**DRAFT FINAL MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**31 MARCH 2018**

**Communicated to the accounting officer on: 24 July 2018**

**MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**31 MARCH 2018**

**Discussed with the accounting officer on: 16 July 2018**

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

**INTRODUCTION**

1. The purpose of the management report is to communicate audit findings and other key audit observations to the accounting officer and the report 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 2018.
2. These findings were communicated to management and this 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 an opinion 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 remain 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 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
* Root causes to be addressed

Movement from the previous year is depicted as follows:

 / Improved

 / Unchanged / slight improvement / slight regression

 / Regressed

Stagnation in audit outcomes

Types of audit outcomes

Unqualified with findings

Qualified with findings

Adverse with findings

Disclaimed with findings

Unqualified with no findings

**2017-18**

**2016-17**

**2015-16**

Lack of consequences for poor performance and transgressions

Instability or vacancies in key positions and or support staff positions

Slow response by management

Root causes should be addressed

Internal audit

Audit committee

Executive authority

Accounting officer

Second level of assurance

Senior management

First level of assurance

Assurance levels









Vacant/not established

Provides assurance

Provides some assurance

Provides limited/no assurance

**2**

**1**

**To improve 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**

**.**



Proper record keeping

Processing and reconciling control

Regular reporting

Compliance monitoring

IT system controls

Risk management

Internal audit

Audit committee

Status of drivers of internal controls

**Leadership**

Effective leadership culture

Oversight responsibility

HR Management

Policies and procedures

Audit action plans

IT Governance

**Financial and performance management**

**Governance**

Risk areas



**Quality of submitted financial statement**

**Financial**

**health**

**Human**

**resource management**

**Information technology**

**Supply**

**chain management**

**Quality of submitted performance information**







**OVERALL MESSAGE**

1. The audit outcome of the department has remained unchanged over the three-year period, with the department obtaining an unqualified audit outcome with findings in other areas in 2017-18. The main obstacle preventing the department from obtaining a clean audit outcome remains the quality of submitted performance information.
2. During the audit of performance information, key findings similar to the prior year were identified, where reported achievements were not adequately supported by valid and complete source information. The entity must implement proper record keeping ensuring that the relevant information is accessible which supports the reported performance.
3. Instances of irregular expenditure were identified during the audit which were not included in the irregular expenditure register.
4. The assurance provided by the key role players at the department is adequate, however there still remains room for improvement, especially with respect to performance reporting and monitoring of compliance. In addition, focus should be placed on continuing to strengthen internal controls as well as financial and compliance management practices.

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

1. During the audit cycle, we met with the following key stakeholders responsible for oversight and governance to communicate matters relating to the audit outcome and matters identified during our status of records review/s of the Department of Public Works:

| **Key stakeholder** | **Purpose of interaction** | **Number of interactions** |
| --- | --- | --- |
| Portfolio committee on Public Works | * + Budgetary review and recommendations report – 2016/17 Audit Outcomes and key messages   + Presentation of Action Plans by the Department   + Review of Annual Performance Plan 2018/19 | 3 |
| Chairperson of the portfolio committee on Public Works | * + Introductory meeting – Quarterly briefing   + Letter to the chairperson – Delay in submission of PMTE Annual Financial Statements (31 March 2018) | 2 |
| Minister of Public Works | A letter has been sent to the Minister on the audit progress of the public works portfolio, as we have been unable to confirm a meeting date. |  |
| Director-General | * + Detail discussion on quarterly Status of Records review and presentation of engagement letter and audit Strategy   + Audit progress of the Public works portfolio | 2 |
| Audit committee | * + Presentation of quarterly status of Records Review   + Presenting the engagement letter and audit strategy   + Approval of the Department’s Annual Financial Statements | 3 |

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

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

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**

**AUDIT OF THE FINANCIAL STATEMENTS**

1. We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the department’s system of internal control.

| **Material misstatement** | | | **Impact**  **R**  current year | **Impact**  **R**  prior year |
| --- | --- | --- | --- | --- |
| **Financial statement item** | **Finding** | **Occurred in prior year**  (Insert Yes/No) |
| **Material misstatements corrected** | | | | |
|  |  |  |  |  |
| Disclosure |  |  |  |  |
| Irregular Expenditure | SCM processes were not adequately followed when requesting the appointment of advocates to represent the department in legal matters. | No | 12 606 297 | nil |

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

Emphasis of matter paragraphs

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

**Material losses/impairments – receivables**

1. As disclosed in note 12.5 to the financial statements, material impairments to the amount of R59 183 000 were provided for as a result of irrecoverable receivables.

Other matter paragraphs

1. 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:

**Unaudited supplementary schedules**

1. 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

**AUDIT OF THE ANNUAL PERFORMANCE REPORT**

1. 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**

1. 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 2018:

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

1. 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.*
2. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

**Programme 3 – Expanded Public Works Programme**

**Qualified opinion**

1. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the reported performance information for Programme 3 – Expanded Public Works Programme is useful and reliable in accordance with the applicable criteria as developed from the performance management and reporting framework set out in annexure D to this report.

**Basis for Qualified opinion**

**Various indicators**

1. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided that the achievements of these indicators were as follows:

|  |  |  |
| --- | --- | --- |
| **Indicator description** | **Reported Achievement** | **Audited Value** |
| Number of work opportunities reported in the EPWP-RS by public bodies | 900 234 WO reported in the EPWP-RS by public bodies. (Cumulative) | 1 117 272 WO reported in the EPWP-RS by public bodies. (Cumulative) |
| Percentage EPWP participation among designated groups (women, youth and persons with disability) reported on the EPWP-RS by public bodies | 66.5% women (598 656 Work opportunities) | 71.6% women (799 717 Work opportunities) |

**Programme 4 – Property and Construction Industry Policy and Research**

**Opinion**

1. 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 to this report

**Programme 5 – Prestige Policy**

**Disclaimer of opinion**

1. I do not express an opinion 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 disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion on the reported performance information of the programme.

**Basis for Disclaimer of opinion**

Indicator 2: Average number of working days taken to resolve mechanical breakdown after logging a complaint.

1. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target number of working days taken to resolve mechanical breakdown after logging a complaint. This was due to limitation 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 achievements of 440 (Pretoria) and Cape Town (680: Residence and Parliamentary village and 3 573: Offices) mechanical breakdown.

Indicator 3: Average number of working days taken to resolve emergency breakdown after logging a complaint.

1. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target number of working days taken to resolve emergency breakdown after logging a 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 achievements of 6 372 (Pretoria) and Cape Town (675: Residence and Parliamentary village and 1 113: Offices) emergency breakdown.

Indicator 4: Number of planned state events supported with movable structures.

1. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target number of planned state events supported with movable structures. This was due to limitation 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 8 state events.

Indicator 5: Average number of working days taken to provide furniture to prestige clients.

1. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target number of working days taken to provide furniture to prestige clients. This was due to limitation 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 achievements.

**Other** **matter**

1. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Achievement of planned targets

1. 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 qualified opinion expressed on the usefulness and reliability of the reported performance information in paragraph(s) [x; x; x] of this report.

**Responsibilities of** **the party responsible for the annual performance report the reported performance information**

1. 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 to this report and for such internal control as the accounting officerdetermines is necessary to enable the preparation of performance information that is free from material misstatement in terms of its usefulness and reliability.

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

1. Our 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 a management report that includes our opinions. Reasonable assurance is a high level of assurance, but 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.
2. Our procedures address the reported performance information, which must be based on the approved performance planning documents of the department. We have not evaluated the appropriateness of the performance indicators established and included in the planning documents. Our 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, our opinion does not extend to these matters.
3. A further description of my responsibilities for the reasonable assurance engagement on reported performance information is included in annexure E to this report.

**AUDIT OF COMPLIANCE WITH LEGISLATION**

1. Included below is the material finding on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

**Procurement and Contract Management**

1. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1.

**OTHER INFORMATION**

1. The department and accounting officer is responsible for the other information. The other information comprises the information included in the annual 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.
2. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
3. In connection with our audit, our 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 we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. I have nothing to report in this regard.

**INTERNAL CONTROLS**

1. 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, are 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**

1. 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 depending on their complexities.
2. We have noted from our review of the work of internal audit that management has, in some instances, been slow to respond to the findings of internal audit. Addressing these findings will strengthen the control environment in the department, and embed a culture of compliance within all officials.
3. 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**

1. 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, but some instances of non-compliance were noted in the current year.
2. 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**

1. The department did not hold performance management and reporting staff accountable for shortcomings identified during the internal and external audit processes.
2. The department has finalised updating the organisational structure in line with the restructuring that took place between the department and PMTE, which amongst others includes the approval of the new Programme budget structure. A migration framework was also developed and was implemented from 01 April 2017, which resulted in an overall vacancy rate of 27%. Furthermore, we noted that posts are vacant for more than 12 months.

**Policies and procedures**

1. Management should ensure that policies and procedures are reviewed and updated on regular basis to keep policies relevant. This was highlighted to management as an internal control issue.

**Action plans to address internal control deficiencies**

1. 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 2016/17 were addressed and we also noted that management did not monitor adherence to the plan in a timely manner. This is especially evident in performance information where action plans have not been implemented.

**Financial and performance management**

**Proper record keeping**

1. 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.
2. The entity did not have sufficient schedules supporting actual performance relating to Programme 5: Prestige Policy.
3. We were also unable to obtain sufficient supporting documentation to substantiate the creation of work opportunities reported for a significant number of projects included Programme 3: EPWP. This includes reliable supporting evidence, such as identity documents, attendance registers and proof of payment.
4. These resulted in the negative audit outcomes for Programme 3 and 5.

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

1. 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**

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

**Compliance monitoring**

1. Some instances of non-compliance have been identified in the current audit cycle, resulting in irregular expenditure. Management should ensure that the recommendations from pre-audits done by Inspectorate and Compliance unit on awards are implemented effectively.

**Information technology systems**

1. Non-compliance to the patch management policy was noted, and management was not performing regular risk assessments, resulted in security updates not being timeously applied, and unsupported software being utilised on various systems
2. Weak configurations were attributed to information security hardening standards not being adequately documented in policies, standards and procedures to ensure the secure configuration of servers.
3. Lack of management oversight to ensure that user access controls are adequately designed and implemented on EPWP, LOGIS, BAS and PERSAL systems.
4. Lack of management oversight to ensure that backup and disaster recovery processes are adequate.

**Governance**

**Internal audit**

1. Discussions have been held with internal audit around whether the work performed by the unit can be utilised by the external audit. In the current audit cycle, the reports of internal audit were analysed for risk assessment purposes.

**Audit committee**

1. The audit committee functions throughout the year and meets on a regular basis. The committee scrutinizes the annual financial statements and annual report and provide management with meaningful inputs and recommendations. The audit committee reviews and approves the internal audit plan and internal audit reports.

**Summary**

1. The matters above, as they relate to the findings on the annual performance report and findings on compliance with legislation, will be summarised in the auditor’s report as follows:

**Leadership**

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

**Financial and Performance Management**

1. Regular, accurate and complete performance reports were not always supported and evidenced by reliable information.
2. Some instances of non-compliance have been identified in the current audit cycle, resulting in irregular expenditure. Management should ensure that the recommendations from pre-audits done by Inspectorate and Compliance unit on awards are implemented effectively.

**OTHER REPORTS**

1. We draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the department’s financial statements, reported performance information and compliance with applicable legislation and other related matters. The reports noted do not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation. The summarised other reports will be included in the auditor’s report as follows:

**Investigations**

1. 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**

**Assessment of assurance providers**

1. The annual report is used to report on the financial position of auditees, their performance against predetermined objectives and overall governance. 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.
2. Our reporting and the oversight processes reflect on past events, as it takes place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.
3. 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.

Senior management: provides some assurance

* 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.

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, which contributed to the recurrence of the negative audit outcomes on performance information.

Executive authority: provides some assurance

* The Expanded Public Works Programme is a key focus area for the department and government as a whole. The interventions put in place did not have the desired impact in the current financial period. There was a change in minister during the course of the financial period and thus new initiatives will be assessed in the next financial period.

Internal audit: provides assurance

* Legislation in South Africa requires the establishment, roles and responsibilities of internal audit units. 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 the department prepared a risk-based audit plan and internal audit programme for the financial year. The unit reports to the audit committee on the implementation of the internal audit plan and matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management, performance management, loss control and compliance with the PFMA. The internal audit is responsible for normal internal audits in terms of their internal audit charter.

Audit committee: provides assurance

* The audit committee met regularly throughout the year. The committee reviewed and approved the annual financial statements and annual report before submission. The audit committee also follows up with management on the implementation of internal and external audit recommendations.

