELIVERY IMPROVEMENT PROGRAMME COORDINATOR | Sprint International Import and | 12 | Tag C |

Please note HR is still in the process of the financial disclosure for the two new categories as identified in the Directive from DPSA and there is a new due date of 30 September 2017 for submission of 2016/2017 financial year.

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

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Legislation for levels below SMS was only recently added and only for OSD and | |

**Auditor’s conclusion**

Management response is acknowledged and the finding is only resolved for the non SMS which did not disclosed their interest as it is currently not a requirements, however the second part of the finding is still remains unresolved for all the employees noted above.

Management also failed to provide supported evidence that the employees did not register companies with the intention of performing non-remunerative work as the companies noted above are not non-profit organisations.

**Predetermined Objectives**

Predetermined objectives (2017-18 APP) – Not all the targets from MTSF were included in the APP

Laws, rules and regulations

1. Treasury Regulation 5.2.4 requires the strategic plan / annual performance to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents
2. In terms of the Medium Term Strategic Framework (MTSF) 2014 – 2019 page 11 paragraph 2.1 Public employment schemes to provide relief for the unemployed and build community solidarity

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

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

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

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

1. In terms of the MTSF paragraph 7

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

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

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

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

growth of the MTSF:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Sub Outcome Three:**  **Spatial imbalances in economic opportunities are addressed through and public employment schemes to provide relief for the unemployed and build community solidarity and agency.** | | | | |
| **Actions** | **Minister responsible** | **Indicator** | **Baseline** | **2019 Target** |
| EPWP Phase 3 (including CWP) implemented, monitored and evaluated. | Public Works Minister, supported by sector lead Ministries, Finance, Cooperative Governance and Traditional Affairs, Social Development and Environmental Affairs. | Percentage of EPWP participation amongst designated groups (women, youth and persons with disabilities) aligned to EPWP Phase III- | 68.52% (508 087) Women  45.94% (340 646) Youth  1.68% (12 487) PWD | 55% Women 55% Youth  2% PWD |

The following deviation was noted:

The annual performance plan for 2017/18 is not aligned to the MTSF as the indicator for the “Percentage of EPWP participation amongst designated groups (women, youth and persons with disabilities) aligned to EPWP Phase III-“ was not included in the department annual performance plan.

Impact of the finding:

The department’s Annual performance plan for 2017/18 is not aligned to the MTSF.

**Internal control deficiency**:

Financial and performance management

The department did not review and monitor compliance with applicable legislation

**Recommendation**

Management should review the strategic plan, annual performance plan against the Medium Term Specific Framework (MTSF) to ensure that all the indicators in the MTSF for their department are also included in the strategic and annual performance plan.

**Management response**

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken | The KPI will be added to the 2017/18 APP for Programme 3 | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | x | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | n/a | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | n/a | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | x |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions | Director/ Strategic Planning | | |
| Estimated completion date for corrective action | 23 February 2017 | | |
|  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **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. | The DPME as the responsible custodians of the MTSF do not consult with sector departments when amending the MTSF. Furthermore, this KPI is a repetition of KPI 1 which is reporting the same WO in a different form.  Although the Department does not agree that this should be an additional KPI, it has been included into the APP for compliance. | |

*Name: Anbigay Naicker*

*Position: Director/ Strategic Planning*

*Date:23 February 2017*

**Auditor’s conclusion**

Management comments are noted, the finding remains unresolved as management adjustment will only impact 2017/18 annual performance plan not 2016/17 annual performance plan.

Predetermined objectives: Weaknesses identified on EPWP Reporting system from quarter 4 data – ending 31 March 2017 evaluated.

**Audit Finding**

Laws, rules and regulations

Public Finance Management Act section 40 states the following:

Section 40(3) (a) states:

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

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

|  |  |  |
| --- | --- | --- |
| **Test** | **Number of records in the interim** | **Prior year records** |
| Beneficiaries have invalid ID numbers | 65 | 0 |
| Beneficiaries wages less than R75,00 per day | 6043 | 27 227 |
| The maximum of 230 days worked in a year | 0 | 0 |
| Beneficiaries with the Persal number | 74 161 | 77 588 |
| Deceased beneficiaries | 116 | 0 |
| Beneficiaries more than 60 years old | 18 259 | Not done |
| Beneficiaries appearing in the multiple projects in the current year | 95 027 | Not done |

Impact of the finding:

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

b) Non-compliance with clause 13(2) of the EPWP Ministerial Determination.

**Internal control deficiency**

Reason for the deviation:

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

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

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

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

**Financial and performance management**

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

**Recommendation**

a) The department must perform validity testing on all beneficiaries reported EPWP RS regularly.

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

.

**Management Response**

No management response was received

**Auditor’s conclusion**

The department must investigate the above raise exception to ensure that this exceptions does not compromise the integrity of the work opportunities created.

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

Laws, rules and regulations

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

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

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

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

The following EPWP Incentive grant projects were not reported on the Q4 EPWP reporting system as at 31 March 2017

|  | **No.** | **Public body** | **Name of the project** | **Project code** | **No of work opportunities on the IG funded project (municipal records)** | **Total payments made as at 31 March 2017** |
| --- | --- | --- | --- | --- | --- | --- |
|  | 1 | Dihlabeng Municipality - Bloemfontein | Beautification of DLM | 41046-EPWP3P | 050 |  |
|  | 2 | Dihlabeng Municipality - Bloemfontein | Cleaning and Maintenance of cemeteries | 41048-EPWP3P | 076 |  |
|  | 3 | Dihlabeng Municipality - Bloemfontein | Library services | 41051-EPWP3P | 008 |  |
|  | 4 | Dihlabeng Municipality - Bloemfontein | Support Services | 41052-EPWP3P | 020 | 1 000 000,00 |
|  | 5 | Pixley Ka Seme Municipality – Nelspruit | Road maintenance | 23824-EPWP3M | 029 | 2 702 000,00 |
|  | 6 | Moses Kotane Municipality – Mmabatho | De-bushing of Cooperative – Lephutshe-Ntsha | 40767-EPWP3M | 010 | 2 735 000,00 |
|  | 7 | Moretele Municipality – Mmabatho | Ward 5 Basic Sanitation Phase 3 | 49049-EPWP3M | 013 | 4 228 000,00 |
|  | 8 | Rustenburg Municipality –Mmabatho | Parks and Beautification | 33866-EPWP3M | 012 | 4 219 000,00 |
|  | 9 | Kouga Municipality – Port Elizabeth | St Francis Bay Project | 40515-EPWP3M | 001 |  |
|  | 11 | Kouga Municipality – Port Elizabeth | Upgrading of Jeffrey’s Bay WTW Phase 1 | Unknown | 005 | 1 057 000,00 |
|  | 12 | Langeberg Municipality – Cape Town | Paving of Open Spaces at Corner of Burwana and Hani Street | 42965-EPWP3M | 010 |  |
|  | 13 | Langeberg Municipality – Cape Town | Paving Pedestrian Walkway from Paddy to Coetzee Street | 42966-EPWP3M | 010 |  |
|  | 14 | Langeberg Municipality – Cape Town | Bulk Water Supply in Nkqubela | 42962-EPWP3M | 010 | 1 759 000,00 |
|  | 15 | Madibeng Municipality – Mmabatho | Re a Dira Facilities and Building Services Infrastructure | 35608-EPWP3M | 029 |  |
|  | 16 | Madibeng Municipality – Mmabatho | Re a Dira Facilities and Economic Service Social | 47499-EPWP3M | 013 | 1 545 000,00 |
|  |  | **Total** |  |  | **296** | **19 245 000,00** |
|  |  |  |  |  |  |  |

Impact of the finding:

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

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

**Internal control deficiency**

Reason for the deviation:

Projects lists are not adequately reviewed to ensure that all projects are captured on EPWP reporting system.

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

*Financial and Performance Management*

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

**Recommendation**

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

**Management response**

There is consolidated response received from management

**Auditor’s conclusion**

The finding remains unresolved as there is consolidated response received from the department

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

Laws, rules and regulations

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

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

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

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

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

| **No.** | **Name of Public Bodies** | **Project name** | **Number of beneficiaries not included in the project list** | **Total opportunities reported for the year** | **Total payments made as at 31 March 2017** |
| --- | --- | --- | --- | --- | --- |
| 1 | NYS – Bloemfontein Regional Office | Tempe 1 Parachute Battalion - Group 1 | 0012 | 0048 | Non funded |
| 2 | NYS – Bloemfontein Regional Office | Tempe 1 Parachute Battalion - Group 2 | 0003 |  |
| 3 | NYS – Bloemfontein Regional Office | Tseki | 0001 | 0007 | Non funded |
| 4 | NYS – Bloemfontein Regional Office | Odendaalsrus | 0004 | 0017 | Non funded |
| 5 | NYS – Bloemfontein Regional Office | Groenpunt - Group 1 | 0003 | 0039 | Non funded |
| 6 | NYS – Bloemfontein Regional Office | Groenpunt - Group 2 | 0003 | 0000 | Non funded |
| 7 | NYS – Cape Town Regional Office | Faure SAPS Complex | 0005 | 0008 | Non funded |
| 8 | NYS – Cape Town Regional Office | Paarl Allandale Correctional Centre | 0022 | 0022 | Non funded |
| 9 | NYS – Cape Town Regional Office | Epping and Ndabeni Service Products | 0055 | 0043 | Non funded |
| 10 | NYS – Cape Town Regional Office | Wyneberg Magistrate Court | 0009 | 0046 | Non funded |
| 11 | NYS – Cape Town Regional Office | Swans Garage Cape Town | 0003 | 0036 | Non funded |
| 12 | NYS – Cape Town Regional Office | Justicia Building | 0008 | 0018 | Non funded |
| 13 | NYS – Kimberley Regional Office | Koopmansfontein | 0018 | 0022 | Non funded |
| 14 | NYS – Kimberley Regional Office | 93 Ammunition Repairs | 0005 | 0021 | Non funded |
| 15 | NYS – Kimberley Regional Office | Colesberg SAPS | 0002 | 0012 | Non funded |
| 16 | NYS – Polokwane Regional Office | Matashe Prison | 0008 | 0019 | Non funded |
| 17 | NYS – Polokwane Regional Office | Mankweng Police Station | 0001 | 0027 | Non funded |
| 18 | NYS – Polokwane Regional Office | Lulekani Project | 0001 | 0023 | Non funded |
| 19 | NYS – Polokwane Regional Office | Elias Motsoaledi | 0002 | 035 | Non funded |
| 20 | Capricorn District Municipality – Polokwane | Community Waste Cleaning Blouberg | 0001 | 028 | 2 922 000,00 |
| 21 | Capricorn District Municipality – Polokwane | Alien Plant Eradication – Mafefe Ngwaname | 0013 | 050 |
| 22 | NYS – Polokwane Regional Office | Elias Motsoaledi | 0002 | 035 | Non funded |
| 23 | NYS – Polokwane Regional Office | Elias Motsoaledi | 0004 | 035 | Non funded |
| 24 | NYS – Nelspruit regional office | Ermelo Camden Military Base | 0009 | 0033 | Non funded |
| 25 | NYS – Nelspruit regional office | Middleburg SAPS | 0001 | 0016 | Non funded |
| 26 | NYS – Nelspruit regional office | Nelspruit Prison | 0002 | 0017 | Non funded |
| 27 | NYS – Nelspruit regional office | Middleburg 4SAI Military Base | 0002 | 0019 | Non funded |
| 28 | NYS – Nelspruit regional office | Lydenburg Project | 0003 | 0019 | Non funded |
| 29 | NYS – Nelspruit regional office | Ermelo Old Prison: Repairs and Renovation Con | 0001 | 0024 | Non funded |
| 30 | NYS – Nelspruit regional office | Sand River Military Base | 0001 | 0019 | Non funded |
| 31 | Mafikeng Municipality - Mmabatho | Maintenance of Monthsioa Stadium | 0043 | 0019 | 3 672 000,00 |
| 32 | Mafikeng Municipality - Mmabatho | Meter Reading | 0004 | 0021 |
| 33 | Mafikeng Municipality - Mmabatho | Litter Picking | 0003 | 0504 |
| 34 | Madibeng Municipality – Mmabatho | Re a Dira Economic Services Environment | 0017 | 0003 | 1 545 000,00 |
| 35 | Moses Kotane Municipality - Mmabatho | Fencing Off and Cleaning of Grave Yards | 0021 | 0048 | 2 735 000,00 |
| 36 | Rustenburg Municipality - Mmabatho | Cooperatives for Rustenburg Taxi, Bus Rank and Admin | 0003 | 0057 |  |
| 37 | Rustenburg Municipality - Mmabatho | Maintenance and Management of Kloofspruit Park | 0002 | 0006 | 4 219 000,00 |
| 38 | NYS – Mmabatho Regional office | Zeerust SAPS | 0016 | 0064 | Non funded |
| 39 | NYS – Mmabatho Regional office | Rustenburg Prison | 0007 | 0024 | Non funded |
| 40 | Mbhashe Municipality - Umthatha | Rural Waste Pickers | 0128 | 0397 | 1 144 000,00 |
| 41 | Alfred Nzo Municipality - Umthatha | Ntabankulu Cleaning | 0001 | 0011 |  |
| 42 | Alfred Nzo Municipality - Umthatha | Mbizana Cleaning | 0008 | 0036 |  |
| 43 | Alfred Nzo Municipality - Umthatha | ANDM Home Base Care Givas | 0005 | 0004 |  |
| 44 | Alfred Nzo Municipality - Umthatha | Nkantolo Garden of Remembrance | 0001 | 0001 |  |
| 45 | Alfred Nzo Municipality - Umthatha | Maintenance of Mfundisweni Centre | 0004 | 0004 |  |
| 46 | Alfred Nzo Municipality - Umthatha | Umzimvubu Cleaning and Maintenance | 0008 | 0075 |  |
| 47 | Alfred Nzo Municipality - Umthatha | Matatiele Cleaning and Services | 0009 | 0060 | 6 006 000,00 |
| 48 | NYS – Port Elizabeth regional office | Fort Jackson SAPS | 0004 | 0047 | Non funded |
| 49 | NYS – Port Elizabeth regional office | Forest Hill Military Base | 0011 | 0061 | Non funded |
| 50 | NYS – Port Elizabeth regional office | Gonubie Police Station | 0001 | 0004 | Non funded |
| 51 | NYS – Port Elizabeth regional office | Kwazakhele | 0001 | 0043 | Non funded |
| 52 | NYS – Port Elizabeth regional office | PE SANDF Building | 0006 | 0003 | Non funded |
| 53 | NYS – Port Elizabeth regional office | PE Police Station | 0009 | 0019 | Non funded |
| 54 | Emfuleni Municipality- Johannesburg | Quaggasfontein to Golden Gardens | 0006 | 0059 |  |
| 56 | Emfuleni Municipality- Johannesburg | Electrical Project (Duncanville ) | 0010 | 0042 | 2 528 000,00 |
| 57 | Ekurhuleni Metro - Johannesburg | Construction of Roads and Stormwater (Nkomaba) | 0010 | 0034 |  |
| 58 | Ekurhuleni Metro - Johannesburg | Rehabilitation and Maintenance of Roads (Nyoni) | 0003 | 0010 |  |
| 59 | Ekurhuleni Metro - Johannesburg | Mfolozi and Kingwazi Street (Roads | 0003 | 0010 | 22 125 000,00 |
| 60 | City of Johannesburg - Johannesburg | JCT Interns | 0006 | 0057 |  |
| 61 | City of Johannesburg - Johannesburg | Workplace Experience for Postgraduates | 0004 | 0026 | 47 613 000,00 |
| 62 | Maphumulo Municipality – Durban | River Cleaning Project | 0005 | 0070 | 1 261 000.00 |
| 63 | Ray Nkonyeni Municipality - Durban | Verge Cutting | 0001 | 0029 |  |
| 64 | Ray Nkonyeni Municipality - Durban | Facilities Management | 0003 | 0036 | 2 660 000,00 |
| 65 | Nkandla Municipality - Durban | Nkandla Town Ccleaning | 0004 | 0084 | 2 149 000,00 |
| 66 | Umhlathuzi Municipality - Durban | Disaster Management Field Workers Support | 0004 | 0011 |  |
| 67 | Umhlathuzi Municipality - Durban | Air Quality Management Field Workers | 0002 | 0010 | 5 061 000,00 |
| 68 | Msunduzi Municipality - Durban | Umsunduzi City Clean Up | 0125 | 0203 | 6 809 000,00 |
| 69 | Alfred Duma Municipality- Durban | Flood Management | 0021 | 0006 | 4 906 000,00 |
| 70 | Ethekwini Metro - Durban | Safety Volunteer Project - Mayoral | 0006 | 1473 |  |
| 71 | Ethekwini Metro - Durban | Cleaning Service Cornubia Project | 0001 | 0029 |  |
| 72 | Ethekwini Metro - Durban | City Wide Ccleaning | 0013 | 0862 |  |
| 73 | Ethekwini Metro - Durban | EPWP Community Water Agents | 0007 | 0153 |  |
| 74 | Ethekwini Metro – Durban | Urban Management Zone | 0030 | 0084 | 49 478 000,00 |
| 75 | Kouga Municipality – Port Elizabeth | Jeffreysbay Infrastructure | 0002 | 0011 |  |
| 76 | Kouga Municipality – Port Elizabeth | Humansdorp Infrastructure | 0003 | 0010 |  |
| 77 | Kouga Municipality – Port Elizabeth | St Francis Bay Environmental | 0004 | 0004 |  |
| 78 | Kouga Municipality – Port Elizabeth | Jeffreysbay Environmental Project | 0003 | 0010 | 1 057 000,00 |
| 79 | Chris Hani District Municipality – Port Elizabeth | Livestock Improvement | 0020 | 0168 |  |
| 80 | Chris Hani District Municipality – Port Elizabeth | District Aids Council Food Security and HIV Programme | 0006 | 0203 |  |
| 81 | Chris Hani District Municipality – Port Elizabeth | CHDM Graduate/Internship Programme | 0008 | 0028 | 7 797 000,00 |
| 82 | Enoch Mgijima Local Municipality – Port Elizabeth | Cleaning of Open Spaces | 0016 | 0028 |  |
| 83 | Enoch Mgijima Local Municipality – Port Elizabeth | Community Hall Maintenance Plan | 0012 | 0012 |  |
| 84 | Enoch Mgijima Local Municipality – Port Elizabeth | Street Sweepers | 0013 | 0013 |  |
| 85 | Enoch Mgijima Local Municipality – Port Elizabeth | Refuse Removal | 0011 | 0011 |  |
| 86 | Enoch Mgijima Local Municipality – Port Elizabeth | Community Youth Development | 0001 | 0013 |  |
| 87 | Enoch Mgijima Local Municipality – Port Elizabeth | Resurfacing | 0006 | 0011 |  |
| 88 | Enoch Mgijima Local Municipality – Port Elizabeth | Cleaning of Bins | 0003 | 0028 |  |
| 89 | Enoch Mgijima Local Municipality – Port Elizabeth | Maintenance of Tip Site | 0012 | 0034 |  |
| 90 | Enoch Mgijima Local Municipality – Port Elizabeth | Maintenance of Parks in Queenstown | 0010 | 0043 |  |
| 91 | Enoch Mgijima Local Municipality – Port Elizabeth | Cleaning of Various Yards in Queenstown | 0005 | 0042 |  |
| 92 | Enoch Mgijima Local Municipality – Port Elizabeth | Cleaning and Greening | 0031 | 0017 |  |
| 93 | Enoch Mgijima Local Municipality – Port Elizabeth | Fire Fighters | 0002 | 0002 |  |
| 94 | Enoch Mgijima Local Municipality – Port Elizabeth | Cleaning of Cemeteries | 0002 | 0016 |  |
| 95 | Enoch Mgijima Local Municipality – Port Elizabeth | Storm Water and Drains | 0005 | 0015 |  |
| 96 | Enoch Mgijima Local Municipality – Port Elizabeth | Tjarkastad and Hoffmeyer Parks | 0001 | 0007 | 4 079 000,00 |
| 97 | OR Tambo Municipality – Port Elizabeth | Town Beautification KSD LM | 0002 | 0011 |  |
| 98 | OR Tambo Municipality – Port Elizabeth | Town Beautification C/G Qumbu LM | 0004 | 0037 |  |
| 99 | OR Tambo Municipality – Port Elizabeth | Town Beautification Ingquza Hill LM | 0003 | 0021 | 3 213 000,00 |
| 100 | Nelson Mandela Bay Municipality – Port Elizabeth | Baakens River Valley: Removal of Alien Plants | 0032 | 0035 |  |
| 101 | Nelson Mandela Bay Municipality – Port Elizabeth | Youth Unemployment Programme | 0005 | 0086 | 8 496 000,00 |
| 102 | NYS - Head Office | National Archives | 0001 | 0007 | Non funded |
| 103 | NYS - Head Office | Library | 0003 | 0036 | Non funded |
| 104 | NYS - Head Office | National Printing Office | 0002 | 0020 | Non funded |
| 105 | NYS - Head Office | Kgosi Mampuru CMAX | 0001 | 0041 | Non funded |
| 106 | Sol Plaatjie Municipality – Kimberley | Sol Plaatjie Cleaning Project | 0120 | 0472 | 8 874 000,00 |
| 107 | Hantam Municipality - Kimberley | Cleaning and Repairing of Hantam Sports Fields | 0005 | 0047 |  |
| 108 | Hantam Municipality - Kimberley | Repair and Maintenance of Electrical Lines in Hantam Municipality | 0009 | 0034 |  |
| 109 | Hantam Municipality - Kimberley | Maintenance and Repair of Water and Ssewer in Hantam | 0004 | 0089 | 1 127 000,00 |
| 110 | Kamiesberg Municipality - Kimberley | Upgrading of Access Roads Leliefontein | 0005 | 0007 | 1 000 000,00 |
| 111 | Langeberg Municipality – Cape Town | T/ship Development Programme for Nkqubela | 0007 | 0020 |  |
| 112 | Langeberg Municipality – Cape Town | Ashton Recycling at Landfill Site | 0001 | 0046 |  |
| 113 | Langeberg Municipality – Cape Town | Meter Audit Project | 0002 | 0047 |  |
| 114 | Langeberg Municipality – Cape Town | Verification of Ownership in Housing Department | 0005 | 0019 |  |
| 115 | Langeberg Municipality – Cape Town | Development of Township Art Route | 0003 | 0007 |  |
| 116 | Langeberg Municipality – Cape Town | General Maintenance at Water Works Purification Plants | 0005 | 0018 |  |
| 117 | Langeberg Municipality – Cape Town | Maintenance and Beautification of Gardens and Grounds at Community Facilities. | 0001 | 0012 | 1 759 000,00 |
| 118 | Saldanha Bay Municipality – CapeTown | Working on Waste | 0003 | 0134 |  |
| 119 | Saldanha Bay Municipality – CapeTown | Basic Infrastructure Maintenance | 0007 | 0078 |  |
| 120 | Saldanha Bay Municipality – CapeTown | Law Enforcement | 0006 | 0008 | 1 071 000,00 |
| 121 | Stellenbosch Municipality – Cape Town | Fire Disaster | 0001 | 0006 |  |
| 122 | Stellenbosch Municipality – Cape Town | Soc EPWP LED | 0012 | 0017 |  |
| 123 | Stellenbosch Municipality – Cape Town | Area Cleaning | 0008 | 0354 |  |
| 124 | Stellenbosch Municipality – Cape Town | Environ River Stewardship | 0001 | 0019 |  |
| 125 | Stellenbosch Municipality – Cape Town | Infra Storm Water | 0002 | 0004 | 1 758 000,00 |
| 126 | Thaba Chweu Local Municipality - Nelspruit | Parks and Cemetery | 0001 | 0029 |  |
| 127 | Thaba Chweu Local Municipality - Nelspruit | Waste Removal | 0011 | 0019 | 1 683 000,00 |
| 128 | Bushbuck Ridge Local Municipality - Nelspruit | Working on Waste | 0007 | 0023 |  |
| 129 | Bushbuck Ridge Local Municipality | Parks & Beautification | 0014 | 0055 |  |
| 130 | Bushbuck Ridge Local Municipality | Safety Monitors | 0009 | 0039 | 3 780 000,00 |
| 131 | Nkomazi Local Municipality - Nelspruit | Waste Management | 0022 | 0270 | 5 917 000,00 |
| 132 | Gert Sibande Local Municipality - Nelspruit | Albert Luthuli Collection of Waste | 0009 | 0065 |  |
| 133 | Gert Sibande Local Municipality - Nelspruit | Mkhondo Collection of Waste | 0004 | 0079 |  |
| 134 | Gert Sibande Local Municipality - Nelspruit | Msukalingwa Collection of Waste | 0001 | 0036 | 3 113 000,00 |
| 135 | Pixley Ka Seme Municipality - Nelspruit | Parks and Cemetery Cleaning | 0004 | 0028 |  |
| 136 | Pixley Ka Seme Municipality - Nelspruit | Waste Management | 0003 | 0030 |  |
| 137 | Pixley Ka Seme Municipality - Nelspruit | Security Services | 0018 | 0018 | 2 702 000,00 |
| 138 | City of Mbombela - Nelspruit | Mbombela Point Duty, Traffic Control and Management | 0005 | 0015 |  |
| 139 | City of Mbombela - Nelspruit | Mbombela Monitoring and Evaluation ervices | 0001 | 0019 |  |
| 140 | City of Mbombela - Nelspruit | Mbombela Data Capture Service | 0001 | 0006 |  |
| 141 | City of Mbombela - Nelspruit | Mbombela Maintenance of Sport Field and Recreation Facilities | 0004 | 0044 |  |
| 142 | City of Mbombela - Nelspruit | Mbombela Maintenance of Municipal Building and Open Spaces | 0026 | 0088 |  |
| 143 | City of Mbombela - Nelspruit | Road and Storm Water Maintenance | 0037 | 0064 |  |
| 144 | City of Mbombela - Nelspruit | Casual, Civil and Electrical Services | 0012 | 0023 |  |
| 145 | City of Mbombela - Nelspruit | Water and Sanitation | 0010 | 0008 |  |
| 146 | City of Mbombela - Nelspruit | Mbombela Maintenance of Parks | 0004 | 0013 |  |
| 147 | City of Mbombela - Nelspruit | Mbombela Litter Picking Project | 0007 | 0162 | 5 686 000,00 |
|  | **TOTAL** |  | **1416** | **9164** | **229 945 000,00** |

Impact of the finding:

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

b) Understatement of work opportunities created.

**Internal control deficiency**

Reason for the deviation:

Attendance registers are not regularly reviewed to ensure that all participants are captured on EPWP reporting system.

Similar findings were raised in the prior year audit. However as the finding has recurred in the current year, management has not appropriately addressed the matter.

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

***Financial and Performance Management***

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

**Recommendation**

The department should review the attendance registers regularly to ensure that all participants are captured on EPWP reporting system.

**Management response**

There is consolidated response received from management

**Auditor’s conclusion**

The finding remains unresolved as there is consolidated response received from the department

Predetermined objectives: EPWP beneficiaries were duplicated on the EPWP reporting system.