**Status of implementing commitments and recommendations**

1. 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** | **31 March 2018 status** |
| --- | --- | --- | --- | --- | --- |
|  | **Predetermined Objectives** -Reported achievement not supported by sufficient evidence  (1) Documentation will be verified before being submitted for Annual report.  (2) Information to be verified quarterly by an assigned official.  (3) The Annual Audit results for 2016/17 pertaining poor record management will be communicated to Accounting Officers.  (4) Develop a business process flow management template and checklist for filing of documents of performance data captured in the EPWP Reporting System and monitored. | Mr. S. Henderson(DDG:EPWP) | 01/02/2018 | Partially resolved:  (1) Performance information for quarter 1 was verified before being submitted to M & E for storage for considering in annual report for performance information.    (2) Annual Audit results for 2016/17 pertaining poor records management in respect of the EPWP were communicated at all the EPWP coordination meetings such as National, Provincial, Sector and District Steering Committees during the first (1st Qtr 2017/18) financial year. | The same finding was raised for Programme 5 which resulted in a adverse opinion.  Not resolved |
|  | **Transfers and Subsidies -**  (1) EPWP grants are not effectively monitored: One Audit planned in collaboration with Internal Audit to check on projects in addition to the 700 site visits. | Mr. S. Henderson(DDG:EPWP) | 01/02/2018 | Partially resolved:  (1) One Audit planned in collaboration with Internal Audit to check on projects in addition to the 700 site visits. | Management commented that letters will be written to the relevant accounting officers on non-compliant grant-funded projects identified in site visit reports during each month.  The above will start at the end of February for 2017/18 site visits.  In a new financial year, the above process will be implemented only after the first tranche has been paid.  Intervention register  An intervention register for technical support by all sectors will be developed by 23 February 2018.  Implementation of this register will be piloted in the remainder of the 2017/18 financial year.  Internal audit on the EPWP Integrated Grants for Provinces and Municipalities was completed and the results discussed with the DDG.  Partly resolved |
|  | **Transfers and Subsidies** -  EPWP Expenditure Reports submitted by Public bodies do not indicate what the funds were used for:  (1)The EPWP Integrated Grant template will be modified to show bring down of expenditure on different items. | Mr. S. Henderson(DDG:EPWP) | 01/11/2018 | Partially resolved: (1) Consultations with the EPWP Finance unit are underway to update template. Meeting has being scheduled for 6 December 2017 with NT | Management commented as per the recommendation, National Treasury will be engaged to formalise an agreement on the modification of the template.  Partly resolved |
|  | **Predetermined objectives -**  Errors on beneficiary reported on EPWP systems for quarter 4 – ending 31 March 2017  (1) The existing validation procedures external to the EPWP-RS and prior to the publication of data has been revised to detect quality issues more effectively.  (2) Quarterly performance data will be submitted to Internal Audit for further verifications.  (3) The department will continue with the verifications with the Department of Home Affairs on the ID numbers on a quarterly basis. | Mr. S. Henderson(DDG:EPWP) | 30/09/2017 | Partially resolved:  (1) All actions have been implemented. Instructions were received on future submission of data to Internal Audit. Convergence has requested the various exception reports from EPWP M&E unit. | AGSA - Value add finding – will not be reported in the Annexure. This is for information purposes only  Management commented that all validation processes external to the EPWP RS will be described and POE will be given that these processes are implemented.  A report that shows work opportunities not reported in a specified quarter due to wage limits will be developed.  Partly resolved |
|  | **Predetermined objectives:**  EPWP the projects were not reported on the EPWP reporting system  (1) Technical Support to be provided to public bodies to ensure that there is proper reporting of all projects.  (2) Convene monthly meetings on verification of projects reported in the EPWP RS vs planned project list template and follow up for alignment.  (3) Conduct ad hoc project site verification visits. | Mr. S. Henderson(DDG:EPWP) | 01/02/2018 | Partially resolved:  (1) Technical support provided to 99 public bodies out 290 targeted.  (2) Project list template was reviewed and work shopped among sector implementing public bodies in the first (1st Qtr 2017/18) in all nine provinces.  (3) Of the 684 planned provincial projects for the Social and Environment and Culture Sectors in 2017/18 financial year, 559 have been captured on the EPWP-RS. 221(181 from Infrastructure Sector and 40 from Social and Environment and Culture Sectors) Public bodies have being provided with Technical Support by end of Q2 | Not resolved as the same finding was raised in the current year |
|  | **Predetermined objectives -**  EPWP beneficiaries were not reported on the EPWP Fourth quarter data.  (1)Conduct projects site verification visits to ensure EPWP adherence. | Mr. S. Henderson (DDG:EPWP) | Quarterly | Partially resolved:  (1)Sixty seven (67) projects visited during the 1st Quarter 2017/18 and technical support provided to ensure compliance to the Ministerial Determination on records keeping, records management and reporting. 531 site visits have been conducted across the 4 sectors of EPWP. | Not resolved as the same finding was raised in the current year |
|  | **Predetermined objectives** -  EPWP beneficiaries were duplicated on the EPWP reporting system.  (1) The projects financial years reported in the EPWP- RS will always have different financial years due to the different spheres of government.  (2) Projects can cross financial years.  (3) The person days are counted afresh from the 1st April of each financial year for the same work opportunity. No action required.  (4) To request the EPWP M&E unit to write a circular to the reporting public bodies about the registration of projects and ensuring that employment contracts are signed for each financial year of reporting. | Mr. S. Henderson (DDG:EPWP) | 30/01/2018 | Partially resolved:  (1) Circular in this regard is in place. Public bodies are advised to close-out projects at the end of the financial year. | Management commented that the circular on multi-year project will be revised, as per IA’s recommendation. (It will indicate that new contracts should be signed in line with the new municipal financial year as evidence that the project is not a duplication of the project that would have been reported in the previous financial year.)  The EPWP RS manual will be revised to reflect the content of the circular above.  Resolved as no same finding was raised during the current year |
|  | **Predetermined objectives** - EPWP Non submission of ID copies, attendance registers and proof of payment  (1) The EPWP branch will monitor public bodies to ensure that files for projects are well maintained.  (2) Seven hundred (700) site visits to be done on a sample basis to ensure compliance with proper record keeping.  (3) Develop project site verification annual plans. | Mr. S. Henderson (DDG:EPWP) | 01/02/2018 | Partially resolved:  (1) One hundred and two (102) Site visits conducted to verify project information.  (2) Sixty seven (67) projects visited by the Environment & Culture and Social Sectors during the 1st Qtr 2017/18. 531 site visits have been conducted across the 4 sectors of EPWP. | Not resolved as the same finding was raised in the current year for the non-submission of attendance registers and proof of payments.  Resolved the non-submission of identification documents because this is done through the Home Affairs website |
|  | **Predetermined objectives**: EPWP beneficiaries listed on the EPWP reporting system list not employed on the project.  (1) Engagements will be held with public bodies to ensure that participants are loaded onto the reporting system while implementing projects.  (2) 700 site visits to be made to compare participants on site against those on the system.  (3) Convene monthly management meetings on verification of projects reported in the EPWP RS vs planned project list template and follow up for alignment for the Sectors.  (4) Conduct ad hoc project site verification visits | Mr. S. Henderson (DDG:EPWP) | 01/02/2018 | Partly resolved:  (1) One hundred and two (102) Site visits conducted to verify project information.  (2) Project list template was reviewed and work shopped among sector implementing public bodies in the first (1st Qtr 2017/18) in all nine provinces.  (3) Of the 694 planned provincial projects in 2017/18 financial year, 569 have been captured on EPWP-RS by the Sectors. 531 site visits have been conducted across the 4 sectors of EPWP | Not resolved as the same finding was raised in the current year |
|  | **Goods and Services -**  Payments made after 30 days from the receipts of the invoice (1)R egular monitoring to be implemented to ensure payments are made within 30 days from invoices  (2) Corrective action to be taken to address the control weakness.  (3)Employees contributing to late payments to be reported to management for disciplinary actions to be taken against them. | Ms R. Sadiki (DDG: Finance & SCM) | 30/01/2018 | Partly resolved:  (1)Between April and July, 92% were paid within 30 days | Management commented that the 30 days report is now being sent to Heads of Branches to prepare a response to the EXCO regarding payments outstanding for more than 30 days. The 30 days report from branches is now an item for the EXCO, and therefore we expect progress. |
|  | **Key Management Personnel -**  Disclosure note is not correctly calculated  (1)Adequate review by both Human Resources Directorate and Finance Directorate of supporting schedules used in preparation of Key Management Disclosure note to ensure accurate and complete information disclosed. | Ms R. Sadiki (DDG: Finance & SCM) | 01/02/2018 | Partly resolved:  (1)Key Management Personnel disclosure was review during the preparation of the first quarter interim financial statements preparations | Resolved, The Note was signed off as reviewed on the 31 March 2018 AFS documents submitted |
|  | **Contingent Liabilities -**  Amount disclosed differs with confirmation from State Attorneys  State Attorney confirmation will be obtained before the disclosure of the claims against the Department in the annual financial statements disclosure note. | Ms R. Sadiki (DDG: Finance & SCM) | 01/02/2018 | Resolved:  (1) No new claims against the State reported to date | Resolved, no new claims against the State reported to date. 0 amount recorded in the AFS |
|  | **Predetermined Objectives** Inconsistencies were noted between the performance indicators included in the approved Annual Performance Plan and Annual Performance Report.  (1)Quarterly review of reported performance in accordance with the APP to be monitored;  (2)Deviations to be corrected when identified and line functions to be advised accordingly | Mr. I. Fazel(DDG:GRC) | 31/03/2018 | Partially resolved:  (1)The Performance Reporting template has been assessed and the current KPIs are aligned to the APP. The verified performance Reports confirm this alignment  (2)The M&E will continue to monitor this quarterly to ensure consistency each quarter till Annual Report | Resolved, no finding was raised |
|  | **Predetermined objectives (2017-18 APP)** – Not all the targets from MTSF were included in the APP  (1) The DPME as the responsible custodians of the MTSF did not consult with sector Departments when amending the MTSF Chapter 4.  (2) Furthermore, this KPI is a repetition of KPI 1 which is reporting the same WOs in an aggregated form.  (3) Although the Department does not agree that this should be an additional KPI (both in the MTSF Chapter 4 and in the APP), it has been included into the 2017/18 APP for compliance. | Mr. I. Fazel (DDG:GRC) | 01/03/2018 | Resolved Completed:  (1)The KPI was included in the 2017/18 APP. | Resolved, no same finding was raised |
|  | **Predetermined Objectives -** Reported targets not consistent when compared with planned targets  (1) Quarterly review of reported performance in accordance with the APP will be monitored and deviations will be corrected when identified and line functions will be advised accordingly | Mr. I. Fazel (DDG:GRC) | 31/03/2018 | Partially resolved:  (1) The finding will be monitored quarterly  (2) The Performance Reporting template has been assessed and the current targets are aligned to the APP. The verified performance Reports confirm this alignment  (3) The M&E will continue to monitor this quarterly to ensure consistency each quarter till Annual Report | Resolved, no same finding was raised |
|  | **Procurement and Contract Management**: -  SMS members did not declare their interest  (1) SMS Disclosures submitted to Public Service Commission for verification (2016/2017) SMS non-disclosure of companies as per AG Findings.  (2) Non-disclosure forwarded for investigation by Anti-Fraud and Corruption.  (3) Disciplinary action to be taken after outcome of investigation.  (4) E-disclosure porthole by DPSA to very financial disclosures against CIPC Communique to be send out to all SMS to submit Financial disclosures through the e-disclosure porthole, action to be taken for non-disclosure and explanation of what must be declared. | Ms T. Hlatshwayo (DDG:CS) | 31/12/2018  31/01/2018  31/03/2018 | Partially resolved:  (1) Communique was circulated on 27 March 2017 and reminders on 4 April 2017, 11 April 2017, 18 April 2017 and 25 April 2017 as well as personal follow-ups to ensure 100% compliance.  (2) Disclosures were submitted to the Public Service Commission before 31 May 2017.  (3) SMS and below staff identified by AG was forwarded for investigation on 13 July 2017 to Fraud and Anti-Corruption Unit.  (4) The current e-disclosure porthole is being amended to allow Departments to do checks against CIPC, DEEDS and E-natis.  (5) The amendments are due to come into effect on the 1 October 2017 and the amendments to the disclosure porthole will allow the Department to verify against CIPC. | Not resolved, the same finding was raised  In terms of Regulation 21 of the Public Service regulations, 2016 the Public Service Commission investigates SMS and then provide report to the EA of the outcome |
|  | **Procurement and Contract Management**: No approval obtained for remunerative work  (1)A remunerative work circular issued quarterly to ensure compliance with new categories identified by the MPSA for submission of financial disclosure of all interest by the designated groups to be verified against CIPC, DEEDS and E-Natis.  (2) Cases of non-disclosure to be forwarded for investigation and disciplinary action to be taken in line with the recommendations of the relevant Directives. | Ms T. Hlatshwayo(DDG:CS) | 31/03/2018 | Partially resolved:  (1) Remunerative work circular compiled and will be circulated before end of second quarter.  (2) Regular reminders have been forwarded in terms of the new categories for disclosure of Interest.  (3) Posters have been placed in the lifts.  (4) 6 Sessions at Head Office and 2 in the Regions have been held to assist employees with disclosures.  (5) Heads of HR in the Regions were trained on the financial disclosure.  (6) Employees are also being assisted individually. | Not resolved, the same finding was raised |
|  | **Human Resource Management -**Payroll certificates not certified and returned timeously  (1) Investigate the possibility of printing payroll certificates in Regions.  (2) Implement Payroll Delivery Registers to Regions.  (3) Enhance the current Payroll Register to Units. Possibly confirmation of Payroll Certificates in line with Treasury Regulations to be transferred to Heads of HR in the Regions. | Ms T. Hlatshwayo(DDG:CS) | 30/04/2018  30/09/2017  30/04/2018 | Partially resolved:  (1) Investigation completed only 5 printing stations available: Pretoria, Bloemfontein, Pietermaritzburg, Bisho and Cape Town therefore will not assist the process at the moment. Payroll Delivery Register to Regional Offices have been compiled.  (2) Currently Payroll Register to Units was amended to include follow-up to Units to ensure timeous submission.  (3) The possibility of management of the confirmation of Payroll Certificates in line with Treasury Regulations to be transferred to Heads of HR in the Regions is being investigated. | Not resolved, the same finding was raised |
|  | **Human Resource Management**  Leave forms not captured timeously  (1)Reminders to all staff on timeous submission of leave forms every month.  (2) HR to reconcile leave received with leave captured Heads of Units informed of late submission of leave forms.  (3) Quarterly reports on late submission to CD: HRM.  (4) Quarterly reports on late submission to CD: HRM. | Ms T. Hlatshwayo(DDG:CS) | 15th monthly  30/09/2018  30/09/2018 | Partially Resolved:  (1) Communique was circulated on 30 May 2017 for the quarterly ending 30 June 2017. The communique will no longer be send per quarter but every month.  (2) The reconciliation of leave received will be in place by 30 September 2017.  (3) The leave liability for Quarter 1 was submitted to Finance in line with the quarterly reminder. | Not resolved, the same finding was raised |
|  | **Human Resource Management:** Management of vacancy rates  (1)The implementation of the organisational structures for PMTE and DPW (matching and placing).  (2) Allocation of sufficient compensation budget to fill vacant positions.  (3) Activation on the Persal establishment of funded vacant positions for immediate advertising and filling. | Ms T. Hlatshwayo(DDG:CS) | 31/03/2018 | Partially Resolved:  (1) The approved organisational structures for PMTE and DPW are being implemented with effect from 1 April 2017.  (2) Consultation on the migration framework has concluded and to be signed-off by 18 August 2017. Email requesting Branches to identify and submit priority positions for advertising and filling issued.  (3) Circular informing employees on the advertisement of positions issued 04 August 2017.  (4) Bilateral engagements with Labour resolved that matching and placement at salary levels 14 and below should proceed.  (5) Submission to approve the matching and placement at salary level 14 and below on route for approval by the Director-General. | Not resolved, the same finding was raised |
|  | **Human Resource Management** - Performance agreement deviations  (1) Send reminders to all SMS members to submit signed PA’s timeously.  (2) Institute disciplinary action against members who do not comply with the SMS Handbook and the DPSA instructions.  (3) Recommend members who do not comply with the SMS Handbook and DPSA instructions to not be considered to receive performance related incentives. | Ms T. Hlatshwayo(DDG:CS) | 31/03/2018 | Partially resolved:  (1)The Human Resource section did exercise oversight responsibility in ensuring that performance Agreements are submitted and signed timeously by all SMS members. Reminders were sent to all SMS Members to comply.  (2) Disciplinary action was instituted against those SMS Members who do not sign and submit PA’s for the 2016/2017 PMDS Cycle as well as those SMS Members who signed their performance agreements after the due date.  (3) Attached is proof of the submission written to the DG re: compliance re: SMS PA’s for the 2016/2017 PMDS Cycle as well as an example of a letter to an SMS Member in this regard. Those SMS Members who failed to meet the compliance requirements of the SMS Handbook and DPSA Instructions may not be considered to receive performance related incentives for the said PMDS Cycle. | Resolved no finding was raised |
|  | **Security Management** - Management did not implement adequate security management controls.  (1) Finalise Firewall installation at 2 remaining sites.  (2) Implement Patch management.  (3) Update Security Policy | Ms T. Hlatshwayo(DDG:CS) | 31/03/2018 | Resolved:  (1) Firewall installation has been completed for all sites.  (2) IT Security policy is in place Patch management is implemented on all servers. | Not resolved, the same finding was raised |
|  | **IT Service Continuity** –  An ICT Disaster recovery plan (DRP) had been documented however the plan had not been approved  Complete updating of DRP | Ms T. Hlatshwayo(DDG:CS) | 01/02/2018 | Resolved:  DRP and BCP document has been completed, awaiting signoff | Not resolved. Although Disaster Recovery Plan (DRP) was developed and approved, however it was noted that the DRP was not tested. |

* 25 audit recommendations accepted by management in the prior year on matters included in the auditor’s report and other important matters were implemented, or alternative actions were taken to resolve the finding.
* 3 recommendations are still being implemented and 12 have not been addressed, or very limited progress has been made.
* Details on the status of implementing the previous year’s recommendations are provided in section 10, which summarises the detailed audit findings.