Laws, rules and regulations

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

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

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

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

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

a) During the audit of EPWP projects at Naledi Local Municipality, the below mentioned beneficiary is reported twice on the beneficiary project list and EPWP reporting system.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Participant ID** | **Beneficiary** | **ID number** | **Project Code** | **Number of days work reported** |
| 1 | 850005 | Ndongo Rosinah Meko | 6706150914089 | 20674-EPWP3M | 088 |
| 2 | 1937716 | Ndongo Rosinah Meko | 6706150914089 | 20674-EPWP3M | 155 |

b) Caats findings noted above indicated that there is duplicated beneficiaries on the EPWP Reporting system and upon follow up during the projects visits we noted that the department public bodies loaded the same projects on the EPWP Reporting system with the different project name and project code.

|  |  | **Project details before 30/06/2016** | | **Project details beginning of 01/07/2017** | |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No** | **Municipalities** | **Project Code** | **Project description** | **Project Code** | **Project Description** | **Number of duplicate beneficiaries** |
| 1 | NYS - Nelspruit Regional Office | 46491-EPWP3N | NYS Ermelo Old prison: Repairs and Renovations Plu | 46496-EPWP3N | NYS Ermelo Old Prison: Repairs and Renovations | 05 |
| 2 | Mbombela Municipality - Nelspruit | 29218-EPWP3M | Nelspruit Fire Station | 48090- EPWP3M | Mbombela Cleaning of fire Station | 02 |
| 3 | Mbombela Municipality - Nelspruit | 47332-EPWP3M | Maintenance of Roads and Stormwater | 31763 EPWP3M | Road and Stormwater Maintenance | 09 |
| 4 | Nkomazi Municipality - Nelspruit | 32122-EPWP3M | Beautification of Strategic Areas | 22829-EPWP3M | Nkomazi Beautification of Strategic Areas | 02 |
| 5 | Enoch Mgijimi Municipality - Umthatha | 23157-EPWP3M | Queenstown Community Youth Development Skills | 41753-EPWP3M | QTN Community Youth Development in Computer Skills | 02 |
| 6 | Enoch Mgijimi Municipality - Umthatha | 27686-EPWP3M | Maintenance of Community Parks | 41748-EPWP3M | Maintenance of Community parks in Queenstown area | 08 |

Impact of the finding:

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

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

**Internal control deficiency**

Reason for the deviation:

a) The system allows capturing of the two financial years namely municipal financial year and national department financial year, which resulted in projects being closed at the end of June and reopened with the new description in the beginning of July.

b) Beneficiary lists and attendance registers are adequately reviewed to ensure that all participants captured on EPWP reporting system are not duplicated.

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

*Financial and Performance Management*

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

**Recommendation**

a) The department should review the Projects captured on the EPWP RS system that they are not the same projects which were previously captured and should also inform the public bodies to continue capturing on the old projects when their municipal financial year end.

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

**Management response**

There is consolidated response received from management

**Auditor’s conclusion**

The finding remains unresolved as there is consolidated response received from the department

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

Laws, rules and regulations

In terms of Public Finance Management Act (PFMA)

Section 40(1) (a) states that:

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

*(a)   must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;*

Section 40(3) (a) states that:

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

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

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

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

*(b) Copy of an acceptable worker identification*

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

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

*(e) Payments made to each worker.*

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

The following deviations were noted:

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

| **No** | **Public Body** | **Project Name** | **Number of ID not provided** | **Number of work opportunities reported for the year** | **Total payments made as at 31 March 2017** |
| --- | --- | --- | --- | --- | --- |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1 | NYS - Durban regional Office | Port Shepstone Magistrate Court | 013 | 092 | Non funded |
| 2 | NYS - Durban regional Office | Chatsworth Magistrate Court | 002 | 075 | Non funded |
| 3 | Dihlabeng Municipality - Bloemfontein | Arts | 001 | 001 | 1 000 000,00 |
| 4 | Dihlabeng Municipality - Bloemfontein | Beautification of DLM | 060 | 060 |
| 5 | Dihlabeng Municipality - Bloemfontein | Maintenance of Sport Facilities | 010 | 010 |
| 6 | Dihlabeng Municipality - Bloemfontein | Tourism | 002 | 002 |
| 7 | Stellenbosch Municipality – Cape Town | Infra Storm Water | 003 | 004 | 1 758 000,00 |
| 8 | City of Mbombela Municipality - Nelspruit | Water and Sanitation | 001 | 008 | 5 686 000,00 |
| 9 | Rustenburg Municipality - Mmabatho | Maintenance and Management of Paul Bodenstein Park | 002 | 008 | 4 219 000,00 |
| 10 | Rustenburg Municipality - Mmabatho | Cooperatives for Rustenburg Taxi, Bus Rank and Admin | 001 | 057 |
| 11 | Ray Nkonyeni Municipality - Durban | Waste Management Town Cleaners | 001 | 009 | 2 660 000,00 |
| 12 | Alfred Duma Municipality - Durban | ID/AD/05/2016/2017 | 001 | 034 | 4 906 000,00 |
| 13 | Enoch Mgijima Municipality – Port Elizabeth | Lukhanji Street Sweepers | 001 | 046 | 4 079 000,00 |
| 14 | Enoch Mgijima Municipality – Port Elizabeth | Tsolwana Municipal Trainees | 001 | 012 |
| 15 | Enoch Mgijima Municipality – Port Elizabeth | Maintenance of Community Parks in Queenstown | 001 | 030 |
| 16 | OR Tambo Municipality – Port Elizabeth | Town Beautification Inquza Hill LM | 001 | 021 | 3 213 000,00 |
| 17 | Nelson Mandela Bay Metropolitan Municipality – Port Elizabeth | Maintenance of Heritage Sites | 002 | 094 | 8 496 000,00 |
| 18 | Nelson Mandela Bay Metropolitan Municipality – Port Elizabeth | School Ambassadors | 004 | 228 |
| 19 | Alfred Nzo District Municipality - Umthatha | Mbizana Cleaning and Maintenance | 002 | 042 | 6 006 000,00 |
| 20 | Alfred Nzo District Municipality - Umthatha | Matatiele Cleaning and Maintenance | 005 | 060 |
| 21 | Erkuhuleni Local Municipality - Johannesburg | Mfolozi and Kingwazi Street (Roads) | 001 | 010 | 22 125 000,00 |
| **TOTAL** | | | **115** | **903** | **64 148 000,00** |

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

| **No** | **Public Body** | **Project Name** | **Number of attendance register not provided** | **Number of work opportunities reported for the year** | **Total payments made as at 31 March 2017** |
| --- | --- | --- | --- | --- | --- |
| 1 | NYS – Cape Town Regional Office | SAPS Tafelberg Flats | 004 | 0026 | Non funded |
| 2 | NYS – Cape Town Regional Office | Epping SAPS | 009 | 0033 | Non funded |
| 3 | NYS – Cape Town Regional Office | Justicia Building | 007 | 0034 | Non funded |
| 4 | NYS – Cape Town Regional Office | Swans Garage Cape Town | 001 | 0036 | Non funded |
| 5 | NYS – Cape Town Regional Office | Cape Town Parliamentary Villages | 001 | 0018 | Non funded |
| 6 | NYS – Cape Town Regional Office | Faure: SAPS Complex | 005 | 0008 | Non funded |
| 7 | NYS – Cape Town Regional Office | Paarl: Allandale Correctional Centre | 001 | 0022 | Non funded |
| 8 | NYS – Cape Town Regional Office | Wynberg Magistrate Court | 018 | 0046 | Non funded |
| 9 | Saldanha Bay Municipality – Cape Town | Working on Waste | 002 | 0134 | 1 071 000,00 |
| 10 | NYS - Durban regional Office | Port Shepstone Magistrate Court | 030 | 0092 | Non funded |
| 11 | NYS - Durban regional Office | Ladysmith SAPS | 004 | 0069 | Non funded |
| 12 | NYS - Durban regional Office | Escourt Prison | 059 | 0059 | Non funded |
| 13 | NYS - Durban regional Office | Colenso SAP | 011 | 0041 | Non funded |
| 14 | NYS - Durban regional Office | Hluhluwe Home Affairs | 003 | 0022 | Non funded |
| 15 | NYS - Durban regional Office | Chartsworth Magistrate Court | 002 | 0075 | Non funded |
| 16 | Alfred Duma Municipality - Durban | Asphalf Maintenance | 001 | 0014 | 4 906 000,00 |
| 17 | Alfred Duma Municipality - Durban | Stormwater Maintenance | 002 | 0036 |
| 18 | Alfred Duma Municipality - Durban | Zibambele | 002 | 0146 |
| 19 | Maphumulo Municipality - Durban | River Cleaning Project | 007 | 0056 | 1 261 000,00 |
| 20 | Harry Gwala Municipality - Durban | Ward Maintenance Support 2016 | 031 | 0157 | 3 640 000,00 |
| 21 | NYS – Johannesburg Regional Office | Springfield Department of Labour | 012 | 0014 | Non funded |
| 22 | City of Johannesburg - Johannesburg | 201617 JCT Interns | 004 | 0057 | 47 613 000,00 |
| 23 | City of Johannesburg - Johannesburg | Workplace Experience for Postgraduates | 002 | 0026 |
| 24 | Ekurhuleni Metro - Johannesburg | Construction of Roads and Stormwater (Nkomaba) | 034 | 0034 | 22 125 000,00 |
| 25 | Ekurhuleni Metro - Johannesburg | Mfolozi and Kingwazi Street (Roads | 004 | 0010 |
| 27 | Thaba Chweu Municipality – Nelspruit | Administration Support | 001 | 0004 | 1 683 000,00 |
| 28 | Thaba Chweu Municipality – Nelspruit | Parks and Cemetery | 003 | 0029 |
| 29 | Thaba Chweu Municipality - Nelspruit | Road and Stormwater System Development and Maintenance | 007 | 0036 |
| 30 | Thaba Chweu Municipality – Nelspruit | Waste Removal | 004 | 0019 |
| 31 | Thaba Chweu Municipality – Nelspruit | Cleaning of Municipal Buildings | 017 | 0043 |
| 32 | Thaba Chweu Municipality – Nelspruit | EPWP Electrical | 001 | 0007 |
| 33 | Mbombela Municipality – Nelspruit | Mbombela Point Duty, Traffic Control and Management | 001 | 0015 | 5 686 000,00 |
| 34 | Mbombela Municipality – Nelspruit | Mbombela Maintenance of Municipal Building and Open Spaces | 006 | 0088 |
| 35 | Mbombela Municipality – Nelspruit | Road and Stormwater Maintenance | 002 | 0064 |
| 36 | Mbombela Municipality – Nelspruit | Mbombela Litter Picking Project | 004 | 0162 |
| 37 | Mbombela Municipality – Nelspruit | Water and Sanitation | 004 | 0008 |
| 38 | Gert Sibande Municipality – Nelspruit | Albert Luthuli collection of waste | 011 | 0065 | 3 113 000,00 |
| 39 | Gert Sibande Municipality – Nelspruit | Mkhondo Collection of waste | 002 | 0079 |
| 40 | Bushbuck Ridge Municipality – Nelspruit | Safety Monitors | 009 | 0039 | 3 780 000,00 |
| 41 | Capricorn Municipality - Polokwane | Alien Plant Eradication Lepelle – Nkumpi | 010 | 0048 | 2 922 000,00 |
| 42 | Capricorn Municipality - Polokwane | Community Waste Cleaning Blouberg | 001 | 0028 |
| 43 | Mafikeng Municipality – Mmabatho | Meter Reading within Mafikeng and Mmabatho | 004 | 0020 | 2 570 000,00 |
| 44 | Mafikeng Municipality – Mmabatho | Law Enforcement, Fire Rescue and Road Marking | 004 | 0140 |
| 45 | NYS – Mmabatho regional office | Zeerust SAPS | 063 | 0064 | Non funded |
| 46 | NYS – Mmabatho regional office | Rustenburg Prison | 008 | 0024 | Non funded |
| 47 | NYS – Mmabatho regional office | Klerksdorp PC Plecer | 012 | 0006 | Non funded |
| 48 | O.R Tambo Municipality - Umthatha | Town Beautification Inquza Hill LM | 001 | 0021 | 3 213 000,00 |
| 49 | O.R Tambo Municipality - Umthatha | Recycling Greening and Beatification | 024 | 0085 |
| 50 | Alfred Nzo Municipality - Umthatha | Mbizana Cleaning and Maintenance | 008 | 0042 | 6 006 000,00 |
| 51 | Alfred Nzo Municipality - Umthatha | Umzimvibu Cleaning and Maintenance | 005 | 0075 |
| 52 | Alfred Nzo Municipality - Umthatha | Matatiele Cleaning and Maintenance | 006 | 0060 |
| 53 | Alfred Nzo Municipality - Umthatha | Matatiele Water and Treatment Works | 002 | 0005 |
| 54 | Enoch Mgijimi Municipality – Port Elizabeth | Lukhanji Night Shift Casual Labourers | 017 | 0017 | 4 079 000,00 |
| 55 | Enoch Mgijimi Municipality – Port Elizabeth | Cleaning of Bins | 003 | 0017 |
| 56 | Enoch Mgijimi Municipality – Port Elizabeth | Tsolwana Municipal Trainees | 012 | 0012 |
| 57 | Enoch Mgijimi Municipality – Port Elizabeth | Lukhanji Street Sweepers | 015 | 0046 |
| 58 | Enoch Mgijimi Municipality – Port Elizabeth | Community Hall Maintenance Plan | 003 | 0015 |
| 59 | Enoch Mgijimi Municipality – Port Elizabeth | Cleaning of Open Spaces | 003 | 0027 |
| 60 | Enoch Mgijimi Municipality – Port Elizabeth | Financial Experiential Training | 005 | 0005 |
| 61 | Enoch Mgijimi Municipality – Port Elizabeth | Cleaning of Various Wards in Queenstown | 009 | 0032 |
| 62 | Enoch Mgijimi Municipality – Port Elizabeth | Cleaning of Cemeteries | 011 | 0016 |
| 63 | Enoch Mgijimi Municipality – Port Elizabeth | Storm Water Drains and Channels | 009 | 0015 |
| 64 | Enoch Mgijimi Municipality – Port Elizabeth | Tjarkastad and Hoffmeyer Parks | 003 | 0007 |
| 65 | Enoch Mgijimi Municipality – Port Elizabeth | Maintenance of Community Parks in Queenstown | 008 | 0030 |
| 66 | Enoch Mgijimi Municipality – Port Elizabeth | Maintenance of Tip Site | 003 | 0029 |
| 67 | Nelson Mandela Bay – Port Elizabeth | Maintenance of Heritage Sites | 069 | 0094 | 8 496 000,00 |
| 68 | Nelson Mandela Bay – Port Elizabeth | School Ambassadors | 052 | 0228 |
| 69 | Hantam Municipality - Kimberley | Repair and Maintenance of Electrical Lines in Hantam Municipality | 002 | 0034 | 1 127 000,00 |
| 70 | Sol Plaatjie Municipality – Kimberley | Sol Plaatjie Cleaning Project | 007 | 0472 | 8 874 000,00 |
| 71 | Dihlabeng Municipality - Bloemfontein | Arts | 001 | 0001 | 1 000 000,00 |
| 72 | Dihlabeng Municipality - Bloemfontein | Beautification of DLM | 060 | 0060 |
| 73 | Dihlabeng Municipality - Bloemfontein | Maintenance of Sport Facilities | 010 | 0010 |
| 74 | Dihlabeng Municipality - Bloemfontein | Tourism | 002 | 0002 |
| 75 | Setsoto Municipality - Bloemfontein | Cleaning and Beautification Programme | 047 | 0143 | 1 908 000,00 |
| 76 | Vhembe local Municipality | VDM Borehole Operators | 205 | 0205 | 3 462 000,00 |
| 77 | Nkomazi Municipality – Nelspruit | Parks and Cemeteries Cleaning and Beautification | 013 | 0024 |  |
| 78 | Nkomazi Municipality – Nelspruit | Waste Management | 024 | 0270 | 5 917 000,00 |
| 79 | Pixley Ka Seme Municipality – Nelspruit | Parks and Cemetery Cleaning | 002 | 0028 |  |
| 80 | Pixley Ka Seme Municipality – Nelspruit | Waste Management | 001 | 0030 |  |
| 81 | Pixley Ka Seme Municipality – Nelspruit | Road Maintenance | 001 | 0000 | 2 702 000,00 |
| 82 | Rustenburg Municipality - Mmabatho | Maintenance and Management of RTB Civic Centre | 003 | 0005 | 4 219 000,00 |
| 83 | Mbhashe Municipality - Umthatha | Rural Waste Pickers | 003 | 0397 | 1 144 000,00 |
|  | **TOTAL** |  | **1086** | **4410** | **152 518 000,00** |