**SECTION 4: Specific focus areas**

**FINANCIAL VIABILITY**

1. 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.

| **FINANCIAL VIABILITY ASSESSMENT** | | | |
| --- | --- | --- | --- |
|  | | **AS AT 31 MARCH 2018** | **AS AT 31 MARCH 2017** |
| **EXPENDITURE MANAGEMENT** | | | |
| 1.1 | Creditor-payment period | **46 Days** | **44 Days** |
| 1.2 | 30+ day accruals as a percentage of total accruals | **0.7%** | **7.2%** |
| * Amount of 30+ day accruals * Amount of total accruals | **R 365 000**  **R 50 481 000** | **R 3 567 000**  **R 48 879 000** |
| **REVENUE MANAGEMENT** | | | |
| 2.1 | Debtor-collection period (after impairment) | **83 Days** | **48 Days** |
| 2.2 | Debtors impairment provision as a percentage of accrued departmental revenue | **0%** | **0%** |
| * Amount of debtors impairment provision * Amount of accrued departmental revenue | **R0**  **R1 836 000** | **R0**  **R1 416 000** |
| **ASSET AND LIABILITY MANAGEMENT** | | | |
| 3.1 | An accrual-adjusted deficit for the year was realized (total expenditure exceeded total revenue) | **Yes** | **No** |
| * Amount of accrual-adjusted surplus / (deficit) for the year | **(R20 399 000)** | **R42 224 000** |
| 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 | **(R381 185 000)** | **(R334 736 000)** |
| 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 | **R166 949 000** | **R181 572 000** |
| **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) | **(R277 731 000)** | **(R753 533 000)** |
| 4.2 | Cash shortfall as a percentage of next year’s appropriation (budget), excluding “compensation of employees” and "transfers and subsidies" \*\* | **459.4%** | **147.7%** |
| * Amount of the cash surplus / (shortfall) * Amount of next year’s appropriation (budget), excluding “compensation of employees" and "transfers and subsidies" | **(R329 362 000)**  **R71 700 000** | **(R625 145 000)**  **R423 200 000** |
| 4.3 | Amounts payable in future periods as a percentage of the budget for the next three years, excluding “compensation of employees” and "transfers and subsidies" | **17.6%** | **22.3%** |
| * Amounts payable in future periods * Amount of the next three years’ appropriation (budget), excluding “compensation of employees" and "transfers and subsidies" | **R263 426 00**  **R1 493 200 000** | **R308 396 000**  **R1 381 300 000** |
| 4.4 | Guarantees issued by the department as a percentage of next year’s budget, excluding “compensation of employees” and "transfers and subsidies" | **No guarantees issued** | **No guarantees issued** |
| * Amount of guarantees issued * Amount of next year’s appropriation (budget), excluding “compensation of employees" and "transfers and subsidies" | **R0**  **R1 493 200 000** | **R0**  **R1 381 300 000** |
| 4.5 | Claims against the department as a percentage of next year’s budget, excluding “compensation of employees” and "transfers and subsidies" | **No claims against the department** | **No claims against the department** |
| * Amount of claims against the department * Amount of next year’s appropriation (budget), excluding “compensation of employees" and "transfers and subsidies" | **R0**  **R71 700 000** | **R0**  **R423 200 000** |
| **OVERALL ASSESSMENT** | | | |
| Overall the financial viability is assessed as: | | **Yellow (Concerning)** | **Yellow (Concerning)** |
| *\* This indicator assumes that the unauthorised expenditure of R261 169 000, per note 11 will not be approved with funding.* | | | |

High-level comments

1. The department is able to undertake its objectives and the vote has not been depleted or exceeded and there is no significant unpaid expenditure.
2. 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.
3. Should the unauthorised expenditure however not be approved with funding it could result in 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.
4. The major underspending was on consultants (Business and advisory), agency and support (outsourced services) and travel and subsistence, this is a positive indicator and could be as a result of effective cost containment measures.

**PROCUREMENT AND CONTRACT MANAGEMENT**

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

Irregular expenditure

1. R11 510 928.04 (100%) of irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. 100% (100% in the prior year) of this irregular expenditure was identified during the audit process and not detected by the department’s monitoring processes. The root cause of the lack of effective prevention and detection are inadequate review and monitoring of compliance with SCM processes and requirements.

Employees doing business with the state

1. 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 2016:

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.

1. 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.”

83. 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 the department | Employees doing business with other organs of state |
| 1. Contracts secured after 1 August 2016 |  |  |
| * 1. Number of employees | 0 | 3 |
| * 1. Number of contracts/quotations | 0 | 3 |
| * 1. Value of contracts | 0 | 235 993 |
| 1. Ongoing contracts awarded before 1 August 2016 – where no action was taken to dispose of the interest |  |  |
| * 1. Number of employees | 0 | 0 |
| * 1. Number of contracts/quotations | 0 | 0 |
| * 1. Value of contracts | 0 | 0 |
| 1. Number of employees performing other remunerative work without approval | 0 | 3 |

Procurement processes

1. The table below is a summary of findings identified on procurement processes:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Total | | Quotations (below R500,000) | | Competitive bids (over R500,000) | |
| Number | Value  *R* | Number | Value  *R* | Number | Value  *R* |
| **Awards selected for testing** | *36* | *R25 046 190* | *20* | *R3 957 133* | *16* | *R21 089 057* |
| **Expenditure incurred on selected awards – current year** |  | *R24 453 569* |  | *R3 364 512* |  | *R21 089 057* |
| **Awards on which non-compliance was identified** | *1* | *Relates to Panel* | *0* | *R0* | *1* | *Relates to Panel* |

Procurement processes – general

* 1 tenderer that failed to achieve the minimum qualifying score for functionality as indicated in the tender invitation was appointed onto a panel. No expenditure has been incurred against the tenderer.
* 1 tender was awarded without following the proper procurement process. The deviation for the specific supplier was not approved by the delegated officials.

Internal control deficiencies

1. The accounting officer did not in some instances exercise oversight responsibility of reporting and compliance with laws and regulations and internal control.
2. Reviewing and monitoring of compliance with applicable laws and regulations was insufficient and not properly monitored in some instances.

**FRAUD AND CONSEQUENCE MANAGEMENT**

1. 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.
2. Below is a summary of fraud risk factors that should be addressed to ensure that sufficient measures/controls are in place to prevent material misstatement due to fraud.

* Officials in high ranking positions who may take the opportunity to misuse their authority.

1. 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 and appropriate steps should be taken in line with the recommendations of the investigations. Our audits included an assessment of the department’s management of consequences. The significant findings are provided below:

Measures to manage consequences

1. The following measures were not implemented to ensure that the environment is conducive to effective consequence management:

* There was a lack of proper record keeping to ensure that complete, relevant and accurate information is accessible and available to support the processes followed for financial misconduct/ transgressions committed by officials and suppliers of the auditee.

Ongoing investigations

1. A total of 2 investigations were ongoing at year-end into allegations relating to improper conduct in SCM. Some of these investigations have been ongoing for a period exceeding 12 months. The table below provides a summary of investigations which had not been completed as at year-end:

|  |  |
| --- | --- |
| Total number of ongoing investigations as at year-end | **2** |
| * Number of SCM-related investigations | 2 |
| * Number of fraud-related investigations | 0 |
| Number of investigations exceeding a period of six months | **2** |

**VALUE ADD** **MATTERS**

Management and delivery of expanded public works programme

1. The audit included obtaining an understanding of the expanded public works programme in the estimates of national expenditure (ENE) and the key projects that support the programme.
2. We report on the management and delivery of this key programme to demonstrate the importance of transparency and accountability for government spending. Plans and budgets as included in the ENE should translate into service delivery through good financial, performance and project management, supported by the fair and transparent procurement of goods and services. The department should also report in a credible and transparent manner on how the money was spent and the successes and failures of the funded programme.
3. The table below summarises the audit findings on the expanded public works programme:

|  |  |
| --- | --- |
| Brief description of programme | Coordinate the implementation of the expanded public works programme, which aim to create work opportunities and provide training for unskilled, marginalised and unemployed people in South Africa. |
| Name of grant | Expanded Public Works Programme |
| Available budget for the year (Grant amount available for the year) | 1 472 615 000,00 |
| Actual amount spent in the current year | 1 472 615 000,00 |
| Key performance indicator and target for the year | Number of work opportunities reported in the EPWP-RS by public bodies |
| **Audit findings** |  |
| Overspending or underspending on budget available for current year | No findings noted |
| Findings identified on accounting for the project (annual financial statements) | No findings noted |
| Findings on key performance indicator and target | The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. |
| Money spent for its intended purpose | No findings noted |
| Findings on unauthorised expenditure as result of overspending (if applicable) | No findings noted |
| Findings identified on fruitless and wasteful expenditure | No findings noted |
| Findings identified on grants management (if applicable) | No findings noted |
| Findings identified on the procurement of goods and services for the project | No findings noted |
| Findings identified on irregular expenditure | No findings noted |
| Findings identified on fraud | No findings noted |
| Findings identified on consequence management | No findings noted |
| Findings identified on the quality goods and services delivered | No findings noted |
| Quality goods and services delivered agreeing to initial requirements | No findings noted |

1. The following are the exceptions noted and brought to the attention of management as risk areas for follow up:

|  |  |  |
| --- | --- | --- |
| **Test** | **Number of records in the final** | **Prior year records** |
| Beneficiaries have invalid ID numbers | 0 | 65 |
| Beneficiaries wages less than R88,00 per day | 33 366 | 6 043 |
| Beneficiaries with the Persal number | 282 | 74 161 |
| Deceased beneficiaries | 0 | 116 |
| Beneficiaries older than 65 years old | 9 788 | 18 259 |
| Beneficiaries worked more days than allowed | 23 088 | Not done |

1. **No identity numbers (ID’s) and invalid identity numbers** – In the current financial year, we noted that there were no beneficiaries reported on the system with invalid ID numbers.
2. **Minimum wage** – We identified 33 366 beneficiaries who were paid a wage below the minimum wage of R88 per day in the current year (2017/18: 6 043). This represents non-compliance with the new ministerial determination issued by the Department of Labour and also the department might not comply with minimum wage regulation which is due to the implemented in the next financial year.
3. **Employees on PERSAL** – We identified 282 beneficiaries who are included on PERSAL system as being permanent employees in the current year (2016/17: 74 161). We are highlighting this matter for the department to ensure that the beneficiaries paid are not permanent employees of any public bodies.
4. **Deceased beneficiaries** – in the current financial year, we noted that there were no cases of beneficiaries reported as deceased but still worked on EPWP. The EPWP RS is fully integrated with the Home Affairs to check on the deceased participants. All the EPWP participants are verified at the point of entry into the system and there is also a continuous verification that is established through a live link with the Department of Home Affairs
5. **Beneficiaries over the age 65** – We identified 9 788 beneficiaries who are persons of pensionable age in the current year (2016/17: 74 161), providing them with jobs does not count towards reducing the rate of unemployment in the country or alleviation of poverty as those beneficiaries are already receiving grants, denying such an opportunity to the unemployed people who are not receiving any form of a grant.
6. **Beneficiaries working more days than allowed –** The number of beneficiaries who worked more than expected days are 23 088 in 2017/18 (2016/17: 116), we are highlighting this matter for the department to investigate as some of the beneficiaries worked more than 260 days, which is more than expected working days.

Public Works sector matters related to EPWP

1. Below is the summary of the audit outcome per provincial public works

|  |  |  |  |
| --- | --- | --- | --- |
| **Province** | **New indicator included in APP for 2017/18 as per ministerial request** | **Opinion on EPWP Indicator per province** | **Material findings identified by National auditors where new indicator not included** |
| Gauteng | No | In progress | Yes |
| Mpumalanga | Yes | In progress | Not applicable |
| Eastern Cape | Yes | Qualified | Not applicable |
| Northern Cape | Yes | Disclaimer | Not applicable |
| Western Cape | Yes | Unqualified | Not applicable |
| Limpopo | No | In progress | Yes |
| Free state | No | In progress | Yes |
| North West | No | In progress | Yes |
| Kwazulu Natal | No | Qualified | Yes |

1. In the course of our audit work performed thus, certain key matters have come to our attention. As part of our procedures we reviewed the Annual Performance Plans (APP) for all departments within the Public Works sector and noted the following:

* Only four provincial departments in the sector Public Works included the performance indicator “Number of work opportunities reported in the EPWP-RS by public bodies aligned to the approved EPWP Phase III Business Plan targets” as per ministerial request for the 2017/18 financial year.
* The customised indicator document published by the Department of Planning Monitoring and Evaluation was not updated to include the new indicator for the 2017/18 and 2018/19 financial years.
* The guidance provided to the provincial departments regarding which work opportunities created in each respective province are required to be reported was not adequately clear.

The table below illustrate the overall work opportunities created for the 2017/18 financial year:

| **Province** | **Targeted Work Opportunities excluding National** | **Work Opportunities Created including National** | **Percentage of work opportunities including National** |
| --- | --- | --- | --- |
| Limpopo | 84 841 | 94,498 | 10% |
| North West | 57 700 | 51,158 | 6% |
| Northern Cape | 28 377 | 44,599 | 5% |
| Mpumalanga | 60 222 | 72,017 | 8% |
| Free state | 49 282 | 53,613 | 6% |
| Eastern Cape | 109 013 | 167,122 | 19% |
| Gauteng | 130 947 | 97,034 | 11% |
| Kwazulu-Natal | 181 117 | 217,843 | 24% |
| Western Cape | 82 973 | 102,350 | 11% |
| **TOTAL** | **784 472** | **900,234** | **100%** |

The work opportunities above were created by the different levels of government as follows:

|  |  |  |
| --- | --- | --- |
| **Province** | **Work Opportunities Created** | **Percentage** |
| National departments / entities | 321 613 | 36% |
| Provincial departments / entities | 373 428 | 41% |
| District municipalities and metros | 111 958 | 12% |
| Local municipalities | 93 235 | 10% |
| **TOTAL** | **900 234** | **100%** |

1. Our analysis of the figures above noted the following:

* A significant portion of work opportunities are reported only by the national department of public works thus it is their responsibility to ensure these reported work opportunities are valid, accurate and complete. During the audit we noted similar findings noted at national level as those identified at municipal and provincial projects where the work opportunities created are not valid, accurate and complete.
* The majority of the work opportunities are created by provinces; however, the controls to ensure that all work opportunities reported are accurate and valid are not adequate.
* District municipalities, metros and local municipalities are under reporting on work opportunities created. This is consistent with the findings that have been raised that there are no adequate controls to ensure that all work opportunities created are reported.

1. Based on the audit of the EPWP projects across the country in the audit of the current year, issues similar to those previously identified were noted to have recurred in the current period, including inter alia the following repeat findings:

* Since the commencement of the audit of performance information we consistently had challenges with verifying the reliability of reported performance of this programme. This is attributable to two factors. Inadequate records management and retention by implementing bodies.
* Based on the audit of the EPWP projects across the country, we were unable to obtain sufficient supporting documentation to substantiate the creation of work opportunities reported for a large number of the projects in our sample. Additionally, in several instances where we eventually obtained information, this was not immediately retrievable and had to be submitted to the audit team subsequent to a finding having been raised.
* We noted that some beneficiaries who were reported in the current year did not participate on any EPWP projects in the current financial year.
* The department remedial actions in place for public bodies not reporting work opportunities created for the period or non-compliance by the public bodies does not achieve desired results as we noted persistent non-compliance by public bodies.

Additionally, in several instances information was not immediately retrievable and had to be submitted to the audit team subsequent to a finding being raised. The problems identified above were noted to have occurred in the majority of the provinces visited thus far.

We also assessed the commitments that were made in the prior period:

| **No** | **Commitments** | **Status** |
| --- | --- | --- |
| 1 | Regular site visits by the national department to the public bodies receiving grant funding | We noted that the department increased the number of site visits from 881 in the prior period to 1 198 visits in the current period; however, this intervention did not appear to have the desired impact as similar issues have recurred. |
| 2 | The improvement of the Expanded Public Works Programme Integrated Grant template to ensure that proper records which support the reported job opportunities created are consistently maintained. | Template was only amended in 2018/19 financial year |
| 3 | The portfolio committee committed to monitor the action plan on a quarterly basis to make certain that it has the desired impact of improving the management and reporting of the expanded public works programme achievements. | Quarterly reports were submitted to the Portfolio committee meeting. |

1. It is recommended that the department takes drastic steps to ensure that sufficient and appropriate documentation is available at implementing bodies before the next audit commences. The following recommendations should be considered:

* The department should visit the public bodies on a regular basis to ensure that they have implemented a proper system of collation and retention of evidence supporting actual achievements reported.
* Management needs to implement recommendations by internal audit to ensure that information reported in quarterly reports and eventually the annual report is reliable.
* Instituting procedures where minimum documentation, e.g. attendance registers and payment registers, must be verified prior to the pay-out of the final tranche. The implementing bodies must also be compelled to retain these documents for a minimum period after completion of the project.
* The department should engage the national Treasury and major public bodies contributing to the work opportunities about the possibility of including non-compliance clause.
* The department should ensure that the new EPWP indicator” Number of work opportunities reported in the EPWP-RS by public bodies aligned to the approved EPWP Phase III Business Plan targets” is published on the customised sector document to ensure compliance by all provincial department

Other value adding initiatives 2017-18 Value-add audit on the Expanded Public Works Programme (Social Sector)

**INTRODUCTION**

1. EPWP (Expanded Public Works Programme) is a flagship programme for the Department of Public Works. The EPWP programme was introduced in 2004 as one of the measures to reduce the negative impacts of high and persistent levels of unemployment and alleviate poverty. The aim of the programme was to provide the unemployed with short to medium term work opportunities. Training of EPWP beneficiaries was indicated in the Department of Public Work’s strategic plan (2015-2020) as a critical component of EPWP.
2. The Code of Good Practice for employment and conditions of work for EPWP states that “Recognizing the acquisition of skills either through accredited or experiential training forms an integral part of the EPWP”. The EPWP is in its third phase which was to be implemented over the five-year period from the 2014/15 to 2018/19 financial years, with the aim of creating 6 million work opportunities and 2.5 million full time equivalent (FTE) by the end of the period.:”
3. The phase 3 social sector plan highlights training and capacity building as key components of care-based work. In Phase 3 the social sector has committed to ensuring that training, capacity building and career pathing are significantly scaled up. A dedicated training budget was set apart and sector training needs identified which are more structured, coherent and comprehensive. The main objective of the EPWP Phase III is to provide work opportunities and income support to poor and unemployed people through the labour –intensive delivery of public and community assets and services, thereby contributing to development”. Another objective for the EPWP is to provide the unemployed people with education and skills development programmes within the first five years of the programme”.

**Audit APPROACH**

1. The value-add audit focused on the EPWP Social Sector programmes namely the home community based care (HCBC). Two projects with the duration between 10 and 12 months were selected in Mpumalanga and Limpopo. The following projects were visited:

Mpumalanga

* Tjakastad Home based care
* Ronaldsey community home based care

Limpopo

* Pholosang-Lekhureng community based care
* Bahlabane community based

**WHAT we F0und**

1. In line with the Revised Strategic Plan of the Department of Public Works 2015-2020 which highlighted that the purpose of the EPWP is to coordinate the implementation of the expanded public works programme which aims to create work opportunities and provide training for unskilled and unemployed people in South Africa, the audit team found that training and skilling of EPWP beneficiaries was not prioritized in terms of planning and monitoring.
2. A review of EPWP beneficiaries placed in home based care programme revealed that the nature of work that home community based care givers offer to the community require basic skills as they have to assist the sick people within the community, educate the community and provide advice on any health and/or social related matter. The beneficiaries require training or skilling in areas such as basic nursing care, counselling skills, infection control, basic hygiene, recent health related updates and general health ethics and conduct. During our visits, the audit team found that although beneficiaries attended health education sessions at the local clinics, these interventions were not documented and recognition was not given to beneficiaries.
3. The team found EPWP implementing agent which is the Department of Health did not provide formal training to the beneficiaries in some community based care centres visited for the following reasons:

* Some of the home based care programme beneficiaries did not have the minimum literacy requirements to participate in a formal training programme as they were unable to read and write. The varying literacy levels posed a challenge in offering the necessary formal training for beneficiaries.
* The community based care projects that were prioritized for training were those linked to a team leader and/or an ideal clinic while home-based care canters that were not on the priority list were not offered Primary Health Care (PHC) re-engineering training even though the beneficiaries required training.

**WHy these findings matter**

1. The audit team noted that even though there was no formal training provided to beneficiaries, in some centres visited, it was confirmed that on-the-job training, mentoring and coaching are offered to home-based care EPWP beneficiaries. During an interview with beneficiaries, the respondents indicated that the home based care training would assist them with improving their chances of getting employment beyond the EPWP programme. However, the informal nature of the training offered to beneficiaries and the non-recognition of the skills they had acquired in the programme resulted in them not having evidence of the skills they possess. This type of informal training is not recorded and captured to assist beneficiaries to build work-based portfolio of evidence that can be used for recognition of prior learning.
2. Through an inspection of the beneficiary lists from all the centres visited, the audit team found that most of the beneficiaries were in the programme for over a period of nine years. This lengthy timeframe has led to beneficiaries viewing the programme as their only source of income. This was noted in Limpopo centres where the Department of Health had awarded two providers namely Red Cross and MK-Makhuduthamaga Umbrella project to manage all the home based care centres in the province.
3. For example, management in the two Limpopo centres indicated that they had not been paid by the two providers. As a result, non-payment of the stipends causes financial strain as it is the only source of income. Due to the expectations, beneficiaries made commitments that needed to be paid at a certain time. One manager in Pholosang-Lekhureng community based centre added that she had been with the programme for over 12 years and relied on the funds to pay for her child’s university fees.
4. The reason for non-recording of on-job training and other informal training is linked to the fact that there is no requirement from the Department of Public Works for implementing agencies to plan, monitor and report on both formal and informal training offered to EPWP beneficiaries.

**root causes**

1. In Phase 1 the training of beneficiaries was mandatory and in Phase 2 and 3 training remained critical but non-mandatory due to a resolution taken by cabinet that the training of beneficiaries should no longer be compulsory. The DPW senior officials indicated that the requirement for training in phase 3 was removed because of budgetary constraints that impacted on the sustainability of the EPWP training component.
2. Implementing agents were not offered guidance and support to plan, monitor and report on training and skilling of EPWP beneficiaries.

**Recommendations**

1. It is recommended that the Department of Public works provide a directive for all its implementing agents to plan, monitor and report on both formal and informal training to improve the chances of beneficiaries getting employment beyond EPWP through portfolio of evidence leading to recognition of prior learning. This could be achieved as follows:
2. Record and recognize in-service training through certification, testimonials by supervisors and compilation of portfolio of evidence by beneficiaries.
3. The EPWP training unit should offer guidance and support to implementing agents to plan, monitor and report on the training and skilling of EPWP beneficiaries.

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

1. The auditing standards allow external auditors the optional use of the work of internal audit for external audit purposes and for direct assistance. We have used internal audit as follows:

* For risk identification the following internal audit reports were considered:
* Q3 and 4 AOPO report
* Follow up audits DPW and PMTE
* IT Follow up – Computer Audit

1. In line with the AGSA’s drive to bring about efficiencies and improve combined assurance, the external and internal auditors have had continuous engagements in order to find a way to work closer in the forthcoming financial year.

**SECTION 6: Emerging risks**

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

**New legislation**

**Treasury Regulations**

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

**Audit findings on the annual performance report that may have an impact on the audit opinion in future**

1. The planned and reported performance information of selected programmes was audited against the following additional criteria as developed from the performance management and reporting framework:

* **Presentation and disclosure – Overall presentation:**
  + Overall presentation of the performance information in the annual performance report is comparable and understandable
* **Relevance – Completeness of relevant indicators:**
  + Completeness of relevant indicators in terms of the mandate of the auditee, including:
* relevant core functions are prioritised in the period under review
* relevant performance indicators are included for the core functions prioritised in the period under review

1. Material audit findings arising from the audit against the additional criteria do not have an impact on the audit opinions of the selected programmes in this report. However, it may impact on the audit opinion in future.

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

1. 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 (CIDB)** |  |  |  |  |  |  |  |  |  |
| **Council for the Built Environment (CBE)** |  |  |  |  |  |  |  |  |  |
| **Independent Development Trust (IDT)** | **In progress** |  |  |  |  |  |  |  |  |
| **Agrement South Africa (ASA)** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

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

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

1. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:
2. Matters to be included in the auditor’s report: These matters should be addressed as a matter of urgency.
3. 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.
4. 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

Corne Myburgh

Business Executive: National A

[Date of signature]

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**Distribution:**

Audit committee

Head of internal audit unit

Executive authority

**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** |
|  | Predetermined objectives: Reported achievement not in agreement with evidence provided – Programme 5 |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: EPWP work opportunities created were not reported on the EPWP annual report achievement. |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: Non submission of attendance register |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: Non submission of proof of payments |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: Beneficiaries listed on the EPWP reporting system list not employed on the project |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Human Resource: Management of vacancy rates |  |  | X |  |  |  | X |  | 3 | In progress |
|  | Human Resource: Posts vacant for over 12 months |  |  | X |  |  |  | X |  | 3 | In progress |
|  | Human Resource: Manual Leave forms captured not timeously**.** |  |  | X |  |  |  | X |  | 3 | In progress |
|  | Human Resource: Payroll certificates certified after the payment date and not returned timeously |  |  | X |  |  |  | X |  | 3 | In progress |
|  | Legal fees: Non – Compliance with SCM Processes |  |  | X |  |  |  | X |  | 1 | In progress |
|  | Travel and Subsistence Expense: Debt not raised within the required time frame |  |  |  | X |  |  | X |  | 1 | In progress |
|  | Procurement Management: Non - compliance with a deviation approved by National Treasury |  |  | X |  |  |  | X |  | 1 | In progress |
|  | Procurement Management: No approval obtained for performing remunerative work outside employment in the Public Service |  |  | X |  |  |  | X |  | 1 | In progress |
|  | Procurement Management: Non-compliance with procurement processes |  |  | X |  |  |  | X |  | 1 | In progress |
|  | Lease Commitments: Incorrect amounts disclosed in the notes to the annual financial statements. | X |  |  |  |  |  | X |  | 1 | In progress |
|  | Lease Commitments**:** Incorrect lease commitment for cell phone contracts disclosed | X |  |  |  |  |  | X |  | 1 | In progress |
|  | Commitments: Inaccurate commitment schedule | X |  |  |  |  |  | X |  | 1 | In progress |
|  | Network Security: Internal Vulnerability assessment |  |  |  | X |  |  | X |  | 1 | In progress |
|  | Network Security:Firewall assessment |  |  |  | X |  |  | X |  | 3 | In progress |
|  | Network security: Operating system assessment |  |  |  | X |  |  | X |  | 3 | In progress |
|  | IT Governance: Vacant positions within information technology division. |  |  |  | X |  |  | X |  | 3 | In progress |
|  | Security management: Scope limitation |  |  |  | X |  |  | X |  | 1 | In progress |
|  | User Access management: Inadequate user access management controls on PERSAL |  |  |  | X |  |  | X |  | 3 | In progress |
|  | User Access management: Inadequate user access management controls on BAS |  |  |  | X |  |  | X |  | 3 | In progress |
|  | User Access management: Inadequate user access management controls on LOGIS |  |  |  | X |  |  | X |  | 3 | In progress |
|  | User Access management: Inadequate user access management controls on EPWPRS system |  |  |  | X |  |  | X |  | 1 | In progress |
|  | IT Service continuity: Inadequate IT service continuity controls |  |  |  | X |  |  | X |  | 3 | In progress |
|  | Procurement Management: Quotation Register not timeously updated |  |  |  | X |  |  |  | X | 1 | In progress |

**Detailed audit findings**

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

Predetermined objectives

* + - 1. **Prestige – Reported achievement not in agreement with evidence provided**

**Audit finding**

Laws, rules and regulations

* + - * 1. *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;”*
        2. *“The FMPPI requires auditees 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

We were unable to obtain sufficient appropriate audit evidence for the reported achievement of target 15 working days taken to resolve mechanical breakdowns after logging complaint. This was due to limitations placed on the scope of my work. We were unable to confirm the reported achievement by alternative means. Consequently, it could not be determined whether any adjustments were required to the reported achievement of 440 for Pretoria and 680 (residence) and 3 573 (offices) for Cape Town calls logged.

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

We were unable to obtain sufficient appropriate audit evidence for the reported achievement of target 2 working days taken to resolve emergency breakdowns after logging complaint. This was due to limitations placed on the scope of my work. We were unable to confirm the reported achievement by alternative means. Consequently, it could not be determined whether any adjustments were required to the reported achievement of 337 for Pretoria and 675 (residence) and 1 113 (offices)

c. Indicator 4 - Number of planned state events supported with movable structures

We were unable to obtain supporting evidence for the reported achievement of target planned 8 state events supported with movable structures. This was due to limitations placed on the scope of my work. We were unable to confirm the reported achievement by alternative means.

d. Indicator 5 - Average number of working days taken to provide furniture to prestige clients

We were unable to obtain supporting evidence for the reported achievement of target planned 60 days to provide movable assets (office and residential) to prestige clients from receipt of request. This was due to limitations placed on the scope of my work. We could not confirm the reported achievement by alternative means.

Reason for deviation

The department did not adequately review the supporting evidence relating to reported targets to ensure that the submitted evidence is valid and accurate.

The aforementioned finding may result in:

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

and section 41

1. Non-submission of relevant information pertaining to Programme 5: Prestige Policy could result in scope limitation.

**Internal control deficiency**

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 recommended that management should streamline the process of record keeping, management and collation of performance information to ensure only valid, accurate and complete information is submitted.