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

| **No** | **Public Body** | **Project Name** | **Number of proof of payment not provided** | **Number of work opportunities reported for the year** | **Total payments made for the year** |
| --- | --- | --- | --- | --- | --- |
| 1 | NYS – CT regional office | SAPS Tafelberg Flats | 001 | 0026 | Non funded |
| 2 | NYS – CT regional office | Epping SAPS | 009 | 0033 | Non funded |
| 3 | NYS – CT regional office | Justicia Building | 007 | 0034 | Non funded |
| 4 | NYS – CT regional office | Faure SAPS Complex | 005 | 0008 | Non funded |
| 5 | NYS – CT regional office | Paarl Allandale Correctional Centre | 006 | 0022 | Non funded |
| 6 | NYS – CT regional office | Wynberg Magistrate Court | 018 | 0046 | Non funded |
| 7 | NYS – CT regional office | Epping and Ndabeni Service Products | 028 | 0043 | Non funded |
| 8 | NYS – CT regional office | Swans Garage Cape Town | 009 | 0036 | Non funded |
| 9 | NYS – CT regional office | Cape Town Parliamentary Villages | 010 | 0018 | Non funded |
| 10 | Stellenbosch Municipality – Cape Town | Eviron Area Cleaning | 002 | 0354 | 1 758 000,00 |
| 11 | Umhlathuze Municipality - Durban | Disaster Management Field | 015 | 0038 |  |
| 12 | Umhlathuze Municipality - Durban | Air Quality Management Field Workers | 002 | 0010 |  |
| 13 | Umhlathuze Municipality - Durban | Environment Awareness and Water Workers | 002 | 0038 |  |
| 14 | Umhlathuze Municipality - Durban | Clearing of Water and Waste Water Servitudes | 006 | 0007 |  |
| 15 | Umhlathuze Municipality - Durban | Fire Fighters Training | 015 | 0015 |  |
| 16 | Umhlathuze Municipality - Durban | Sport Field Caretaker Programmes | 003 | 0012 | 5 061 000,00 |
| 17 | Alfred Duma Municipality - Durban | Flood Management | 008 | 0008 |  |
| 18 | Alfred Duma Municipality - Durban | Stormwater Maintenance | 005 | 0036 | 4 906 000,00 |
| 19 | Msunduzi Municipality - Durban | Msunduzi City Clean Up | 013 | 0203 | 6 809 000,00 |
| 20 | Nkandla Municipality - Durban | Nkandla Town Clearing | 003 | 0084 | 2 149 000,00 |
| 21 | Harry Gwala Municipality - Durban | Ward Maintenance Support 2016 | 008 | 0157 | 3 640 000,00 |
| 22 | NYS – Durban regional Office | Chartsworth Magistrate Court | 023 | 0075 | Non funded |
| 23 | Ekurhuleni Metropolitan - Johannesburg | Construction of Roads and Stormwater (Nkomaba) | 034 | 0034 |  |
| 24 | Ekurhuleni Metropolitan - Johannesburg | Mfolozi and Kingwazi Street Roads | 004 | 0010 | 22 125 000,00 |
| 25 | City of Johannesburg - Johannesburg | 201617 JCT Interns | 004 | 0057 |  |
| 26 | City of Johannesburg - Johannesburg | Workplace Experience for Postgraduates | 001 | 0026 | 47 613 000,00 |
| 27 | Msukaligwa Municipality - Nelspruit | Cleaning of Municipal Overgrown Grounds, Buildings | 010 | 0010 | 1 376 000,00 |
| 28 | Nkomazi Municipality – Nelspruit | Park and Cemetery Cleaning and Beautification | 010 | 0024 |  |
| 29 | Nkomazi Municipality – Nelspruit | Cleaning and Beautification of Health Facilities | 001 | 0016 |  |
| 30 | Nkomazi Municipality – Nelspruit | DSD Support Staff | 001 | 0003 |  |
| 31 | Nkomazi Municipality – Nelspruit | Cleaning and Beautification Municipality Areas | 008 | 0055 |  |
| 32 | Nkomazi Municipality – Nelspruit | Waste Management | 041 | 0270 | 5 917 000,00 |
| 33 | Pixley Ka Seme Municipality - Nelspruit | Parks and Cemetery Cleaning | 002 | 0028 |  |
| 34 | Pixley Ka Seme Municipality - Nelspruit | Waste Management | 001 | 0030 |  |
| 35 | Pixley Ka Seme Municipality - Nelspruit | Road Maintenance | 001 | 0000 | 2 702 000,00 |
| 36 | Mbombela Municipality - Nelspruit | Mbombela Maintenance of Municipal Building and Open Space | 002 | 0088 |  |
| 37 | Mbombela Municipality - Nelspruit | Road and Stormwater Maintenance | 002 | 0064 |  |
| 38 | Mbombela Municipality - Nelspruit | Water and Sanitation | 004 | 0008 |  |
| 39 | Mbombela Municipality - Nelspruit | Maintenance on Sewerage Plants | 001 | 0013 |  |
| 40 | Mbombela Municipality - Nelspruit | Mbombela Litter Picking Project | 001 | 0164 | 5 686 000,00 |
| 41 | Gert Sibande Municipality - Nelspruit | Albert Luthuli Collection of Waste | 012 | 0065 |  |
| 42 | Gert Sibande Municipality - Nelspruit | Mkhondo Collection of Waste | 001 | 0079 | 3 113 000,00 |
| 43 | Capricorn District Municipality - Polokwane | Alien Plant Eradication Lepelle – Nkumpi | 010 | 0049 | 2 922 000,00 |
| 44 | Capricorn District Municipality - Polokwane | Alien Plant Eradication Blouberg | 024 | 0024 |
| 45 | Mafikeng Municipality - Mmabatho | Litter Picking | 001 | 0504 | 3 672 000,00 |
| 46 | NYS - Mmabatho regional office | Zeerust SAPS | 016 | 0064 | Non funded |
| 47 | NYS - Mmabatho regional office | Rustenburg Prison | 008 | 0024 | Non funded |
| 48 | NYS - Mmabatho regional office | Klerksdorp PC Plecer | 012 | 0006 | Non funded |
| 49 | NYS - Mmabatho regional office | Mogwase Prison | 030 | 0027 | Non funded |
| 50 | Rustenburg Municipality - Mmabatho | Maintenance and Management of Paul Bodenstein Park | 008 | 0008 | 4 219 000,00 |
| 51 | Rustenburg Municipality - Mmabatho | Maintenance and management of Tlhabane Park | 006 | 0006 |
| 52 | Rustenburg Municipality - Mmabatho | Maintenance and Management of Kloof Spruit Park | 006 | 0006 |
| 53 | Rustenburg Municipality - Mmabatho | Maintenance and Management of RTB Civic Centre | 005 | 0005 |
| 54 | OR Tambo Municipality - Umthatha | Town Beautification KSD LM | 011 | 0011 |  |
| 55 | OR Tambo Municipality - Umthatha | Town Beatification Inquza Hill LM | 005 | 0021 |  |
| 56 | OR Tambo Municipality - Umthatha | Recycling Greening and Beautification | 040 | 0085 | 3 213 000,00 |
| 57 | Alfred Nzo Municipality - Umthatha | Umzimvubu Cleaning and Maintenance | 004 | 0075 |  |
| 58 | Alfred Nzo Municipality - Umthatha | Matatiele Cleaning and Maintenance | 002 | 0060 |  |
| 59 | Alfred Nzo Municipality - Umthatha | Mbizana Cleaning and Maintenance | 005 | 0042 | 6 006 000,00 |
| 60 | Enoch Mgijimi Municipality – Port Elizabeth | Financial Experiential Training | 004 | 0005 |  |
| 61 | Enoch Mgijimi Municipality – Port Elizabeth | Cleaning of Open Spaces | 017 | 0027 |  |
| 62 | Enoch Mgijimi Municipality – Port Elizabeth | Community Hall Maintenance Plan | 002 | 0015 |  |
| 63 | Enoch Mgijimi Municipality – Port Elizabeth | Maintenance of Community Hall in Queenstown Area | 001 | 0009 |  |
| 64 | Enoch Mgijimi Municipality – Port Elizabeth | Lukhanji Street Sweepers | 037 | 0046 |  |
| 65 | Enoch Mgijimi Municipality – Port Elizabeth | Refuse Removal | 025 | 0030 |  |
| 66 | Enoch Mgijimi Municipality – Port Elizabeth | Tsolwana Municipal Trainees | 012 | 0012 |  |
| 67 | Enoch Mgijimi Municipality – Port Elizabeth | Cleaning of Bins | 010 | 0017 |  |
| 68 | Enoch Mgijimi Municipality – Port Elizabeth | Lukhanji Night Shift Casual Labourers | 003 | 0017 |  |
| 69 | Enoch Mgijimi Municipality – Port Elizabeth | Maintenance of Cemeteries Mlungisi | 002 | 0002 |  |
| 70 | Enoch Mgijimi Municipality – Port Elizabeth | Maintenance of Cemeteries Queenstown Area | 001 | 0002 |  |
| 71 | Enoch Mgijimi Municipality – Port Elizabeth | Community Youth Development in Computer Skills | 001 | 0012 |  |
| 72 | Enoch Mgijimi Municipality – Port Elizabeth | Cleaning of Various Wards in Queenstown | 013 | 0032 |  |
| 73 | Enoch Mgijimi Municipality – Port Elizabeth | Cleaning and Greening | 008 | 0016 |  |
| 74 | Enoch Mgijimi Municipality – Port Elizabeth | Cleaning of Cemeteries | 003 | 0016 |  |
| 75 | Enoch Mgijimi Municipality – Port Elizabeth | Stormwater Drain and Channels | 012 | 0015 |  |
| 76 | Enoch Mgijimi Municipality – Port Elizabeth | Tjarkastad and Hoffmeyer Parks | 003 | 0017 |  |
| 77 | Enoch Mgijimi Municipality – Port Elizabeth | Inkwanca Paving of Nomonde and Masakhe | 006 | 0037 |  |
| 78 | Enoch Mgijimi Municipality – Port Elizabeth | Maintenance of Community Parks in Queenstown area | 022 | 0030 |  |
| 79 | Enoch Mgijimi Municipality – Port Elizabeth | Maintenance of Tip Site | 014 | 0029 | 4 079 000,00 |
| 80 | Nelson Mandela Bay Municipality – Port Elizabeth | School Ambassadors | 050 | 0228 | 8 496 000,00 |
| 81 | Vhembe District Municipality - Polokwane | VDM Borehole Operators | 011 | 0205 | 3 462 000,00 |
| 82 | Dihlabeng Municipality - Bloemfontein | Arts | 001 | 001 |  |
| 83 | Dihlabeng Municipality - Bloemfontein | Beautification of DLM | 060 | 060 |  |
| 84 | Dihlabeng Municipality - Bloemfontein | Maintenance of Sport Facilities | 010 | 010 |  |
| 85 | Dihlabeng Municipality - Bloemfontein | Tourism | 002 | 002 | 1 000 000,00 |
| 86 | Sol Plaatjie Municipality - Kimberley | Sol Plaatjie Cleaning Project | 011 | 0472 | 8 874 000,00 |
| 87 | Saldanha Bay Municipality – Cape Town | Working on Waste | 002 | 0134 | 1 071 000,00 |
| 88 | Moses Kotane Municipality - Mmabatho | Fencing Off and Cleaning of Grave Yards | 001 | 0048 | 2 735 000,00 |
|  | **TOTAL** |  | **893** | **4908** | **162 604 000,00** |

Impact of the finding:

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

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

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

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

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

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

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

**Internal control deficiency**

Reason for the deviation:

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

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

Similar findings were raised in the prior year audit. However as the finding has recurred in the current year, management has not appropriately addressed the matter.

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

*Financial and Performance Management*

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

**Recommendation**

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

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

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

**Management response**

There is consolidated response received from management

**Auditor’s conclusion**

The finding remains unresolved as there is consolidated response received from the department

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

Laws, rules and regulations

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

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

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

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

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

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

| **No** | **Public Body** | **Project Name** | **Number of beneficiaries** | **Number of work opportunities reported for the year** | **Total payments made as at 31 December 2016** |
| --- | --- | --- | --- | --- | --- |
| 1. | NYS – CT regional office | Epping SAPS | 003 | 0033 | Non funded |
| 2. | NYS – CT regional office | SAPS Paarl Valley Hostel | 007 | 0012 | Non funded |
| 3. | New Castle Municipality – Durban | New Castle Road Maintenance | 006 | 0035 | 3 173 000,00 |
| 4. | New Castle Municipality – Durban | Food for Waste | 001 | 0054 |
| 5. | New Castle Municipality – Durban | Food for Waste 2017 | 003 | 0030 |
| 6. | NYS – Pretoria Region | National Archives | 001 | 0007 | Non funded |
| 7. | NYS – Pretoria Region | Library | 006 | 0034 | Non funded |
| 8. | NYS – Pretoria Region | National Printing Office | 002 | 0020 | Non funded |
| 9. | NYS – Pretoria Region | Kgosi Mampuru CMAX | 001 | 0040 | Non funded |
| 10. | NYS – Nelspruit Regional Office | Ermelo Camden Military Base | 003 | 0011 | Non funded |
| 11. | NYS – Nelspruit Regional Office | Middleburg SAPS | 005 | 0013 | Non funded |
| 12. | NYS – Nelspruit Regional Office | Bethal SAPS | 001 | 0019 | Non funded |
| 13. | NYS – Nelspruit Regional Office | Belfast Prison | 002 | 0010 | Non funded |
| 14. | NYS – Nelspruit Regional Office | Ermelo Prison | 005 | 0019 | Non funded |
| 15. | Mbhashe Municipality – Umthatha | Rural Waste Pickers | 147 | 0397 | 1 144 000,00 |
| 16. | Setsoto Municipality – Bloemfontein | Setsoto Cleaning and Beautification Programme | 003 | 0140 | 1 908 000,00 |
| 17. | Thaba Chweu Municipality – Nelspruit | Road and Stormwater System Development and Maintenance | 004 | 0036 |  |
| 18. | Thaba Chweu Municipality – Nelspruit | Waste Management | 001 | 0019 | 1 683 000,00 |
| 19. | Gert Sibande Municipality – Nelspruit | Msukalingwa Collection of Waste | 005 | 0036 | 3 113 000,00 |
| 20. | Pixley Ka Seme Municipality – Nelspruit | Security Services | 002 | 0018 | 2 702 000,00 |
| 21. | City of Mbombela – Nelspruit | Road and Storm Water Maintenance | 002 | 0064 |  |
| 22. | City of Mbombela –Nelspruit | Mbombela Maintenance of Municipal Building and Open Spaces | 001 | 0088 | 5 686 000,00 |
| 23. | Mafikeng Local Municipality – Mmabatho | Law Enforcement, Fire Rescue and Road Marking | 001 | 0080 |  |
| 24. | Mafikeng Local Municipality –Mmabatho | Repair of Street Lights, Robots and High Mast Lights | 001 | 0022 |  |
| 25. | Mafikeng Local Municipality- Mmabatho | Litter Picking | 001 | 0504 | 3 672 000,00 |
| 26. | Naledi Local Municipality – Mmabatho | Vryburg Litter and Cleaning of Illegal Dumping Sites | 001 | 0076 | 1 884 000,00 |
| 27. | Harry Gwala Municipality – Durban | Ward Maintenance Support 2016 | 005 | 0157 | 3 364 000,00 |
|  | **TOTAL** |  | **220** | **1976** | **28 329 000,00** |

Impact of the finding:

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

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

**Internal control deficiency**

Reason for the deviation:

a) Beneficiary details are captured and loaded on the system prior to the beneficiaries report for duty and regular reviews of beneficiary list after the commencement of the project are not conducted to identify and remove beneficiaries that have withdrawn from the projects.

b) The data capturer working on large volume of beneficiaries does not individually verify the participant’s attendance register before capturing the number of days worked on the system.

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

*Financial and Performance Management*

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

**Recommendation**

a) The department should perform frequent adequate reviews of beneficiary lists and attendance registers by public bodies to ensure that the number of beneficiaries reported is accurate and valid.

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

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

**Management response**

There is consolidated response received from management

**Auditor’s conclusion**

The finding remains unresolved as there is consolidated response received from the department

**Human Resource Management**

Human Resource Management: Management of vacancy rates

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

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

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

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

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

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

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

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

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

The following deviations were noted:

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Current year** | | | **Prior year** | | |
|  | **Vacancy rate** | **Total filled posts** | **Total positions** | **Vacancy rate** | **Total filled posts** | **Total positions** |
| Overall | 16.03% | 5782 | 6886 | 21.40% | 5 894 | 7 499 |

b) The overall vacancy rate for the department

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Current year** | | | **Prior year** | | |
|  | **Vacancy rate** | **Total filled posts** | **Total positions** | **Vacancy rate** | **Total filled posts** | **Total positions** |
| Overall | 11% | 1295 | 1449 | 11.06% | 1 416 | 1 592 |

c) The overall vacancy rate for PMTE.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Current year** | | | **Prior year** | | |
|  | **Vacancy rate** | **Total filled posts** | **Total positions** | **Vacancy rate** | **Total filled posts** | **Total positions** |
| Overall | 18 | 4487 | 5437 | 24.19% | 4 478 | 5 907 |

The impact of the finding

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

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

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

**Internal Control deficiency**

The finding occurred as a result of the following:

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

b)       The department is currently reviewing their organizational structure.

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

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

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

**Leadership**

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

**Recommendation**

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

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

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

**Management Response**

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

Positions were not advertised and filled due to the implementation of the new organizational structure. The Department embarked on the migration process of employees to the new structure and a decision was taken to implement the moratorium on the filling of the vacant positions until further notice. Positions were also not filled due to unavailability of funds under compensation budget.

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

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

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

*Name:* C Zaba

*Position: Director*

*Date: 27 June 2017*

**Auditor’s conclusion**

Management comment noted. Due to the vacancy rates being above 10%, the matter remains unresolved and will be reported in the management report.

Human Resource Management - Posts vacant for over 12 months

**Audit Finding**

Laws, rules and regulations

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

a) Section C.1A.2

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

b) Section C.1A.3

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

The following deviations were noted:

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

| **NO** | **COMPONENT DESCRIPTION** | **POST SALARY LEVEL** | **POST JOB TITLE DESCRIPTION** | **VACANT DATE** |
| --- | --- | --- | --- | --- |
| 1 | HO DIR: CORRECTIONAL SERVICES KEY ACCOUNT MANAGEME | 05 | SECRETARY | 20140401 |
| 2 | HO SUB DIR: KAM NORM & PBA | 08 | SENIOR ADMIN. OFFICER: PROJECT BUDGET ADMIN. | 20140609 |
| 3 | HO DDG: ASSET INVESTMENT MANAGEMENT | 15 | DDG:ASSET INVESTMENT MANAGEMENT | 20030901 |
| 4 | HO CD: PORTFOLIO ANALYSIS UNIT | 08 | EXECUTIVE SECRETARY | 20150105 |
| 5 | HO SUB DIR:INDUSTRY RESEARCH | 12 | DEPUTY DIRECTOR: INDUSTRY RESEARCH | 20140831 |
| 6 | HO DIR: INVESTMENT ANALYSIS | 12 | ENGINEERING TECHNICIAN CONTROL GRADE B | 20100701 |
| 7 | HO DIR: VALUATION SERVICES | 08 | SENIOR ADMINISTRATIVE OFFICER:VALUATION SERVICES | 20141121 |
| 8 | HO DIR: VALUATION SERVICES | 08 | SENIOR ADMINISTRATIVE OFFICER:VALUATION SERVICES | 20100831 |
| 9 | HO DIR:VALUATION SERVICES 2 | 13 | DIRECTOR: VALUATION SERVICES | 20110701 |
| 10 | HO CD:PROPERTY PORTFOLIO MANAGEMENT | 14 | CHIEF DIRECTOR PROPERTY PORTFOLIO MANAGEMENT | 20100930 |
| 11 | HO DDG: PROJECTSÄ& PROFESSIONAL SERVICES | 07 | PERSONAL ASSISTANT | 20090901 |
| 12 | HO DDG: PROJECTSÄ& PROFESSIONAL SERVICES | 11 | EXECUTIVE OFFICE MANAGER | 20140101 |
| 13 | HO DDG: PROJECTSÄ& PROFESSIONAL SERVICES | 15 | DEPUTY DIRECTOR GENERAL:SPECIAL PROJECTS | 20130201 |
| 14 | HO DIR: SPECIAL AND MAJOR PROJECTS | 11 | CONSTRUCTION PROJECT MANAGER PRODUCTION GRADE A | 20100701 |
| 15 | HO DIR: SPECIAL AND MAJOR PROJECTS | 11 | CONSTRUCTION PROJECT MANAGER PRODUCTION GRADE A | 20140401 |
| 16 | HO SUB DIR: PLAN REGISTRATION | 02 | PHOTOCOPIER OPERATOR | 20100701 |
| 17 | HO SUB DIR: PLAN REGISTRATION | 05 | SNR ADMINISTRATIVE ASSISTANT PROFESSIONAL SERVICES | 20090611 |
| 18 | HO SUB DIR: PLAN REGISTRATION | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 19 | HO SUB DIR: HERITAGE | 10 | ASSISTANT DIRECTOR RESEARCH HISTORIAN | 20120801 |
| 20 | HO SUB DIR: QS STANDARD DOCUMENTATION | 12 | QUANTITY SURVEYOR CHIEF GRADE A | 20100701 |
| 21 | HO DIR: CIVIL/STRUCTURAL ENGINEERING SERVICES | 13 | DIRECTOR: CIVIL/STRUCTURAL ENGINEERING SERVICES | 20140531 |
| 22 | HO SUB DIR: CIVIL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 23 | HO SUB DIR: CIVIL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 24 | HO SUB DIR: CIVIL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 25 | HO SUB DIR: WATER MANAGEMENT OFFICE | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 26 | HO SUB DIR: WATER MANAGEMENT OFFICE | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 27 | HO SUB DIR: STRUCTURAL ENGINEERING SERVICES | 11 | ENGINEERING TECHNOLOGIST CONTROL GRADE A | 20100701 |
| 28 | HO DIV: GEO-LAB | 07 | CHIEF AUXILIARY SERVICES OFFICER | 20141031 |
| 29 | HO DIV: GEO-LAB | 08 | ENGINEERING TECHNICIAN PRODUCTION GRADE A | 20090311 |
| 30 | HO DIV: GEO-LAB | 08 | ENGINEERING TECHNICIAN PRODUCTION GRADE A | 20080201 |
| 31 | HO DIV: GEO-LAB | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 32 | HO DIV: GEO-LAB | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 33 | HO DIR: MECHANICAL ENGINEERING SERVICES | 13 | DIRECTOR: MECHANICAL ENGINEERING SERVICES | 20101031 |
| 34 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 35 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 36 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 37 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 38 | HO DIR: MECHANICAL ENGINEERING SERVICES | 10 | ENGINEERING TECHNOLOGIST PRODUCTION GRADE C | 20141001 |
| 39 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEERING TECHNICIAN CONTROL GRADE B | 20100701 |
| 40 | HO DIR: ELECTRICAL ENGINEERING | 13 | DIRECTOR: ELECTRICAL ENGINEERING SERVICES | 20070228 |
| 41 | HO DIR: ELECTRICAL ENGINEERING | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 42 | HO DIR: ELECTRICAL ENGINEERING | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 43 | HO SUB DIR:NATIONAL SITE DELIVERY PROGRAMME | 08 | SENIOR ADMINISTRATIVE OFFICER SITE IDENTIFICATION | 20131231 |
| 44 | HO DIR:BUDGETS AND PLANNING | 05 | SECRETARY | 20100701 |
| 45 | HO DIR:BUDGETS AND PLANNING | 07 | STATE ACCOUNTANT:BUDGETS & PLANNING | 20141031 |
| 46 | HO DIR:BUDGETS AND PLANNING | 13 | DIRECTOR: BUDGET & PLANNING | 20131001 |
| 47 | HO DIR:BUDGETS AND PLANNING | 08 | SENIOR STATE ACCOUNTANT | 20100701 |
| 48 | HO DIR:PMTE:BILLING & REVENUEÄPORTFOLIO 2 | 10 | ASSISTANT DIRECTOR:ACCOUNTS RECEIVABLE:FIN STATE | 20120801 |
| 49 | HO SUB DIV: ACCOUNTING | 05 | PROVISIONING ADMINISTRATION CLERK | 20130401 |
| 50 | HO SUB DIV: ACCOUNTING | 05 | PROVISIONING ADMINISTRATION CLERK | 20130401 |
| 51 | HO SUB DIV: ACCOUNTING | 08 | SENIOR PROVISIONING ADMINISTRATIVE OFFICER | 20130101 |
| 52 | HO SUB DIV: SYSTEM ADMINISTRATION LOGIS | 05 | PROVISIONING ADMINISTRATION CLERK | 20130401 |
| 53 | HO SUB DIV: TRAVELLINGÄ& TRANSPORT | 07 | ADMINISTRATION OFFICER: PAYMENTS | 20141231 |
| 54 | HO SUB DIV: TRANSPORT | 04 | SECONDARY DRIVER | 20130401 |
| 55 | HO SUB DIV: TRANSPORT | 04 | SECONDARY DRIVER | 20130401 |
| 56 | HO SUB DIV: ARCHIVE & OFFICE SERVICES | 10 | ASSISTANT DIRECTOR: OFFICE SERVICES | 20120801 |
| 57 | HO SUB DIV: REGISTRY | 06 | SENIOR REGISTRY CLERK:REGISTRY | 20030901 |
| 58 | HO SECTION: MACHINE OPERATORS | 04 | MACHINE OPERATOR:REGISTRY | 20100630 |
| 59 | HO SUB SECTION: FOOD SERVICES AID | 02 | FOOD SERVICES AID | 20140101 |
| 60 | HO SUB SECTION: FOOD SERVICES AID | 02 | FOOD SERVICES AID | 20141103 |