**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 | Provide the required information to AGSA | | |
| 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 |  | | |
| 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. |  | | |
| 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**

No management response received as yet.

1. **EPWP - Work opportunities created were not reported on the EPWP annual report achievement**

**Audit finding**

Laws, rules and regulations

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

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

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

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

The EPWP projects were not reported on the Q4 EPWP reporting system as at 31 March 2018.

| **Project Code** | **Project Name** | **Municipality** | **Province** | **Reported Work opportunities not reported** |
| --- | --- | --- | --- | --- |
|
|  |
|
| 60510-EPWP3M | People on Parks | Mohokare Local Municipality | Free State | 15,00 |
| 62397-EPWP3M | Ladybrand: Upgrading of 1.2km paved road | Mantsopa Local Municipality | Free State | 22,00 |
| 301441-CWP | Kopanong 18001 | COGTA National department | Free State | 42,00 |
| 64245-EPWP3N | Golden Gateway Hospice | FS EPWP RO | Free State | 4,00 |
| 56429-EPWP3M | Repairing of potholes | Tswelopele Local Municipality | Free State | 1,00 |
| 301334-CWP | Kagisano Molopo 18001 | COGTA National department - Kagisano Molopo | North West | 50,00 |
| 73678-EPWP3P | Rustenburg Food handlers | NW Provincial department - Education and Sports Development | North West | 96,00 |
| 55975-EPWP3M | Kagisano Molopo Cemeteries | Kagisano Molopo Local Municipality | North West | 14,00 |
| 45035-EPWP3M | Upgrading of voortrekker street to block paving | Umsobomvu Local Municipality | Northern Cape | 2,00 |
| 51332-EPWP3M | Installing Prepaid Water Meters | Dawid Kruiper Loacal Mmunicipality | Northern Cape | 6,00 |
| 43884-EPWP3M | Law Enforcement | Stellenbosch Local Municipality | Western Cape | 33,00 |
| 67324-EPWP3M | Theewaterskloof Local Municipality | Greyton Land Reform | Western Cape | 31,00 |
| 71452-EPWP3M | Cleaning of Difference Towns | Langeberg Local Municipality | Western Cape | 7,00 |
| 63081-EPWP3M | Ithubalethu Grasscutting 2 | Ugu District Municipality | Kwazulu/ Natal | 64,00 |
| 47752-EPWP3M | Uyabonwa Security | Ray Nkonyeni Local Municipality | Kwazulu/ Natal | 33,00 |
| 56390-EPWP3M | Rural Road Rehabilitation Programme | Richmond Local Municipality | Kwazulu/ Natal | 2,00 |
| 23494-EPWP3M | Street Cleaning | Msinga Local Municipality | Kwazulu/ Natal | 3,00 |
| 65185-EPWP3P | uThukela School Maintenance Programme | KZN EPWP RO - Durban | Kwazulu/ Natal | 4,00 |
| 23597-EPWP3M | Hilton Water Reticulation Replacement Project | Umgungundlovu District Municipality | Kwazulu/ Natal | 97,00 |
| 27905-EPWP3M | EThekwini Community Social Support Programme | eThekwini Metropolitan Municipality | Kwazulu/ Natal | 80,00 |
| 74778-EPWP3P | Izandla Ziyagezana Programme | eThekwini Metropolitan Municipality | Kwazulu/ Natal | 1,00 |
| 55472-EPWP3P | uMdoni Youth Environmental Service | KZN PW Provincial department | Kwazulu/ Natal | 1,00 |
| 55471-EPWP3P | uMzumbe Youth Environmental Services | KZN PW Provincial department | Kwazulu/ Natal | 6,00 |
| 56185-EPWP3M | Cleaning Campaign Dr Beyers Naude LM | Dr Beyers Naude Local Municipality | Eastern Cape | 117,00 |
| 42441-EPWP3M | Refuse collection | Engcobo Local Municipality | Eastern Cape | 25,00 |
| 58354-EPWP3M | War on waste | Nelson Mandela Bay Metropolitan Municipality | Eastern Cape | 31,00 |
| 72175-EPWP3M | Upgrading of Gravel Roads(2013/15) | Blue Crane Route Local Municipality | Eastern Cape | 36,00 |
| 72918-EPWP3M | Pothlako security services | Mopani Distric Municipality | Limpopo | 21,00 |
| 49531-EPWP3M | Makhado West Bulk Water Scheme | Vhembe District Municipality | Limpopo | 10,00 |
| 57048-EPWP3M | Thulamela Refuse removal | Thulamela Local Municipality | Limpopo | 82,00 |
| 60450-EPWP3P | Vhembe General Maintenance | LP - Public Works, Roads and Infrastructure Provincial department | Limpopo | 3,00 |
| 48652-EPWP3M | EMLM Adopt spot | Elias Motsoaledi Local Municipality | Limpopo | 7,00 |
| 58497-EPWP3M | Cleaning of Road side stormwater Channels | Ekurhuleni Metropolitan Municipality | Gauteng | 11,00 |
| 27310-EPWP3M | Clean Green road construction and maintenance(waste removal) | Mogale City Local Municipality | Gauteng | 17,00 |
| 74458-EPWP3M | Gata Lenna | City Of Tshwane Metro Municipality | Gauteng | 2 358,00 |
| 48107-EPWP3M | Home Community Based Care Project | City Of Johannesburg Metro Municipality - Johannesburg | Gauteng | 105,00 |
| 50888-EPWP3M | Cleaning and maintenance of the heritage site | Sedibeng District Municipality - Johannesburg | Gauteng | 6,00 |
| 8314-EPWP3M | Water purification plant upgrades- Temba | City Of Tshwane Metro Municipality - Johannesburg | Gauteng | 63,00 |
| 73737-EPWP3M | TSHAU SECURITY (PTY) LTD | Bushbuckridge Local Municipality | Mpumalanga | 63,00 |
| 58545-EPWP3M | Cleaning of Municipal Buildings | Msukaligwa Local Municipality | Mpumalanga | 3,00 |
| 59460-EPWP3M | Parys Upgrading of pumps and pipelines | Ngwathe Local Municipality - Bloemfontein | Free State | 11,00 |
| 301381-CWP | Non-State Sector Community Work Programme- Mangaung 18001 | Mangaung Local Municipality -  Bloemfontein | Free State | 81,00 |
| 58704-EPWP3M | Rural Sanitation Programme for Dr RSM District Municipality | Dr. Ruth Segomotsi Mompati District Municipality - Mmabatho | North West | 179,00 |
| 301326-CWP | Greater Taung Community Work Programme | COGTA National department | North West | 259,00 |
| 301290-CWP | Non-State Sector Community Work Programme | Ditsobotla Local Municipality - Mmabatho | North West | 265,00 |
| 40021-EPWP3M | Greening and Beautification | Richmond Local Municipality - Durban | Kwazulu/ Natal | 1,00 |
| 51917-EPWP3M | Hopewell Internal Roads | Richmond Local Municipality - Durban | Kwazulu/ Natal | 3,00 |
| 41797-EPWP3M | Keeping Umvoti Clean Project' | uMvoti Local Municipality -  Durban | Kwazulu/ Natal | 1,00 |
| 48163-EPWP3M | Beautification Of Caravan Game Park | Emadlangeni Local Municipality -  Durban | Kwazulu/ Natal | 9,00 |
| 301282-CWP | eMadlangeni 18001 | COGTA National department | Kwazulu/ Natal | 102,00 |
| 5543-EPWP3M | Umhlabuyalingana Waste Management | uMhlabuyalingana Local Municipality -  Durban | Kwazulu/ Natal | 4,00 |
| 51163-EPWP3M | Umhlabuyalingana Community Base Care | uMhlabuyalingana Local Municipality -  Durban | Kwazulu/ Natal | 9,00 |
| 301336-CWP | Kareeberg 18001 | COGTA National department -  Kimberley | Northern Cape | 151,00 |
| 45035-EPWP3M | Upgrading of voortrekker street to block paving | Umsobomvu Local Municipality | Northern Cape | 2,00 |
| 51332-EPWP3M | Installing Prepaid Water Meters | Dawid Kruiper Loacal Municipality | Northern Cape | 6,00 |
| 40936-EPWP3M | Solid Waste and Area Cleaning | Breede Valley Local Municipality - Cape Town | Western Cape | 2,00 |
| 53316-EPWP3M | Upgrade of sections of Strandfontein Road | City Of Cape Town Metro Municipality - Cape Town | Western Cape | 2,00 |
| 49048-EPWP3M | George New 12.5 Reservoir | George Local Municipality -  Cape Town | Western Cape | 10,00 |
| 51385-EPWP3M | Rosevalley Housing | Oudtshoorn Local Municipality -  Western Cape | Western Cape | 12,00 |
|  |  |  |  | **4 681,00** |

Impact of the finding:

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

b) Understatement of work opportunities created.

**Internal control deficiency**

Reason for the deviation:

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

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

*Financial and Performance Management*

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

**Recommendation**

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

**Management response**

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Corrective action to be taken | * The participant data for projects will be captured on the EPWP RS. The under-reporting will thus be addressed. * System reports that show that the under-reporting is addressed will be submitted to the AGSA. | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  | X |
| If yes, what corrections will be made to the population | NA | |
| 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. | NA | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | NA | |
| 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. | NA | |
| Position of official responsible to take corrective actions | EPWP Champion at the municipality, supported by the EPWP Programme Manager at the region. | |
| Estimated completion date for corrective action | NA | |
| 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 Department is responsible for neither the implementation of projects within public bodies nor the collection of data from projects sites. The data flow is from the contractor (implementing the project), to the consultant (if such is employed by the public body), then from the consultant to the public body and then lastly from the public body to the Department of Public Works through reporting on the EPWP RS. * The projects were not reported by the public body despite feedback to the public body on the projects which it reported and follow-ups with the public body on the projects that it is implementing. | |
| 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. | * Project lists of municipalities are regularly reviewed and the reporting of projects is monitored against it. * At monthly MIG Monitoring Meetings there are follow-ups with municipalities to ensure that all the EPWP projects that are implemented are reported. * There is not an internal control deficiency that relates to this finding. | |

Name: Mr. Stanley Henderson

Position: Deputy Director-General: EPWP

Date: 25 June 2018

**Auditor’s conclusion**

Management response noted, however the beneficiaries and projects were not reported on the Q4 data report as at 31 March 2018, therefor the matter will be included in the final management report.

1. **EPWP - Attendance registers were not submitted to validate the work opportunities reported**

**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 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.”*

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

Attendance registers were not submitted for auditing for the beneficiaries listed in the below mentioned EPWP projects.

| **Project code** | | **Name of the Project and Public Body** | | | **Reported work opportunities** | **Number of beneficiaries where attendance were not submitted** |
| --- | --- | --- | --- | --- | --- | --- |
|
|  |
|
| 67324-EPWP3M | | Greyton Land Reform | | | 81 | 26 |
| 50283-EPWP3M | | Setsoto Local municipality: setsoto bucket eradication project | | | 87 | 80 |
| 62397-EPWP3M | | Ladybrand: Upgrading of 1.2km paved road | | | 81 | 11 |
| 48163-EPWP3M | | Beautification Of Caravan Game Park | | | 36 | 5 |
| 301441-CWP | | Kopanong 18001 | | | 184 | 0 |
| 23597-EPWP3M | | Hilton Water Reticulation Replacement Project | | | 283 | 1 |
| 27905-EPWP3M | | EThekwini Community Social Support Programme | | | 384 | 6 |
| 30777-EPWP3M | | Cluster 6 Water Backlog Gqaga Bulk Supply- Rising | | | 36 | 1 |
| 51172-EPWP3M | | KWT Public Transport - Facilities Upgrade | | | 19 | 3 |
| 50940-EPWP3M | | West Bank Restitution | | | 22 | 5 |
| 73678-EPWP3P | | Rustenburg Food handlers | | | 179 | 12 |
| 48107-EPWP3M | | Home Community Based Care Project | | | 230 | 50 |
| 58497-EPWP3M | | Cleaning of Road side stormwater Channels | | | 338 | 2 |
| 27310-EPWP3M | | Clean Green road construction and maintenance(waste removal) | | | 126 | 24 |
| 38001-EPWP3M | | Dobsonville Social Housing Project | | | 110 | 110 |
| 44277-EPWP3M | | Construction of Civil Eng. Services in Qaqawuli | | | 44 | 2,0 |
| 58117-EPWP3M | | FishWater Flats WTW Phase 4 | | | 10 | 2,0 |
| 49130-EPWP3M | | Ngushwa Water Reticulation Phase 2 | | | 259 | 259,0 |
| 41776-EPWP3M | | GLM Infrastructure maintenance | | | 78 | 4,0 |
| 56185-EPWP3M | | Cleaning Campaign Dr Beyers Naude LM | | | 379 | 175,0 |
| 58354-EPWP3M | | War on waste | | | 268 | 228,0 |
| 45065-EPWP3M | | GNS Security | | | 23 | 4,0 |
| 72918-EPWP3M | | Pothlako security services | | | 93 | 9 |
| 50888-EPWP3M | | Cleaning and maintenance of the heritage site | | | 66 | 2 |
| 33667-EPWP3M | | Badimong RWS Phase 10 | | | 54 | 54 |
|  |  | |  |  |
|  | |  | | | **3 470** | **1 075** |

Impact of the finding:

1. Non-compliance with section 12 of the basic conditions of employment ministerial determination 4: Expanded Public Works Programme.
2. Non-compliance with section 41 of the Public Finance Management Act
3. Attendance Registers not received may be reported as a limitation of scope and which could lead to negative reporting of the relevant programme as we could not confirm whether the beneficiaries worked for the hours paid.

**Internal control deficiency**

Reason for the deviation:

The department does not adequately monitor public bodies to ensure that the EPWP project files are properly managed and also supporting documentation are available at all times

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

**Management response**

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

1. Attendance registers are prescribed in the Ministerial Determination 4: Expanded Public Works Programmes.

1. It is evident that the public body could not provide the required documents to the AGSA.

| **Description** | **Response** | | |
| --- | --- | --- | --- |
| Corrective action to be taken | * The required documents will be sourced and submitted to AGSA. It this is not possible, an acceptable reason will be provided by the public body. | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population | NA | | |
| 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. | NA | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | NA | | |
| 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. | NA | | |
| Position of official responsible to take corrective actions | EPWP Champion at public body, supported by EPWP Programme Manager of the region. | | |
| Estimated completion date for corrective action | 13 July 2018 | | |
| 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. | * Proper record-keeping was evidently not implemented by the public body. The Department relies on the public body for this. | | |
| 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. | * Inadequate record-keeping by public bodies can only be detected through actual site visits by the Department. The Department does not have the funds and the required human resource to monitor all the reported projects continually through site visits. * The project was not covered in the site visits conducted by the Department in 2017/18. * Whether site visits take place or not, proper record-keeping and oversight is an administrative responsibility of the public body | | |

Name: Mr. Stanley Henderson

Position: Deputy Director-General: EPWP

Date: 25 June 2018

**Auditor’s conclusion**

Management in agreement with the finding, therefor the issue remains unresolved as the department has not provided the outstanding attendance registers and will be included in the final management report.