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

| **NO** | **COMPONENT DESCRIPTION** | **POST**  **SALARY**  **LEVEL** | **POST JOB TITLE DESCRIPTION** | **VACANT DATE** |
| --- | --- | --- | --- | --- |
| 1 | HO DIR: COMPUTER AUDITS AND SPECIAL ASSIGNMENTS | 13 | DIRECTOR:COMPUTER AUDITS & SPECIAL ASSIGNMENTS | 20110324 |
| 2 | HO SUB DIR: COMPLIANCE & FINANCIAL ANALYSIS | 09 | ASSISTANT DIRECTOR STRATEGIC BUSINESS PLANNING | 20140814 |
| 3 | HO DDG: FINANCE & SUPPLY CHAIN MANAGEMENT | 11 | EXECUTIVE OFFICE MANAGER | 20140801 |
| 4 | HO DDG: FINANCE & SUPPLY CHAIN MANAGEMENT | 15 | DEPUTY DIRECTOR GENERAL:FINANCE & SUPPLY CHAIN MNG | 20120430 |
| 5 | HO DIR: FINANCIAL ACCOUNTING | 13 | DIRECTOR: FINANCIAL ACCOUNTING | 20131101 |
| 6 | HO SUB DIR: FINANCIAL REPORTING & RECONCILIATION | 04 | ACCOUNTING CLERK | 20080201 |
| 7 | HO SUB DIR: ACCOUNTS RECEIVABLE | 06 | SENIOR ACCOUNTING CLERK | 20030901 |
| 8 | HO SUB DIR: ACCOUNTS RECEIVABLE | 07 | STATE ACCOUNTANT: ACCOUNTS RECEIVABLE | 20140516 |
| 9 | HO DEPUTY DIRECTOR GENERAL: CORPORATE SERVICES | 07 | PERSONAL ASSISTANT | 20090901 |
| 10 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 08 | SENIOR ADMINISTRATIVE OFFICER:LEGISLATION | 20140401 |
| 11 | HO SUB DIR: LITIGATION | 08 | MR4 LEGAL ADMINISTRATION OFFICER GRADE 4 | 20120521 |
| 12 | HO CD: INFORMATION SERVICES | 14 | CHIEF DIRECTOR: INFORMATION SERVICES | 20120113 |
| 13 | HO SUB DIV: IT TECHNICIAN | 08 | IT TECHNICIAN | 20140910 |
| 14 | HO DIV: RECORDS MANAGEMENT | 04 | SECONDARY DRIVER | 20130401 |
| 15 | HO CD: MARKETING & COMMUNICATIONS | 14 | CHIEF DIRECTOR: COMMUNICATION & MARKETING | 20150305 |
| 16 | HO DIR: INTERNAL COMMUNICATIONS | 13 | DIRECTOR: INTERNAL COMMUNICATIONS & MOBILISATION | 20140901 |
| 17 | HO DIV: INTERNAL COMMUNICATIONS | 07 | SENIOR COMMUNICATIONS OFFICER | 20110719 |
| 18 | HO DIR: CLIENT RELATIONS MANAGEMENT | 07 | SENIOR SECRETARY | 20150310 |
| 19 | HO DIR:MEDIA AND STAKEHOLDER MANAGEMENT | 13 | DIRECTOR MEDIA & STAKEHOLDER MANAGEMENT | 20100401 |
| 20 | HO DIV: MINISTERIAL PUBLIC APPEARANCESÄPROGRAMME | 08 | SENIOR COMMUNICATIONS OFFICER | 20140617 |

The impact of the finding:

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

**Internal control deficiency**

The finding occurred as result of the fact that:

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

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

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

**Leadership**

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

**Recommendation**

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

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

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

**Management response**

I am in agreement with the finding for the following reasons The Department and the PMTE have sustained high vacancy rates and not in the position to fill all vacancies resulting from insufficient allocation for compensation of employees and scarcity of critical professional and technical skills. The filling of the positions was limited to positions identified and priorities for filling. Further to the above the Department implemented a moratorium on the filling of positions as part of the implementation of the new organisational structures.

The Minister has after consultation with the Minister of DPSA approved the new organisational structures for the DPW and PMTE and it is anticipated that the implementation of the structures will result in the activation of funded positions only on the post establishment. This will reduce the vacancy rates and administrative delays on approval, advertising and filling of positions.

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

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

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

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

The remains unresolved and we will follow up whether the implementation of the new establishment reduces the vacancy rates and post not filed within twelve months in the next financial year.

Human Resource Management: Payroll certificates not certified and returned timeously.

Laws, rules and regulations

In terms of Treasury Regulation

a) Paragraph 8.3.4

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

b) Paragraph 8.3.5

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

The following deviations were noted:

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

| **No** | **Pay point** | **Description** | **Period Run Date** | **Date payroll certificate signed** | **Region** |
| --- | --- | --- | --- | --- | --- |
| 1 | 9915 | DPW - EPWP | 15-Aug-16 | 26-Aug-16 | Bloemfontein |
| 2 | 9910 | DPW - EPWP | 15-Feb-17 | 08-Mar-17 | Cape Town |
| 3 | 9911 | DPW - Regional Office Durban: EPWP | 15-Apr-16 | 27-Jul-17 | Durban |
| 4 | 9911 | DPW - Regional Office Durban : EPWP | 30-Apr-16 | 11-May-16 | Durban |
| 5 | 9905 | DPW – EPWP | 15-Sept-16 | 19-Sept-16 | Johannesburg |
| 6 | 9914 | DPW - EPWP | 30-Jun-16 | 07-Jul-16 | Kimberley |
| 7 | 9907 | DPW - EPWP | 31-May-16 | 03-Mar-17 | Nelspruit |
| 8 | 9907 | DPW - EPWP | 15-Feb-17 | 31-Mar-17 | Nelspruit |
| 9 | 9908 | DPW - Regional Office Polokwane: EPWP | 15-Oct-16 | 05-Dec-16 | Polokwane |
| 10 | 9913 | DPW - Regional Office Mthatha: EPWP | 15-Dec-16 | 09-Jan-17 | Mthatha |
| 11 | 9935 | DPW - Head office: EPWP | 30-Jun -16 | 21-Jul-16 | Head Office |
| 12 | 9912 | DPW - Regional Office Port Elizabeth: EPWP | 30-Nov-16 | 06-Dec-16 | Port Elizabeth |

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No** | **Pay point** | **Description** | **Run Period** | **Date Certified** | **Date return to HR** | **Region** |
| 1 | 9911 | DPW - Regional Office Durban : EPWP | 30-Apr-16 | 11-May-16 | 08-Nov-16 | Durban |
|  |  |  |  |  |  |  |
| 2 | 9907 | DPW - EPWP | 31-May-16 | 03-Mar-17 | No register | Nelspruit |
| 3 | 9908 | DPW - Regional Office Polokwane: EPWP | 15-Oct-16 | 21-Oct-16 | No register | Polokwane |
| 4 | 9913 | DPW - Regional Office Mthatha: EPWP | 15-Dec-16 | 09-Jan-17 | None | Mthatha |

The aforementioned findings may result in:

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

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

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

**Internal control deficiency**

Reason for the deviation:

a) The person in charge at the pay points received the payroll certificates after payment date.

b) The department does not have register to record payroll certificates when they are received from head office.

c) The late submission of payroll certificates are not properly followed up with the relevant unit and actions are not taken against the unit that submits late.

The finding was also reported in the 2015/16 financial year and management responded that:

A new process was recently introduced to assist with ensuring compliance by Units. Immediately after closure the salary run there is a reminder set for collection of Payroll Certificates from Buro Beta by HR Payroll. The moment the pay slips are available it is posted to the Regions and forwarded to Head Office Units. An email by Communication is sent for collection. Reminders to Units to submit within 10 days after pay date. Units that do not comply will be reported to CD: HRM on a quarterly basis

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

**Financial and Performance Management**

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

**Recommendation**

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

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

**Management response**

I am in agreement with the finding in a) that payroll certificates were certified after the pay date. The Regional Offices in their responses in some instances were correct in indicating that Payroll Certificates were received too late to distribute to Unit for timeous sign-off. Head Office immediately after collection from Buro Beta posted the payroll certificates to Regional Offices with the exception of those Regional Offices (Johannesburg, Mmabatho and Pretoria) who collect the payroll certificates from Head Office. The Business process was investigated in early march 2017 to identify possible bottlenecks. Posting was identified as one of the bottlenecks in the process. It takes the Post Office far longer to deliver the packages to the Regional Offices than anticipated. HR Payroll from 1 April 2017 started making use of currier services to ensure a speedy delivery service to the Regions.

It should however be noted that when I refer to late delivery via the postal system it is at most 2 or 3 days after payday. This does not explain why it took for example Nelspruit 9 months to get the Payroll certificate signed-off.

HR Payroll also approached PERSAL (National treasury) for a possible solution by printing payroll certificates in the Provinces. PERSAL indicated that not all Provinces have printing capabilities and those who have are not necessarily in the same city as our Regional Offices. This is therefore not a viable solution.

Regions should ensure that they implement the Payroll Register and follow-up timeous on Payroll certificates that is not returned.

I am in agreement with the finding on b) there seem to be no register and in other instances no date confirming the receipt by Finance Payroll. It is crucial to ensure that the Control Register is in place to track payroll certificates. A circular to sensitise Regional Managers and Heads of Finance will be circulated and spot checks every quarter will be instated to monitor compliance.

Please note that although this is matter of compliance with Treasury Regulations these Regulations were applicable when payments of salaries were still issued by hand and not electronically paid into back accounts. Verification on payday is too late to stop a payment from going through.

HR will also as part of the action plan investigate the possibility to move the function of distributing the payroll certificates to HR in the Regions to improve the line of sight management of this function. It is difficult to manage the function at Head Office but in the Regions it is Finance dealing with the process.

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken | Units to be informed of non-compliance | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| 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. | Noncompliance by certain Units to submit within the timelines as indicated by Treasury | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Registers and follow-ups are being done on a monthly basis  Compliance by individual Units is a problem and action against those should be taken | |

Name: Ms R Mostert

Position: D: HRA

Date: 15/07/2016

**Auditors Response**

The finding remains unresolved, as there is risks that the department might pay salaries to the officials who are no longer employed in the government organisations and find it impossible to recover the overpayments.

Human Resource Management – Leave forms not captured timeously.

Laws, rules and regulations

a) Public Finance Management Act sections 40(i):

*“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”*

b) In terms of the Modified Cash Standard: Provisions and other liabilities

*“5(b) Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to leave entitlements). Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions”.*

**Measurement of provisions**

**Best estimate**

*“25 The amount disclosed as a provision shall be the best estimate of the funds required to settle the present obligation at the reporting date. The time value of money is ignored where the obligation will be settled some-time after the reporting date”.*

*“48 A department shall disclose the value of each major class of provisions for employee benefits as at the reporting date”.*

The following finding has been noted

We performed analysis of the leave taken and leave captured on the Persal system and the following deviations were noted that the department does not captured annual leave taken timeously on the Persal.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **How days it took for annual leave to be captured on Persal system** | | | | | | |
| Days | 0 to 30 days | 31 to 60 days | 61 to 90 days | 91 to 120 days | 121 to 180 days | 181 to 365 days | More than a year |
| Percentage Annual Leave | 72.83 | 16.85 | 5.33 | 1.92 | 1.47 | 0.07 | 1.54 |

Impact of the finding:

Employee benefit amount disclosed which relate to leave entitlement in the annual financial statements might be overstated as result of the leave taken not captured on the Persal system.

**Internal control deficiency**

Reason for the deviation:

The manual leave forms are not captured timeously into Persal system

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

**Financial and Performance Management**

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

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

**Recommendation**

a) Human Resource manager should ensure that the reconciliation between the manual leave forms and leave captured on Persal system is performed on a monthly basis and reviewed by the senior official.

b) The department should capture all leave taken before 31 March 2017 on the Persal system in the same current financial year to avoid overstating the employee benefit amount.