**ANNEXURE B: OTHER IMPORTANT MATTERS**

Predetermined Objectives

1. EPWP - Non-submission of proof of payment for the beneficiaries

**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 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.”*

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

Proof of payments were not provided/submitted for auditing for the beneficiaries listed in the below mentioned EPWP projects.

| **No** | **Public body** | **Project Name** | **Project Code** | **Audit timing** | **Number of proof of payments not provided** | **Number of work opportunities reported for the year** | **Province** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | Ngwathe Local Municipality | Parys Upgrading of pumps and pipelines | 59460-EPWP3M | Interim | 10 | 17 | Free State |
| 2 | Setsoto Local Municipality | Setsoto bucket eradication project | 50283-EPWP3M | Interim | 5 | 87 | Free State |
| 3 | Mohokare Local Municipality | People on Parks | 60510-EPWP3M | Final | 15 | 101 | Free State |
| 4 | Mantsopa Local Municipality | Ladybrand: Upgrading of 1.2km paved road | 62397-EPWP3M | Final | 43 | 81 | Free State |
| 5 | COGTA National department | Kopanong 18001 | 301441-CWP | Final | 6 | 184 | Free State |
| 6 | Dr. Ruth Segomotsi Mompati District Municipality - Mmabatho | Rural Sanitation Programme for Dr. RSM District Municipality | 58704-EPWP3M | Interim | 104 | 201 | North West |
| 7 | NW Provincial department - Education and Sports Development | Rustenburg Food handlers | 73678-EPWP3P | Final | 12 | 179 | North West |
| 8 | Cape Town EPWP RO | Bredarsdorp Air force Base | 57926-EPWP3N | Interim | 2 | 60 | Western Cape |
| 9 | Cape Town EPWP RO | Goodwood Prison | 55688-EPWP3N | Interim | 2 | 39 | Western Cape |
| 10 | Theewaterskloof Local Municipality | Greyton Land Reform | 67324-EPWP3M | Final | 4 | 81 | Western Cape |
| 11 | Emadlangeni Local Municipality -  Durban | Beautification Of Caravan Game Park | 48163-EPWP3M | Interim | 5 | 36 | Kwazulu/ Natal |
| 12 | uMhlabuyalingana Local Municipality -  Durban | Umhlabuyalingana Community Base Care | 51163-EPWP3M | Interim | 10 | 93 | Kwazulu/ Natal |
| 13 | Msinga Local Municipality | Street Cleaning | 23494-EPWP3M | Final | 6 | 106 | Kwazulu/ Natal |
| 14 | KZN - Public Works Provincial department | uThukela School Maintenance Programme | 65185-EPWP3P | Final | 1 | 473 | Kwazulu/ Natal |
| 15 | Umgungundlovu District Municipality | Hilton Water Reticulation Replacement Project | 23597-EPWP3M | Final | 133 | 283 | Kwazulu/ Natal |
| 16 | eThekwini Metropolitan Municipality | EThekwini Community Social Support Programme | 27905-EPWP3M | Final | 27 | 384 | Kwazulu/ Natal |
| 15 | Buffalo City Metro Municipality - Port Elizabeth | West Bank Restitution | 50940-EPWP3M | Interim | 6 | 22 | Eastern Cape |
| 16 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | Construction of Civil Eng. Services in Qaqawuli | 44277-EPWP3M | Interim | 2 | 44 | Eastern Cape |
| 17 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | FishWater Flats WTW Phase 4 | 58117-EPWP3M | Interim | 2 | 10 | Eastern Cape |
| 18 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | Baakens River Valley | 51637-EPWP3M | Interim | 234 | 302 | Eastern Cape |
| 19 | Amathole Distric Municipality | Ngushwa Water Reticulation Phase 2 | 49130-EPWP3M | Final | 259 | 259 | Eastern Cape |
| 20 | Dr Beyers Naude Local Municipality | Cleaning Campaign Dr Beyers Naude LM | 56185-EPWP3M | Final | 57 | 379 | Eastern Cape |
| 21 | Nelson Mandela Bay Metropolitan Municipality | War on waste | 58354-EPWP3M | Final | 268 | 268 | Eastern Cape |
| 22 | Greater Letaba Local Municipality -  Polokwane | GLM Infrastructure maintenance | 41776-EPWP3M | Interim | 1 | 78 | Limpopo |
| 23 | Polokwane Local Municipality - Polokwane | Seshego : B | 55052-EPWP3M | Interim | 1 | 1 | Limpopo |
| 24 | Polokwane Local Municipality - Polokwane | GNS Security | 45065-EPWP3M | Interim | 20 | 81 | Limpopo |
| 25 | Polokwane Local Municipality | Badimong RWS Phase 10 | 33667-EPWP3M | Final | 47 | 54 | Limpopo |
| 26 | City Of Johannesburg Metro Municipality - Johannesburg | Home Community Based Care Project | 48107-EPWP3M | Interim | 5 | 230 | Gauteng |
| 27 | City Of Tshwane Metro Municipality - Pretoria | Water purification plant upgrades- Temba | 8314-EPWP3M | Interim | 178 | 178 | Gauteng |
| 28 | City of Tshwane Metropolitan Municipality - Pretoria | Ga Rankuwa Zone 14 Electrification | 28386-EPWP3M | Interim | 18 | 18 | Gauteng |
| 29 | Mogale City Local Municipality | Clean Green road construction and maintenance(waste removal) | 27310-EPWP3M | Final | 33 | 126 | Gauteng |
| 30 | City of Johannesburg Metropolitan Municipality | Dobsonville Social Housing Project | 38001-EPWP3M | Final | 110 | 110 | Gauteng |
|  | **Total** | | |  | **1 626** | **4 565** |  |

Impact of the finding

1. Non-compliance with section 12 of the basic conditions of employment ministerial determination 4: Expanded Public Works Programme.
2. Non-compliance with section 41 of the Public Finance Management Act
3. Proof of payments not received may be reported as a limitation of scope and which could lead to negative reporting of the relevant programme as we could not confirm whether the beneficiaries were paid for the hours worked.

**Internal control deficiency**

Reason for the deviation:

The department does not adequately monitor public bodies to ensure that the EPWP project files are properly managed and also supporting documentation are available at all times

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

**Management response**

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

* 1. Proof of payment is prescribed in the Ministerial Determination 4: Expanded Public Works Programmes.

* 1. It is evident that the public body could not provide the required documents to the AGSA.

| **Description** | **Response** | |
| --- | --- | --- |
| Corrective action to be taken | * The required documents will be sourced and submitted to AGSA. It this is not possible, an acceptable reason will be provided by the public body. | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  | X |
| If yes, what corrections will be made to the population | NA | |
| 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. | NA | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | NA | |
| 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. | NA | |
| Position of official responsible to take corrective actions | EPWP Champion at North West Department of Education, supported by EPWP Mpumalanga Programme Manager. | |
| Estimated completion date for corrective action |  | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | * Proper record-keeping was evidently not implemented by the public body. The Department relies on the public body for this. | |
| 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. | * Inadequate record-keeping by public bodies can only be detected through actual site visits by the Department. The Department does not have the funds and the required human resource to monitor all the reported projects continually through site visits. * The project was not covered in the site visits conducted by the Department in 2017/18. * Whether site visits take place or not, proper record-keeping and oversight is an administrative responsibility of the public body | |

Name: Mr. Stanley Henderson

Position: Deputy Director-General: EPWP

Date: 25 June 2018

**Auditor’s conclusion**

Management in agreement with the finding, therefor the issue remains unresolved as the department has not provided the outstanding proof of payments and will be included in the final management report.

1. EPWP beneficiaries listed on the EPWP reporting system not employed on the project

**Audit finding**

Laws, rules and regulations

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

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

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

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

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

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

| **No.** | **Public Body** | **Name of Project** | **Project Code** | **Audit timing** | **Number of beneficiaries not part of the project** | **Total opportunities reported for the year** | **Province** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | Camdeboo COGTA - Port Elizabeth | Camdeboo 18001 | 301400-CWP | Interim | 49 | 75 | Eastern Cape |
| 2 | Joe Gqabi District Municipality | Senqu 18001 | 301280-CWP | Interim | 7 | 362 | Eastern Cape |
| 3 | Emadlangeni Local Municipality -  Durban | eMadlangeni 18001 | 301282-CWP | Interim | 17 | 1 045 | Kwazulu/ Natal |
| 4 | George Local Municipality | George New 12.5 Reservoir | 49048-EPWP3M | Interim | 5 | 14 | Western Cape |
| 5 | City Of Cape Town Metro Municipality | Upgrade of sections of Strandfontein Road | 53316-EPWP3M | Interim | 1 | 41 | Western Cape |
| 6 | Drakenstein Local Municipality | Town Main Routes | 40003-EPWP3M | Final | 7 | 116 | Western Cape |
| 7 | Free State Health -  Bloemfontein | Alliance Against HIV and AIDS | 56308-EPWP3P | Interim | 1 | 165 | Free State |
| 8 | Polokwane EPWP RO | Silawa Early Learning Centre | 58750-EPWP3N | Interim | 3 | 493 | Limpopo |
| 9 | Elias Motsoaledi Local Municipality | EMLM Adopt spot | 48652-EPWP3M | Final | 5 | 68 | Limpopo |
| 10 | ZF Mgcawu District Municipality - Upington | Cleaning of Public Facilities | 58795-EPWP3M | Final | 1 | 48 | Northern Cape |
| 11 | Ekurhuleni Metropolitan Municipality | Cleaning of Road side stormwater Channels | 58497-EPWP3M | Final | 15 | 338 | Gauteng |
|  | **Total** | | |  | **111** | **2 765** |  |

Impact of the finding:

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

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

**Internal control deficiency**

Reason for the deviation:

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

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

*Financial and Performance Management*

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

**Recommendation**

1. The department should perform frequent and adequate reviews of beneficiary lists and attendance registers from the public bodies to ensure that all participants are captured on EPWP reporting system.
2. 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.
3. Beneficiaries captured on EPWP-Reporting system should be adequately reviewed by senior officials to ensure that they correspond to the attendance registers.

**Management response**

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

1. One participant was incorrectly captured on the EPWP RS as working on the project in 2017/18.
2. The participant was removed from the project’s list of participant on 5 May 2018.
3. A printout of the participant list from the EPWP RS for the project, which confirms that the person was removed as a participant of the project in the 2017/18 financial year, was handed to AGSA. The supporting POE is again attached to this response.
4. The corrective action was done during the AGSA audit process from 14 May 2018 to 18 May 2018.

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Corrective action to be taken | * No further corrective action is required. | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** |
|  | X |
| If yes, what corrections will be made to the population | N/A | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | **No** |
|  | X |
|  | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | |
| Position of official responsible to take corrective actions | N/A | |
| Estimated completion date for corrective action | N/A | |
| 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 EPWP guidelines in terms of reporting was not followed by the public body. * Beneficiary lists and attendance registers were evidently not regularly reviewed to ensure that all participants correctly are captured on EPWP reporting system. The Department relies on the public body for this. | |
| 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 EPWP RS is a reporting system. Validations on the compliance and internal consistency of captured data is possible, but incorrect reporting of participants can only be detected through actual site visits by the Department. The Department does not have the funds and the required human resource to monitor all the reported projects continually through site visits. * The project was not covered in the site visits conducted by the Department in 2017/18. * Whether site visits take place or not, proper record-keeping and oversight is an administrative responsibility of the public body. | |

Name: Mr. Stanley Henderson

Position: Deputy Director-General: EPWP

Date: 6 June 2018

**Auditor’s conclusion**

Management is in agreement with the finding. The participant was reported on the EPWP reporting system with number of days worked included as at 31 March 2018 and subsequently deleted from the validated beneficiary list of the project. The finding is unresolved and included in the final management report.

Compensation of employees

1. Human Resource: Management of vacancy rates

Audit finding

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 most 10% and*

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

1. *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:

1. The overall vacancy rate has increased from the previous year to the current year for the department.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Current year** | | | **Prior year** | | |
| **Total positions** | **Total filled posts** | **Vacancy rate** | **Total positions** | **Total filled posts** | **Vacancy rate** |
| Overall | 1 213 | 875 | 28.00% | 1486 | 1 337 | 10.00% |

1. The vacancy rate for senior management has decreased from the previous year to the current year, however it is still above the accepted vacancy rate of 10%.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Current year** | | | **Prior year** | | |
| **Total positions** | **Total filled posts** | **Vacancy rate** | **Total positions** | **Total filled posts** | **Vacancy rate** |
| Senior Management | 134 | 110 | 18.00% | 130 | 86 | 34.00% |

The impact of the finding

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

1. The department may not be able fulfil its mandate or objective due to staff shortages.
2. Non-compliance with circular No 08 of 2015 paragraph 3, 5 and 6.

The action plan implemented to address the prior and current year’s audit findings indicated the following progress made pertaining to the management of vacancy rates:

1. The approved organisational structures for PMTE and DPW are being implemented with effect from 1 April 2017.
2. Consultation on the migration framework has concluded and to be signed-off by 18 August 2017. Email requesting Branches to identify and submit priority positions for advertising and filling issued.
3. Circular informing employees on the advertisement of positions issued 04 August 2017.
4. Bilateral engagements with Labour resolved that matching and placement at salary levels 14 and below should proceed.
5. Submission to approve the matching and placement at salary level 14 and below on route for approval by the Director-General.

**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.
2. The implementation of the new organisational structure with the matching and placing of staff caused the creation of new positions which is vacant as the recruitment processes has not been commenced, as well as the movement of staff from DPW to PMTE.

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

1. 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 [and supply the following/attached information in support of this]:

The approval and the implementation of the new organizational structures of the Department resulted in the creation of new senior management positions. The implementation of the implementation cost containment measures and budget cuts on the compensation budget and expenditure (Human Resource Budget Plan) contributed to the delayed filling of some positions in the Department, including senior management positions.

Having finalized the matching and placing processes, the department will soon engage in a process of identifying positions for filling informed by the availability of funds. All positions for which the Department will not have funds to fill will be de-activated from the post establishment. Both processes will contribute in reduce the vacancy rate.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | | **No** |
|  | | x |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| 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 |  | | |
| 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. |  | | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** | |
| x |  | |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | | |

Name: Clive Mtshisa

Position: DDG: Corporate Services

Date: 09 July 2018

**Auditor’s conclusion**

Management agrees with the finding, therefore this issue will remain in the management report. AGSA will follow-up the corrective actions taken during the 2018/19 financial year audit.