**Management response**

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

The amendments on the PERSAL system resulted in a lot of leave that was a captured in March had to be re-captured on the system in April. This was mainly due to the alignment exercise with the budget structure that took place in the last weekend before the April 2017 for implementation 1 April 2017. PERSAL rejected some of the transaction for example leave. The registration of PERSAL Users with access to both Code 19 and Code M5 was only completed by the 2nd week in April to allow HR Practitioners to capture on PERSAL: M5. The report for Leave Liability was drawn with the delay in mind and was therefore not drawn immediately after closure of the financial year.

It is not late capturing that is the problem it is late submission of leave forms by Units/ Directorates. All leave forms in each Unit is captured by the Leave Administrator on a Leave Register which is signed off by the Head of the Unit and then it is submitted on a weekly basis to HR. Human Resources captures leave within a week after receipt of the leave forms. Leave forms must be forwarded to HR weekly for capturing.

Reconciliation of leave forms, registers and PERSAL is done on a daily basis when the leave is approved on the system. Unlike some of the other departments, Public Works do not capture leave without approval. The function of capturing of leave on PERSAL can be dealt with in two ways capture leave and it automatically updates or capture leave but it must first be approved before it updates on the PERSAL System. The Department chose that there must be a capturer and an approver. The approver must check the leave captured on PERSAL against the leave form and the Leave Register.

Human Resources also sensitizes all employees every quarter to ensure leave forms are received timeous specifically for the purpose of ensuring correct figures for the financial statements. (Annexure A)

Human Resources Head Office captured for Head Office 11 231 leave forms for the 2016/2017 cycle. 2 727 leave forms for Q1 were received, captured, approved and filed, 2 188 leave forms were received, captured, approved and filed for Q2, 4 232 were received captured, approved and filed, 2084 leave forms were received, captured, approved and filed for Q4. The capturer on PERSAL for leave at Head Office is level 5 and the approvers are level 8 Senior Practitioner, Assistant Director on level 10 or the Deputy Director on level 12. The SPP, ASD and DD all have more than 10 years’ experience in their field.

I do agree that there are cases were leave forms were submitted late to Human Resources and stronger measures need to be implemented against Directorates that submit leave forms late. A new action plan will be crafted to address the matter.

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | Late submission of Leave by Units/ Directorates | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Managers must be held accountable for not ensuring that their Unit’s leave are forwarded timeous to HR for capturing | |

*Name:* Mrs R Mostert

*Position: D: HRA*

*Date: 13/07/2017*

**Auditor’s conclusion**

The finding remains unresolved for late capturing of leave form, however there was no impact on the amount disclose in the employee benefit note as the Persal report was only requested in Mar 2017.

Human Resource Management - Performance agreement deviations

**Audit Finding**

Laws, rules and regulations

1. In terms of PFMA section 41:

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

1. In terms of PSR 4/III/B.1 and chapter 4 of the SMS handbook:

*“SMS must enter into performance agreements. In terms of the amendment to the SMS handbook (issued via DPSA circular 15/4/9 dated 5 June 2009 ad DPSA circular 15/4/1 dated 26 May 2010), all performance agreements are required to be signed by 31 May of each year.”*

1. In terms of Chapter 4 of the SMS Handbook

 i)              Section 8.1

*“A newly appointed member of the SMS shall complete her/his PA within the first three months of appointment”*

ii)             Section 11.1

*“At the start of each performance cycle, an HOD, assisted by her/his human resource unit, should do the following:*

*(1) Selection of CMC*

*(a) Determine which of the eleven CMC are applicable to particular jobs within her/his   department and weight those that are relevant according to importance, taking into account the minimum requirements outlined in par 10.5; OR*

*(b) Allow SMS members and their supervisors to select and jointly agree the appropriate CMC’s for the member’s job role; OR*

*(c) Apply a combination of (1) and (2) above (e.g. decide that certain CMC must be part of the assessment of all members of the SMS, while others may be included depending on the specific situation”*

*“(3) Formalised agreement*

*Note that the selected CMCs, and their relevant standards, are part of the PA and ensure that both the manager and supervisor sign off on these as a basis for assessment”*

The following deviations were noted:

1. During the audit at the Head Office, the signed 2016/17 performance agreements were requested on request for information no. 51 dated 8 February 2017, however it has not yet been submitted for audit purposes as at 25 April 2017.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Persal No.** | **Appointment date** | **Region** | **Department** |
| 1 | 18762719 | 15-Jan-2013 | Head Office | DPW and PMTE |
| 2 | 28139267 | 01-Jun-2016 | Head Office | PMTE |
| 3 | 28172787 | 01-Jul-2016 | Head Office | PMTE |
| 4 | 52002713 | 01-Sep-2016 | Head Office | PMTE |

1. Performance agreement for the period 1 April 2016 to 31 March 2017 for the below mentioned SMS member was signed by the supervisor after 31 May 2016.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Persal No.** | **Date performance contract was signed by SMS member** | **Date performance contract was signed by supervisor** | **Region** | **Department** |
| 1 | 21761175 | 30-May-2016 | 01-Jun-2016 | Head Office | DPW |

c) The following work plan has not been submitted.

| **No** | **Surname and Initials** | **Persal No** | **Period** | **Region** |
| --- | --- | --- | --- | --- |
| 1. | Manoto SM | 23596872 | 1-Apr-16 to 31-Mar-17 | Mmabatho regional office |
| 2 | Nengovhela AC | 21096155 | 1-Apr-16 to 31-Mar-17 | Head Office |

Similar matters have been raised since 2015-16 and it was included in the department’s action plan but insufficient steps have been taken to date to implement the recommendations provided.

The aforementioned findings may result in:

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

b) Non-compliance with Public Service Regulations

c) Non-compliance with the SMS Handbook Chapter 4

d) In the absence of properly concluded performance agreements proper performance management cannot take place and difficulties can be encountered in holding officials responsible for their actions.

**Internal control deficiency**

Reason for the deviation:

a) The human resource section did not exercise oversight responsibility in ensuring that performance contracts are submitted and signed timeously by all SMS members.

b)   Disciplinary action is not taken against employees who do not sign performance agreements or sign their performance agreements late.

c)         The human resource section did not exercise oversight responsibility in ensuring that the Department complies with chapter 4 part III of the Public Service Regulations and chapter 4 of the SMS Handbook by ensuring that performance contracts are signed timeously.

Based on the aforementioned the matter is as a result of the following 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 exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

**Recommendation**

a) Disciplinary action must be instituted against the officials who do not sign their performance agreements timeously.

b) The department should review the register to track the submission of performance agreements.

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

**Management response**

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

4 of the above mentioned SMS Members did not submit their performance agreements for the 2016/17 performance management cycle.

Performance agreement for SMS member (Persal no: 27474861) was submitted. See attached

Performance agreement for SMS member (Persal no: 5335396) was signed by the supervisor. See attached

Performance agreement of the SMS Member (Persal no: 21761175) was signed by the supervisor after 31 May 2016

The work plan for the period 1 April 2016 to 31 March 2017 was not submitted and signed by the employee (Nengovhela AC – 21096155) and supervisor.

| **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, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| 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. | The Human Resource section did exercise oversight responsibility in ensuring that performance agreements are submitted and signed timeously by all SMS Members.  SMS Member were sensitized on the need to comply with the DPSA requirements by circulating PMDS planner which included the submission time frames (See attached )  The Department is using a register to track the signing of the submission of performance agreements (See attached)  HR reminded SMS members who did not submit their performance agreements (See attached letter)  The SMS Members’ performance related incentives were also withheld in terms of DPSA Directive dated 02/12/2011 | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No x** |
|  |  |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Chapter 4 of the SMS Members’ handbook clearly states that the performance agreement and assessment is signed between the job holder and supervisor (See Section 4.2, (4); 5.1 (2) (d); 6.1 (4)(a); 8.5(5) in other performance management is a line function .  The Directorate: ARD keeps all staff including SMS Members on a continuous basis during the PMDS cycle informed of the requirements of the respective directives, however ultimately it is the responsibility of the SMS Member and his/her supervisor to comply with the set requirements. | |

Name: Solly Nwanza

Position: Director: HRD

Date: 27 June 2017

**Auditor’s conclusion**

Management comments noted, however the finding is not resolved for the following reasons:

a) No 1, 2, 3 and 4 remains unresolved as performance agreements were not submitted.

b) Persal no: 21761175 remains unresolved the performance agreement was signed by the supervisor after 31 May 2016

c) Employee with Persal Number 23596872 and 21096155 remains unresolved as work plans were not submitted.

**GENERAL CONTROL AND NETWORK REVIEW**

Security Management

**Audit findings:**

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

Management did not implement adequate security management controls. As a result, the following risks were identified:

a) The internal vulnerability assessment conducted on the departmental internal network indicated eleven key findings related to patch management. At least 3 systems which included operating systems, database servers and virtualisation software were found to be running on unsupported software. Furthermore, missing patches were found in over 141 systems which included operating systems, web servers, application servers, database servers, encryption software and virtualisation software.

b) The internal vulnerability assessment conducted on the departmental internal network indicated five key findings related to configuration management. The identified issues included use of default credentials, systems transmitting information using clear text methods, unauthenticated access to systems and public access to shared folders. In addition, once logged on an attacker could use these systems to compromise other systems on the network.

c) The operating system and database assessment performed indicated that multiple parameter settings, database permissions, password settings and audit logging setting were configured with default settings. This increased the attack surface area, depending on the configuration, it would allow unauthorised individuals to disrupt services, or gain unauthorised access. In addition, dormant user account and accounts that do not expire were identified on the database operating system. Furthermore, the Sage database was missing one hundred and thirty three security updates that would have corrected multiple flaws. The vulnerabilities that existed could allow an unauthorised individual the ability to bypass the restriction to gain unauthorised access to confidential information hosted on the systems.

The following firewall management weaknesses were found:

a) Firewall log changes could not be obtained from the administrator and therefore changes to the firewall could not be established whether they consistently followed an appropriate change management processes. If log files and alerts are not appropriately monitored, unauthorised traffic transmitted to and from department may not be detected in a timely manner. In the event of a breach, the department may not be able to report on, and respond appropriately to the incident.

b) The firewall backup logs could not be obtained and therefore could not established were backup logs were stored at a secure location. A lack of regular backups on the firewall may result in lost configuration settings if a firewall administrator makes any changes to the device without initiating a backup. There would also be no versioning system in place to roll back to the previous version in the event that a firewall change caused the device to fail.

c) Furthermore it was also found the firewall password setting was set to 6 characters and not to 8 as prescript in the security policy.

**Internal control deficiency**

**Financial and Performance Management:**

a) Inadequate patch management could be attributed to non-compliance to the patch management policy and management not performing risk assessments.

b) Furthermore, certain best practice security principles or information security hardening standards had not been adequately documented in policies, standards and procedures to ensure the secure configuration of servers.

c) Database operating system policies, standards and procedures had not yet been formalised to ensure that servers would be securely configured and Non- compliance to the database policies, standards and procedures.

d) IT management was in the process of implementing a firewall management system to enable proper management of the network environment by the department officials. The project finalisation date was set for 2017-18 financial period.

**Recommendation**

The following should be considered by management:

a) Management should ensure that the patch management policies, standards and procedures is enforced and monitor for compliance and to perform regularly risk assessments on the network.

b) Management should ensure that information security standards are defined, implemented and monitored for compliance with defined configuration standards.

c) Management should ensure that an operating system configuration standard and security hardening standards are updated, approved and implemented. In addition, monitoring controls should be implemented to ensure compliance with the standards.

d) The IT manager should expedite the implementation of the firewall management project.

**Management response**

ICT Management has noted the AG’s recommendations and will ensure full implementation. Management further acknowledges positive progress from the previous assessment to date.

ICT Management has implemented the Microsoft patch management system (SCCM) and processes, which is functioning well.

As much as it is ideal to upgrade to the latest software releases from time to time. This is however not always possible, as the business applications are not always readily compatible with the latest releases and might be expensive and time consuming to embark on such upgrades.

ICT Management acknowledges other findings and will implement other aspects of the recommendations where possible and continue to mitigate areas where upgrading is not possible.

Some of the devices impacted have already reached end of life and are awaiting decommissioning pending sing off of newly commissioned services.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  |  | |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. |  | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions | Acting Director IT Applications | | |
| Estimated completion date for corrective action | 31st October 2017 | | |

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | The Windows Server 2003, which is not supported by Microsoft. It is as a result of BAS system not yet compatible with the latest supported Operating Systems. SITA and National Treasury are responsible for ensuring that the latest and greatest BAS software compatible with latest Operating Systems is always available and DPW ICT have raised this concern previously with SITA. | |

Name and surname: Thomas Msiza,

Position: Acting Director IT Applications

Date:

**Auditor’s conclusion**

Management comments are noted and will be followed up during the next audit cycle.

IT Service Continuity

**Audit finding**

IT service continuity is the process of managing the availability of hardware, system software, application software and data to enable an organisation to recover/re-establish information systems services in the event of a disaster. The process includes disaster recovery plans and backups.

Key audit findings identified:

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

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

**Internal control deficiency**

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

The department was undergoing an infrastructure refresh project and updates to the DRP had not been finalised due to the changes being effected within the new environment.