1. Human Resource: 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:

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 D:ADMINISTRATIVE SUPPORT:OFFICE OF THE DG | 12 | DEPUTY DIRECTOR: OFFICE OF THE DIRECTOR - GENERAL | 20160401 |
| 2 | HO D:ADMINISTRATIVE SUPPORT:OFFICE OF THE DG | 13 | DIRECTOR | 20160401 |
| 3 | HO DIR: GENDER | 10 | ASSISTANT DIRECTOR | 20160401 |
| 4 | HO DIR: GENDER | 10 | ASSISTANT DIRECTOR | 20160401 |
| 5 | HO DIR:YOUTH SERVICES | 10 | ASSISTANT DIRECTOR | 20160401 |
| 6 | HO DIR:YOUTH SERVICES | 10 | ASSISTANT DIRECTOR | 20160401 |
| 7 | HO DIR:YOUTH SERVICES | 11 | DEPUTY DIRECTOR YOUTH | 20160930 |
| 8 | HO DIR: DISABILITY MANAGEMENT | 10 | ASSISTANT DIRECTOR: ADVOCACY SUPPORT & SPECIAL PRG | 20160301 |
| 9 | HO DIR: DISABILITY MANAGEMENT | 10 | ASSISTANT DIRECTOR | 20160401 |
| 10 | HO SUB DIR: REGIONAL AUDIT | 10 | ASSISTANT DIRECTOR: INTERNAL AUDIT | 20160401 |
| 11 | HO SUB DIR: REGIONAL AUDIT | 10 | ASSISTANT DIRECTOR: INTERNAL AUDIT | 20160401 |
| 12 | CT SUB DIR:INTERNAL AUDIT | 10 | ASD: REGIONAL AUDIT:AUDIT SUPERVISOR:REGIONS | 20170116 |
| 13 | MFK SUB DIR:INTERNAL AUDIT | 10 | ASD: REGIONAL AUDIT:AUDIT SUPERVISOR:REGIONS | 20160430 |
| 14 | UTA SUB DIR:INTERNAL AUDIT | 10 | ASD: REGIONAL AUDIT:AUDIT SUPERVISOR:REGIONS | 20160908 |
| 15 | HO DIR:INTERNAL AUDIT(HO & COMPUTER AUDITS) | 12 | DEPUTY DIRECTOR:COMPUTER AUDITS | 20170301 |
| 16 | PTA SUB DIV PRESTIGE SUPPORT | 12 | DEPUTY DIRECTOR: TECHNICAL MAINTENANCE | 20160201 |
| 17 | HO DIR:PORTFOLIO MANAGEMENT(PRESI&PAR MIN&DEP MI) | 12 | DEPUTY DIRECTOR | 20160401 |
| 18 | HO DIR:PORTFOLIO MANAGEMENT(PRESI&PAR MIN&DEP MI) | 12 | DEPUTY DIRECTOR | 20160401 |
| 19 | HO DIR:PORTFOLIO MANAGEMENT(PRESI&PAR MIN&DEP MI) | 10 | ASSISTANT DIRECTOR | 20160401 |
| 20 | HO DIR:PORTFOLIO MANAGEMENT(PRESI&PAR MIN&DEP MI) | 10 | ASSISTANT DIRECTOR | 20160401 |
| 21 | HO DIR:PORTFOLIO MANAGEMENT(PRESI&PAR MIN&DEP MI) | 12 | CONSTRUCTION PROJECT MANAGER CHIEF GRADE A | 20160401 |
| 22 | HO DIR:PORTFOLIO MANAGEMENT(PRESI&PAR MIN&DEP MI) | 12 | CONSTRUCTION PROJECT MANAGER CHIEF GRADE A | 20160401 |
| 23 | HO DIR:POTFOLIO MANAGEMENT(PRES&UNION MIN & DEP MI | 12 | DEPUTY DIRECTOR:PROPERTY PORTFOLIO MANAGEMENT | 20160401 |
| 24 | HO DIR:POTFOLIO MANAGEMENT(PRES&UNION MIN & DEP MI | 10 | ASSISTANT DIRECTOR | 20160401 |
| 25 | HO DIR:POTFOLIO MANAGEMENT(PRES&UNION MIN & DEP MI | 10 | ASSISTANT DIRECTOR | 20160401 |
| 26 | HO DIR:POTFOLIO MANAGEMENT(PRES&UNION MIN & DEP MI | 10 | ASSISTANT DIRECTOR | 20160401 |
| 27 | HO DIR:POTFOLIO MANAGEMENT(PRES&UNION MIN & DEP MI | 10 | ASSISTANT DIRECTOR | 20160401 |
| 28 | HO DIR:POTFOLIO MANAGEMENT(PRES&UNION MIN & DEP MI | 10 | ASSISTANT DIRECTOR | 20160401 |
| 29 | HO DIR:POTFOLIO MANAGEMENT(PRES&UNION MIN & DEP MI | 12 | CONSTRUCTION PROJECT MANAGER CHIEF GRADE A | 20160401 |
| 30 | HO DDG:GOVERNANCE RISK AND COMPLIANCE | 11 | EXECUTIVE OFFICE MANAGER | 20160401 |
| 31 | HO SUB DIR: FRAUD & INVESTIGATIONS | 10 | ASSISTANT DIRECTOR: FRAUD AWARENESS | 20160401 |
| 32 | HO SUB DIR: FRAUD & INVESTIGATIONS | 12 | DEPUTY DIRECTOR: FRAUD AWARENESS & INVESTIGATION | 20160401 |
| 33 | HO SUB DIR: FRAUD & INVESTIGATIONS | 12 | DEPUTY DIRECTOR: FRAUD AWARENESS & INVESTIGATION | 20161001 |
| 34 | HO SUB DIR: KNOWLEDGE MANAGEMENT & RESEARCH | 12 | DEPUTY DIRECTOR: KNOWLEDGE MANAGEMENT & RESEARCH | 20160401 |
| 35 | HO D:RISK MANAGEMENT | 13 | DIRECTOR: BUSINESS ANALYSIS & RISK MANAGEMENT | 20160930 |
| 36 | HO SUB DIR: TECHNICAL RISK MANAGEMENT | 10 | ASSISTANT DIRECTOR:RISK MANAGEMENT | 20160401 |
| 37 | HO SUB DIR: TECHNICAL RISK MANAGEMENT | 12 | DEPUTY DIRECTOR: TECHNICAL RISK MANAGEMENT | 20160401 |
| 38 | DIR GOVERNANCE & COMPLIANCE | 11 | DEPUTY DIRECTOR:GOVERNANCE & COMPLIANCE | 20160930 |
| 39 | DIR GOVERNANCE & COMPLIANCE | 11 | DEPUTY DIRECTOR:GOVERNANCE & COMPLIANCE | 20160930 |
| 40 | DIR GOVERNANCE & COMPLIANCE | 13 | DIRECTOR:GOVERNANCE AND COMPLIANCE | 20160930 |
| 41 | DIR SERVICE DELIVERY IPROVEMENT PROGRAMME | 11 | SERVICE DELIVERY IMPROVEMENT PROGRAMME COORDINATOR | 20160930 |
| 42 | DIR SERVICE DELIVERY IPROVEMENT PROGRAMME | 13 | DIRECTOR SERVICE DELIVERY IMPROVEMENT PROGRAMME | 20160930 |
| 43 | HO SUB DIR: BUDGET ANALYSIS | 10 | ASSISTANT DIRECTOR: MANAGEMENT ACCOUNTING | 20160401 |
| 44 | HO SUB DIR: BUDGET ANALYSIS | 10 | ASSISTANT DIRECTOR: MANAGEMENT ACCOUNTING | 20160401 |
| 45 | HO SUB DIR: BUDGET ANALYSIS | 10 | ASSISTANT DIRECTOR: MANAGEMENT ACCOUNTING | 20160401 |
| 46 | HO SUB DIR: BUDGET ANALYSIS | 10 | ASSISTANT DIRECTOR: MANAGEMENT ACCOUNTING | 20160401 |
| 47 | HO SUB DIR: BUDGET ANALYSIS | 10 | ASSISTANT DIRECTOR: MANAGEMENT ACCOUNTING | 20160401 |
| 48 | HO SUB DIR: BUDGET ANALYSIS | 12 | DEPUTY DIRECTOR: MANAGEMENT ACCOUNTING | 20150930 |
| 49 | HO SUB DIR: BUDGET ANALYSIS | 12 | DEPUTY DIRECTOR: MANAGEMENT ACCOUNTING | 20160401 |
| 50 | HO DIR: FINANCIAL ACCOUNTINGÄAND REPORTING | 13 | DIRECTOR: FINANCIAL ACCOUNTING | 20131101 |
| 51 | HO DIR:FINANCIAL SUPPORT | 10 | ASSISTANT DIRECTOR | 20160401 |
| 52 | HO DIR:FINANCIAL SUPPORT | 10 | ASSISTANT DIRECTOR | 20160401 |
| 53 | HO DIR:INTERNAL CONTROL | 11 | DEPUTY DIRECTOR:COMPLIANCE & REGIONAL SUPPORT | 20160815 |
| 54 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 10 | ASSISTANT DIRECTOR :CONTRACT ADMINISTRATION | 20160401 |
| 55 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 10 | ASSISTANT DIRECTOR :CONTRACT ADMINISTRATION | 20160401 |
| 56 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 10 | ASSISTANT DIRECTOR :CONTRACT ADMINISTRATION | 20160401 |
| 57 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20150701 |
| 58 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20160401 |
| 59 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20160401 |
| 60 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20160401 |
| 61 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20160401 |
| 62 | HO DIR: LITIGATION | 13 | DIRECTOR: LITIGATION | 20150203 |
| 63 | HO SUB DIR: LITIGATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20160401 |
| 64 | HO SUB DIR: LITIGATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20160401 |
| 65 | HO SUB DIR: SYSTEMS ANALYSIS | 12 | SOLUTION ARCHITECT | 20160401 |
| 66 | HO SUB DIR: SYSTEMS ANALYSIS | 12 | SOLUTION ARCHITECT | 20160401 |
| 67 | HO SUB DIR: DATABASE ADMINISTRATION | 12 | DD: DATABASE ADMINISTRATOR | 20160401 |
| 68 | HO DIV: IT DEVELOPMENT | 12 | DEPUTY DIRECCTOR:NETWORK ARCHITECT | 20160401 |
| 69 | HO DIV: IT DEVELOPMENT | 12 | DEPUTY DIRECTOR:APPLICATIONS ARCHITECT | 20160401 |
| 70 | HO DIV: CLIENT SUPPORT MANAGEMENT | 10 | ASSISTANT DIRECTOR:AUTOMATION | 20160401 |
| 71 | HO DIV: CLIENT SUPPORT MANAGEMENT | 10 | ASSISTANT DIRECTOR:APPLICATIONS SPECIALIST | 20160401 |
| 72 | HO DIV: CLIENT SUPPORT MANAGEMENT | 10 | ASSISTANT DIRECTOR:DATA CENRE SPECIALIST | 20160401 |
| 73 | HO DIV: CLIENT SUPPORT MANAGEMENT | 10 | ASSISTANT DIRECTOR:ICT ACQUISITIONS & STORE MANAGE | 20160401 |
| 74 | HO DIV: CLIENT SUPPORT MANAGEMENT | 12 | SENIOR ANALYST | 20160401 |
| 75 | HO DIV: CLIENT SUPPORT MANAGEMENT | 12 | SENIOR ANALYST | 20160401 |
| 76 | HO DIV: CLIENT SUPPORT MANAGEMENT | 12 | DEPUTY DIRECTOR:SOFTWARE AND LICENSE MANAGEMENT | 20160401 |
| 77 | HO DIV: CLIENT SUPPORT MANAGEMENT | 12 | DEPUTY DIRECTOR:UC & VC ADMINISTRATOR | 20160401 |
| 78 | HO DIV: CLIENT SUPPORT MANAGEMENT | 12 | DEPUTY DIRECTOR:SERVER ADMINISTRATOR | 20160401 |
| 79 | HO SUB DIR: IT POLICY & SECURITY MANAGEMENT | 12 | DEPUTY DIRECTOR:IT POLICY & SECURITY MANAGEMENT | 20150725 |
| 80 | HO DIV: IT PROJECT MANAGEMENT | 10 | ASSISTANT DIRECTOR: INFORM. & COMM. TECH:PROJECTS | 20160401 |
| 81 | HO SUB DIR: IT PROJECT ADMINISTRATION | 10 | ASSISTANT DIRECTOR:SECURITY SPECIALISTS | 20160401 |
| 82 | HO SUB DIR: IT PROJECT ADMINISTRATION | 10 | ASSISTANT DIRECTOR:SECURITY SPECIALISTS | 20160401 |
| 83 | HO SUB DIR: IT PROJECT ADMINISTRATION | 10 | ASSISTANT DIRECTOR:DRPÄ& BCP SPECIALIST | 20160401 |
| 84 | HO SUB DIR: IT PROJECT ADMINISTRATION | 10 | ASSISTANT DIRECTOR:DRPÄ& BCP SPECIALIST | 20160401 |
| 85 | HO SUB DIR: HR PAYROLL | 10 | ASSISTANT DIRECTOR: PAYROLL & SALARY CONTROL | 20150911 |
| 86 | HO SUB DIR: JOB ANALYSIS & EVALUATION | 11 | DEPUTY DIRECTOR | 20160401 |
| 87 | HO SUB DIR: TRAINING & DEVELOPMENT | 10 | ASSISTANT DIRECTOR: TRAINING & DEVELOPMENT | 20150806 |
| 88 | HO SUB DIR: TRAINING & DEVELOPMENT | 10 | ASSISTANT DIRECTOR: SKILLS DEVELOPMENT FACILITATOR | 20161231 |
| 89 | HO SUB DIR: TRAINING & DEVELOPMENT | 10 | HO:ASSISTANT DIRECTOR: ABET | 20161121 |
| 90 | HO SUB DIR:VETTING & INVESTIGATIONS | 10 | ASSISTANT DIRECTOR: VETTING & INVESTIGATIONS | 20150201 |
| 91 | HO SUB DIR:VETTING & INVESTIGATIONS | 10 | ASSISTANT DIRECTOR: VETTING & INVESTIGATIONS | 20030901 |
| 92 | HO DIR:BUILDING MANAGEMENT | 11 | DEPUTY DIRECTOR | 20160401 |
| 93 | HO DIR:BUILDING MANAGEMENT | 11 | DEPUTY DIRECTOR | 20160401 |
| 94 | HO DIR:BUILDING MANAGEMENT | 13 | DIRECTOR | 20160401 |
| 95 | HO DDG:POLICY RESEARCH AND REGULATIONS | 11 | EXECUTIVE OFFICE MANAGER | 20150701 |
| 96 | HO CD:CONSTRUCTION SECTOR REGULATION | 14 | CHIEF DIRECTOR:CONSTRUCTION POLICY | 20150401 |
| 97 | HO D:CONSTRUCTION SECTOR REGULATION | 12 | DEPUTY DIRECTOR:PUBLIC ENTITIES:M & E | 20120801 |
| 98 | HO D:CONSTRUCTION SECTOR REGULATION | 10 | ASSISTANT DIRECTOR:RESEARCH ANALYST | 20160401 |
| 99 | HO D:CONSTRUCTION SECTOR REGULATION | 10 | ASSISTANT DIRECTOR:RESEARCH ANALYST | 20160401 |
| 100 | HO D:CONSTRUCTION SECTOR REGULATION | 10 | ASD:CONSTRUCTION POLICYÄSUPPORT SYSTEMS | 20120801 |
| 101 | HO DIR: ECONOMIST P1 | 10 | ASSISTANT DIRECTOR:RESEARCH ANALYST | 20160401 |
| 102 | HO DIR: ECONOMIST P1 | 10 | ASSISTANT DIRECTOR:RESEARCH ANALYST | 20160401 |
| 103 | HO DIR: ECONOMIST P1 | 12 | DEPUTY DIRECTOR:SECTOR ANALYST | 20160401 |
| 104 | HO DIR: ECONOMIST P1 | 12 | DEPUTY DIRECTOR:SECTOR ANALYST | 20160401 |
| 105 | HO DIR: ECONOMIST P1 | 13 | DIRECTOR:ECONOMIST | 20160401 |
| 106 | HO DIR: PROPERTY SECTOR ANALYST | 10 | ASSISTANT DIRECTOR:RESEARCH ANALYST | 20160401 |
| 107 | HO DIR: PROPERTY SECTOR ANALYST | 10 | ASSISTANT DIRECTOR: EXPROPRIATION/PROPERTY RIGHTS | 20120801 |
| 108 | HO DIR: ECONOMIST:P2 | 10 | ASSISTANT DIRECTOR:RESEARCH ANALYST | 20160401 |
| 109 | HO DIR: ECONOMIST:P2 | 10 | ASSISTANT DIRECTOR:RESEARCH ANALYST | 20160401 |
| 110 | HO DIR: ECONOMIST:P2 | 12 | DEPUTY DIRECTOR:SECTOR ANALYST | 20160401 |
| 111 | HO DIR: ECONOMIST:P2 | 12 | DEPUTY DIRECTOR:SECTOR ANALYST | 20160401 |
| 112 | HO DIR: ECONOMIST:P2 | 13 | DIRECTOR:ECONOMIST | 20140401 |
| 113 | HO DIR: MONITORING | 12 | DEPUTY DIRECTOR: DATA ANALYSES & RESEARCH (EPWP) | 20151214 |
| 114 | HO DIR: MONITORING | 12 | DEPUTY DIRECTOR: DATABASES EPWP | 20160401 |
| 115 | HO SUB DIR:SUB DIR:VUKUPHILE: INFRASTRUCTURE: EPWP | 12 | DEPUTY DIRECTOR: VUK'UPHILE EPWP | 20140519 |
| 116 | HO DIR: SOCIAL SECTOR EPWP | 13 | DIRECTOR: SOCIAL DEVELOPMENT SPECIALIST | 20161001 |
| 117 | HO DIR: ENVIRONMENT (EPWP) | 12 | DEPUTY DIRECTOR:NATIONAL CO-ORDINATION EPWP | 20160401 |
| 118 | HO DIR: ENVIRONMENT (EPWP) | 13 | DIRECTOR: ENVIRONMENT & CULTURE SECTOR (EPWP) | 20120901 |
| 119 | HO DIR: PEP IMC TECHNICAL SECRETARIAT | 11 | DEPUTY DIRECTOR | 20160401 |
| 120 | HO DIR: PEP IMC TECHNICAL SECRETARIAT | 13 | DIRECTOR | 20160401 |
| 121 | HO DIR: ENTERPRISE DEVELOPMENT EPWP | 11 | DEPUTY DIRECTOR | 20160401 |
| 122 | HO DIR: ENTERPRISE DEVELOPMENT EPWP | 11 | DEPUTY DIRECTOR | 20160401 |
| 123 | CT: EPWP VUKUPHILE WESTERN CAPE | 12 | DEPUTY DIRECTOR: VUKUPHILE EPWP | 20160401 |
| 124 | BFN PROGRAMME MANAGERÄEPWPÄFREE STATE | 13 | DIRECTOR: EPWP (FREE STATE) | 20160630 |
| 125 | DBN:KWAZULU-NATAL TRAINING EPWP | 10 | ASSISTANT DIRECTOR: TRAINING COORDINATOR (EPWP) | 20161021 |
| 126 | KIM TRAINING EPWP | 12 | DEPUTY DIRECTOR: TRAINING COORDINATOR (EPWP) | 20161001 |
| 127 | UTA: TRAINING EPWP | 10 | ASSISTANT DIRECTOR: TRAINING COORDINATOR (EPWP) | 20160401 |
| 128 | UTA: TRAINING EPWP | 10 | ASSISTANT DIRECTOR: TRAINING COORDINATOR (EPWP) | 20160401 |
| 129 | UTA:ENVIROMENT EPWP | 12 | DEPUTY DIRECTOR | 20160401 |
| 130 | UTA: SOCIAL SECTOR EPWP | 12 | DEPUTY DIRECTOR | 20160401 |
| 131 | UTA: ENTEPRISE DEVELOPMENT EPWP | 12 | DEPUTY DIRECTOR | 20160401 |
| 132 | POL: PROGRAMME MANAGER LIMPOPO EPWP | 13 | DIRECTOR: EPWP (LIMPOPO) | 20161231 |
| 133 | POL:BUILDING MAINTENANCE & NYS EPWP | 12 | DEPUTY DIRECTOR: VUKUPHILE EPWP | 20120801 |
| 134 | POL: TRAINING EPWP | 12 | DEPUTY DIRECTOR: TRAINING COORDINATOR (EPWP) | 20161212 |
| 135 | PTA SUB DIR:ENVIROMENT EPWP | 12 | DEPUTY DIRECTOR ENVIROMENT & CULTURE SECTOR | 20160930 |
| 136 | PTA SUB DIR:SOCIAL SECTOR EPWP | 12 | DEPUTY DIRECTOR: SOCIAL SECTOR | 20161031 |
| 137 | HO DIR: PUBLIC ENTITY | 12 | DEPUTY DIRECTOR: PUBLIC ENTITY | 20160401 |
| 138 | HO DIR: PUBLIC ENTITY | 12 | DEPUTY DIRECTOR: PUBLIC ENTITY | 20160401 |
| 139 | HO DIR: INT. RELATIONS GLOBAL PARTNERSHIPS | 12 | DEPUTY DIRECTOR: INTERNATIONAL RELATIONS | 20160401 |
| 140 | HO DDG:PROFESSIONAL SERVICES DPW | 11 | EXECUTIVE OFFICE MANAGER | 20160401 |
| 141 | HO DIR: CAPACITY BUILDING: PROFESSIONAL SERVICES | 11 | DEPUTY DIRECTOR | 20160401 |
| 142 | HO DIR: CAPACITY BUILDING: PROFESSIONAL SERVICES | 13 | DIRECTOR | 20160401 |
| 143 | HO DIR:CAPACITY BUILDING : ENGINEERING SERVICES | 11 | DEPUTY DIRECTOR | 20160401 |
| 144 | HO DIR:CAPACITY BUILDING : ENGINEERING SERVICES | 11 | DEPUTY DIRECTOR | 20160401 |
| 145 | HO DIR:CAPACITY BUILDING : ENGINEERING SERVICES | 13 | DIRECTOR | 20160401 |