**Recommendation**

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

**Management comments**

SITA has been contracted to develop a new DRP document. They are expected to complete the work by 31 March 2017

Name and surname: Masutu Ramatlotlo

Position of responsible official: Director IT Project Office

Target date for implementation: July 2017

**Auditor’s conclusion**

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

**ANNEXURE C: ADMINISTRATIVE MATTERS**

KEY MANAGEMENT PERSONNEL

Key Management Personnel- Financial Statement reviews ineffective

Laws, rules and legislation:

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

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

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

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

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

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

*(e)  Termination benefits.*

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

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

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

In terms of section 40 (b) of the Public Finance Management Act

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

1. *must prepare financial statements for each financial year in accordance with generally recognized accounting practice”*

The following deviations were noted:

The disclosed key management amounts for the below mentioned employees was incorrectly calculated resulting in an understatement of the key management disclosure note.

| **No.** | **Persal Number** | **Amount per auditee calculation** | **Amount per auditors recalculation** | **Differences** |
| --- | --- | --- | --- | --- |
| 1 | 5335396 | 1 316 749,26 | 1 315 902,64 | -846,62 |
| 2 | 16675789 | 1 347 525,96 | 1 343 050,87 | -4 475,09 |
| 3 | 18651640 | 1 227 479,03 | 1 224 490,30 | -2 988,73 |
| 4 | 18762719 | 2 164 566,40 | 2 183 990,36 | 19 423,96 |
| 5 | 21732566 | 1 111 988,06 | 1 107 010,73 | -4 977,33 |
| 6 | 22681078 | 1 263 595,37 | 1 205 128,93 | -58 466,40 |
| 7 | 23419636 | 1 082 329,52 | 1 089 278,15 | 6 948,63 |
| 8 | 27385973 | 1 801 301,47 | 1 793 836,09 | -7 465,38 |
| 9 | 80090419 | 1 206 565,49 | 1 205 631,31 | -934,18 |
| 10 | 80381529 | 1 203 534,78 | 1 279 458,07 | 75 923,29 |
| 11 | 80998488 | 1 237 502,63 | 1 236 097,78 | -1 404,85 |
| 12 | 81803435 | 1 140 670,10 | 1 126 019,39 | -14 650,70 |
|  | **16 103 808,07** | | **16 109 894,62** | **6 086,55** |

Impact of the finding

1. Understatement of Key Management Personnel disclosure note.
2. Non-compliance with section 40 of PFMA.

Reason for the deviation:

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

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

**Internal control deficiency**

**Financial and Performance Management**

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

**Recommendation**

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

**Management response**

I am in agreement with the finding for the following reasons: The Key Management Personnel disclosure note was understated, due to incomplete report used when reporting, the understatement was on three officials however when verifying AFS figures visa vie those of the Auditors, it was evident that there were some overstatement on 9 officials as well but the overall effect on the AFS is an understatement. Attached is an annexure is changes to the financials:

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | Adjustment on Financial Statements the amount of R6, 086.60. | | |
| 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 AFS will be adjusted accordingly with R6, 086.60 | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | A latest report was drawn and reconciliation between year-end figures and those of the latest report was performed and discrepancies were identified and rectified. | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | See attached Annexure A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No x** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| 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 x** | **No** |
|  |  |
| If management does not agree with the root cause indicated, please provide the root cause according to management. |  | |

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

Name: Ronel Mostert

Position: D: HRA

Date: 26 June 2017

**Auditor’s conclusion**

Management comment noted. The AFS has not been amended however the amount is below the trival threshold.

**Departmental Revenue**

Departmental revenue is overstated

Laws, rules and regulations

a) In terms of the Public Finance Management Act, Section 40(1).

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

1. *must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;*
2. *must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”*

b) In terms of Treasury Regulation Part 4 – Revenue and Expenditure Management paragraph 7.2 Responsibility for revenue management which states that:

*“7.2.1 The accounting officer of an institution must manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for the identification, collection, recording, reconciliation and safeguard of information about revenue.”*

The following deviation was noted

The amount disclosed for department revenue – Commission insurance of R1 091 563.92 included both DPW and PMTE officials.

Impact of the finding:

1. Non-compliance with Public Finance Management Act, Section 40(1)(a) and (b).
2. Non-compliance with Treasury Regulation Part 4 – Revenue and Expenditure Management paragraph 7.2
3. Overstatement of the departmental revenue.

**Internal control deficiency**

Reason for the deviation:

The financial statements were not appropriately reviewed against the supporting documentation prior to the submission for auditing.

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

**Financial and Performance Management**

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

**Recommendation**

The financial statements should be appropriately reviewed against the supporting documentation prior to the submission for auditing.

**Management response**

The finding is acknowledged. It is notable that the revenue is systematically calculated, consequently cannot be matched to Persal numbers to split between DPW and the PMTE; as the deductions are implemented by the third parties having access to the system through Persal. It should however be noted that going forward the finding will be resolved as the PMTE will be processing employee cost on a separate Persal system.

*Position: Acting Director*

*Date: 14-07-2017*

**Auditor’s conclusion**

Management agrees with the finding and the finding has been included in the overs and under.

**Contingent Liabilities – The amount disclosed for the claim differs with the confirmation received.**

Laws, rules and regulations

In terms of the Modified Cash Standard: Provisions and other liabilities

*“5(b) Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to leave entitlements). Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions”.*

**Measurement of provisions**

**Best estimate**

*“25 The amount disclosed as a provision shall be the best estimate of the funds required to settle the present obligation at the reporting date. The time value of money is ignored where the obligation will be settled some-time after the reporting date”.*

*“48 A department shall disclose the value of each major class of provisions for employee benefits as at the reporting date”.*

The amount disclosed for the contingent liabilities – claims against the department differs to the confirmation received from state attorney’s office.

|  |  |  |
| --- | --- | --- |
| **Amount disclosed in the AFS** | **Amount from the confirmation** | **Difference** |
| 10 000,00 | 874 000,00 | 864 000,00 |

Impact of the finding:

a) Non-compliance with Modified Cash Standard and Accounting Manual for Department.

b) Contingent liability disclosure note is misstated in the annual financial statements.

**Internal control deficiency**

Reason for the deviation:

The department did not agree the amount disclosed for claims against the department with the state attorneys from the Department of Justice.

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

**Financial and Performance Management**

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

**Recommendation**

The department should obtain confirmation the state attorneys before the claims against department amount is disclosed in the annual financial statements disclosure note.

**Management response**

I am in with the finding:

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken | Contingent liabilities note was corrected to reflect the correct amount as per confirmation | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
| X |  | |
| If yes, what corrections will be made to the population | Yes | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | Not applicable | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | Not applicable | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | |  |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | Not applicable | | |
| Position of official responsible to take corrective actions | Acting Director: Finance | | |
| Estimated completion date for corrective action | 28 July 2017 | | |

|  |  |  |
| --- | --- | --- |
| **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. | Not applicable | |

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

*Name:* L Ledwaba

*Position: Acting Director: Finance*

*Date: 28 July 2017*

**Auditor’s conclusion**

Management agrees with the finding and inspected the adjusted financial statement and noted that the necessary adjustment was made to the note.

M

**Annexure D: Performance management and reporting framework**

The Performance Management and Reporting Framework (PMRF) consists of the following:

* Legislation applicable to performance planning, management and reporting, which includes the following:
  + Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)
  + Treasury Regulations, 2005 issued in terms of the PFMA
  + *National treasury practice note 4* of 2009-10
  + Public Service Regulations, 2001 issued in terms of the Public Service Act
* The Framework for Managing Programme Performance Information (FMPPI), issued by the National Treasury. This framework is applicable to all spheres of government.
* The Framework for Strategic Plans and Annual Performance Plans (FSAPP), issued by the National Treasury. This framework is applicable to all national and provincial departments, constitutional institutions and those public entities listed in parts A and C of schedule 3 of the PFMA.
* Circulars and guidance issued by the National Treasury and Department of Planning Monitoring and Evaluation regarding the planning, management, monitoring and reporting of performance against predetermined objectives.

## Annexure D – Criteria developed from the performance management and reporting framework

| **CRITERIA** | **REFERENCES TO THE PMRF PER TYPE OF ENTITY** | | |
| --- | --- | --- | --- |
| **Departments / constitutional institutions / trading entities** | **Public entities** | **Parliament / provincial legislatures** |
| **Consistency: Objectives, performance measures / indicators and targets are consistent between planning and reporting documents** | | | |
| 1. Reported strategic or development objectives are consistent or complete when compared to planned objectives | Section 40(3)(a) of the PFMA  TR 5.2.4 | Section 55(2)(a) of the PFMA TR 28.2.2  TR 30.1.3(g) | Section 55(3)(d) of the FMPPLA |
| 1. Changes to strategic or development objectives are approved | TR 5.1.1  Chapter 4.1 of the FSAPP | Applicable to schedule 3A & 3C public entities:  TR 30.1.1  Chapter 4.1 of the FSAPP  Applicable to schedule 2, 3B & 3D public entities:  TR 29.1.1  TR 29.2 | Section 15(2)(b) of the FMPPLA |
| 1. Reported measures or indicators are consistent or complete when compared to planned measures or indicators | Section 40(3)(a) of the PFMA  TR 5.2.4 | Section 55(2)(a) of the PFMA  TR 28.2.2  TR 30.1.3(g) | Section 55(3)(d) of the FMPPLA |
| 1. Changes to measures or indicators are approved | TR 5.1.1 | TR 30.1.1 | Section 15(2)(b) of the FMPPLA |
| 1. Reported targets are consistent or complete when compared to planned targets | Section 40(3)(a) of the PFMA  TR 5.2.4 | Section 55(2)(a) of the PFMA  TR 28.2.2  TR 30.1.3(g) | Section 55(3) of the FMPPLA |
| 1. Changes to targets are approved | TR 5.1.1 | TR 30.1.1 | Section 15(2)(b) of the FMPPLA |
| **Measurability: Performance measures / indicators are well defined and verifiable, and targets are specific, measurable and time bound** | | | |
| 1. A performance measure or indicator is well defined when it has a clear definition so that data will be collected consistently and is easy to understand and use | Chapter 3.2 of the FMPPI issued by the NT | | |
| 1. A performance measure / indicator is verifiable when it is possible to validate or verify the processes and systems that produce the indicator | Chapter 3.2 of the FMPPI issued by the NT | | |
| 1. A target is specific when the nature and the required level of performance of the target are clearly identifiable | Chapter 3.2 of the FMPPI issued by the NT | | |
| 1. A target is measurable when the required performance can be measured | Chapter 3.2 of the FMPPI issued by the NT | | |
| 1. A target is time bound when the time frames for the achievement of the target are indicated | Chapter 3.2 of the FMPPI issued by the NT | | |
| **Relevance: Performance measures / indicators relate logically and directly to an aspect of the entity’s mandate and the realisation of its strategic goals and objectives** | | | |
| 1. The performance measure / indicator and target relate logically and directly to an aspect of the entity’s mandate and the realisation of its strategic goals and objectives | Chapters 3.2 and 4 of the FMPPI issued by the NT | | |
| **Presentation and disclosure: Performance information in the annual performance report is presented and disclosed in accordance with the requirements contained in legislation, frameworks, circulars and guidance** | | | |
| 1. Reasons for variances between planned and actual performance are disclosed | The NT’s annual report guide for the presentation of the annual report | Applicable to schedule 3A & 3C public entities:  The NT’s annual report guide for the presentation of the annual report | Criteria not applicable |
| 1. Reasons for variances are supported by corroborating source documentation | The NT’s annual report guide for the presentation of the annual report  Chapter 3 of the FMPPI issued by the NT | Applicable to schedule 3A & 3C public entities:  The NT’s annual report guide for the presentation of the annual report  Chapter 3 of the FMPPI issued by the NT | Criteria not applicable |
| **Reliability: Recording, measuring, collating, preparing and presenting information on actual performance / target achievements that is valid, accurate and complete** | | | |
| 1. Reported performance occurred and pertains to the reporting entity | Section 40(3)(a) of the PFMA  Chapter 3 of the FMPPI issued by the NT | Section 55(2)(a) of the PFMA  Chapter 3 of the FMPPI issued by the NT | Section 55 of the FMPPLA  Chapter 3 of the FMPPI issued by the NT |
| 1. Reported performance is recorded and reported accurately |
| 1. All actual performance is recorded and included in the reported performance information |

**Annexure E: Auditor-general’s responsibility for the audit of the reported performance information**

1. As part of my engagement conducted in accordance with ISAE 3000, I exercise professional judgement and maintain professional scepticism throughout my reasonable assurance engagement on reported performance information for selected programmes.
2. I am independent of the department in accordance with the International Ethics Standards Board for Accountants’ *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

### Quality control relating to assurance engagements

1. In accordance with the International Standard on Quality Control 1, the Auditor-General of South Africa maintains a comprehensive system of quality control that includes documented policies and procedures on compliance with ethical requirements and professional standards.

### Reported performance information

#### (Reasonable assurance engagement)

1. In addition to my responsibility for the assurance engagement on reported performance information as described in the auditor’s report, I also:

* identify and assess risks of material misstatement of the reported performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. In making those risk assessments, I consider internal control relevant to the management and reporting of performance information per selected programme in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department’s internal control.
* evaluate the documentation maintained by the department that supports the generation, collation, aggregation, monitoring and reporting of performance indicators and their related targets for the selected programmes.
* evaluate and test the usefulness of planned and reported performance information, including presentation in the annual performance report, its consistency with the approved performance planning documents of the department and whether the indicators and related targets were measurable and relevant.
* evaluate and test the reliability of information on performance achievement to determine whether it is valid, accurate and complete.

### Communication with those charged with governance

1. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

**Annexure F: Assessment of internal controls**

Below is our assessment of implementing the drivers of internal control based on significant deficiencies identified during our audit of the financial statements, the [annual performance report/insert name of performance report] and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented. These either had caused, or could cause, the financial statements or the annual performance report to be materially misstated, and material instances of non-compliance with legislation to occur.

The internal controls were assessed as follows:

|  |  |
| --- | --- |
|  | The required preventative or detective controls were in place. |
|  | Progress was made on implementing preventative or detective controls, but improvement is still required, or actions taken were not or have not been sustainable. |
|  | Internal controls were either not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls. |

The movement in the status of the drivers from the previous year-end to the current year-end is indicated collectively for each of the three audit dimensions under the three fundamentals of internal control. The movement is assessed as follows:

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

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