The impact of the finding:

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

**Internal control deficiency**

The finding occurred as result of the fact that:

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 [and supply the following/attached information in support of this]:

The approval and the implementation of the new organizational structures of the Department resulted in the creation of new senior management positions. The implementation of the implementation cost containment measures and budget cuts on the compensation budget and budget ceilings (Human Resource Budget Plan) contributed to the delayed and non-filling of some positions in the Department.

In addition the approved organizational structure and its wholesale implementation on the post establishment increased the number of positions and vacancies whilst the compensation budget remain insufficient. Having finalized the matching and placing processes, the department will soon engage in a process of identifying positions for filling informed by the availability of funds. All positions for which the Department will not have funds to fill will be de-activated from the post establishment and be incorporated into the human resource plan to reflect the incremental activation of such positions informed by the human capacity requirements and availability of funds. In this instance only funded vacancies will remain on the post establishment.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | | **No** |
|  | | x |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| 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 |  | | |
| 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. |  | | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** | |
| x |  | |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. |  | | |

Name: Mr Clive Mtshisa

Position: DDG: Corporate Services

Date: 9 July 2018

**Auditor’s conclusion**

Management agrees with the finding, therefore this issue will remain in the management report. AGSA will follow-up the corrective actions taken during the 2018/19 financial year audit.

1. Human Resource: Manual Leave forms captured not timeously.

**Audit finding**

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 deviations were noted:

1. 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 many 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 | 72,91 | 18,72 | 5,04 | 1,28 | 0,77 | 0,2 | 1,08 |

1. The following are the examples of the cases where leave forms were not captured timeously*.*

| **No** | **Persal no** | **Surname** | **Initials** | **Leave description** | **No of days** | **Start date** | **End date** | **Update date** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | 23765275 | MKHWANAZI | STP | VACATION - FULL PAY (WORK DAYS) | 2 | 20170710 | 20170711 | 20180406 |
| 2 | 23765275 | MKHWANAZI | STP | VACATION - FULL PAY (WORK DAYS) | 1 | 20171101 | 20171101 | 20180406 |
| 3 | 26982234 | MARUMOLWA | KG | VACATION - FULL PAY (WORK DAYS) | 3 | 20171127 | 20171129 | 20180411 |
| 4 | 22265767 | MOHAKANE | DL | VACATION - FULL PAY (WORK DAYS) | 2 | 20171221 | 20171222 | 20180418 |
| 5 | 22690654 | ZACA | SW | VACATION - FULL PAY (WORK DAYS) | 2 | 20171212 | 20171213 | 20180406 |
| 6 | 25795040 | MAKHUBELA | TG | VACATION - FULL PAY (WORK DAYS) | 6 | 20180102 | 20180109 | 20180426 |
| 7 | 18471374 | JIYANE | NV | VACATION - FULL PAY (WORK DAYS) | 4 | 20171219 | 20171222 | 20180406 |
| 8 | 19417918 | MBANJWA | DN | VACATION - FULL PAY (WORK DAYS) | 5 | 20171218 | 20171222 | 20180406 |
| 9 | 22265767 | MOHAKANE | DL | VACATION - FULL PAY (WORK DAYS) | 10 | 20180102 | 20180115 | 20180418 |
| 10 | 90007701 | MOILOA | MP | VACATION - FULL PAY (WORK DAYS) | 10 | 20180102 | 20180115 | 20180418 |
| 11 | 22236546 | MOEKETSI | MB | VACATION - FULL PAY (WORK DAYS) | 4 | 20180102 | 20180105 | 20180404 |
| 12 | 18471374 | JIYANE | NV | VACATION - FULL PAY (WORK DAYS) | 9 | 20180102 | 20180112 | 20180406 |
| 13 | 19417918 | MBANJWA | DN | VACATION - FULL PAY (WORK DAYS) | 9 | 20180102 | 20180112 | 20180406 |
| 14 | 22690654 | ZACA | SW | VACATION - FULL PAY (WORK DAYS) | 2 | 20180111 | 20180112 | 20180406 |
| 15 | 22341081 | BUTHELEZI | ZF | VACATION - FULL PAY (WORK DAYS) | 11 | 20180102 | 20180116 | 20180406 |
| 16 | 19417918 | MBANJWA | DN | VACATION - FULL PAY (WORK DAYS) | 1 | 20180117 | 20180117 | 20180406 |
| 17 | 19190271 | MOROE | KR | VACATION - FULL PAY (WORK DAYS) | 1 | 20180207 | 20180207 | 20180418 |
| 18 | 70057842 | RAMPETA | IA | VACATION - FULL PAY (WORK DAYS) | 1 | 20180209 | 20180209 | 20180417 |
| 19 | 90914279 | NTSIE | AK | VACATION - FULL PAY (WORK DAYS) | 1 | 20180208 | 20180208 | 20180416 |
| 20 | 27622461 | NGWENYA | SE | VACATION - FULL PAY (WORK DAYS) | 3 | 20180131 | 20180202 | 20180409 |
| 21 | 19417918 | MBANJWA | DN | VACATION - FULL PAY (WORK DAYS) | 2 | 20180202 | 20180205 | 20180406 |
| 22 | 22935061 | MOHAPI | SG | VACATION - FULL PAY (WORK DAYS) | 1 | 20180227 | 20180227 | 20180417 |
| 23 | 19179758 | MASOKA | MS | VACATION - FULL PAY (WORK DAYS) | 1 | 20180301 | 20180301 | 20180409 |
| 24 | 17653495 | NOLUSU | TA | VACATION - FULL PAY (WORK DAYS) | 4 | 20180308 | 20180313 | 20180418 |
| 25 | 18779301 | MULIMA | MJ | VACATION - FULL PAY (WORK DAYS) | 1 | 20180302 | 20180302 | 20180405 |
| 26 | 26424355 | MATHABATHE | M | VACATION - FULL PAY (WORK DAYS) | 3 | 20180314 | 20180316 | 20180418 |
| 27 | 16896670 | MTHEMBU | FS | VACATION - FULL PAY (WORK DAYS) | 1 | 20180316 | 20180316 | 20180416 |
| 28 | 19179758 | MASOKA | MS | VACATION - FULL PAY (WORK DAYS) | 5 | 20180316 | 20180323 | 20180423 |
| 29 | 22508058 | MAITSAPO | JS | VACATION - FULL PAY (WORK DAYS) | 2 | 20180323 | 20180326 | 20180425 |

The 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 submitted and 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 2018 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 [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 |  | | |
| 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. |  | | |
| 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**

No management response received as yet

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

**Audit finding**

Laws, rules and regulations

In terms of Treasury Regulation

1. Paragraph 8.3.4

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

b) Paragraph 8.3.5

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

The following payroll deviations are noted:

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Pay point** | **Description** | **Period** | **Date payroll certificate signed** | **Region** |
| 1 | 009911 | Durban EPWP | 15-Apr-17 | 02-May-17 | Durban |
| 2 | 009912 | P.E EPWP | 30-Nov-17 | 11-Dec-17 | Port Elizabeth |
| 3 | 000908 | Regional Office Polokwane | 15-May-17 | 05-Jun-17 | Polokwane |
| 4 | 000907 | Pretoria Regional Office | 15-May-17 | 20-May-17 | Pretoria |
| 5 | 001342 | D:Training Support EPWP | 30-Nov-17 | 12-Dec-17 | Head Office |
| 6 | 009907 | Nelspruit EPWP | 31-Oct-1 | 13-Nov-17 | Nelspruit |

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Pay point** | **Description** | **Run Period** | **Date Certified** | **Date return to HR** | **Region** |
| 1 | 009910 | Cape Town EPWP | 15-Jul-17 | 10-Jul-17 | No record of return date was kept | Cape Town |
| 2 | 000907 | Pretoria Regional Office | 15-May-17 | 20-May-17 | No record of return date was kept | Pretoria |
| 3 | 009907 | Nelspruit EPWP | 31-Oct-1 | 13-Nov-17 | No record of return date was kept | Nelspruit |

The aforementioned finding may result in:

1. Non-compliance with section 8.3.4 and 8.3.5 of the Treasury Regulation.
2. Should incorrect payments be present on the payroll reports, they will not be timeously detected and corrected, might lead to possible fictitious payments or losses to the state.

**Internal control deficiency**

Reason for the deviation:

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

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

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

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

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

***Financial and Performance Management***

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

**Recommendation**

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

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

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

**Management response**

| **No.** | **Region** | **Response Provided** | **Responder** |
| --- | --- | --- | --- |
| 1 | Cape Town | I am in agreement with the finding for the following reasons.  Previously payroll certificates were only received after the payment date which made it impossible to sign them before the payment date, as in this case. The matter of printing payroll certificates at a provincial department has been escalated to the HR Unit who indicated this is not possible. There has however been some improvement in as far as payroll certificates are now being received a few days before payment date. Upon receipt the payroll certificates and the pay slips must be sorted where after it is distributed to the various sections. Based on the latest situation it is possible to distribute the payroll certificates for signature before the payment date in respect of sections within the office.  Upon investigation it was established that the memo that provides the requirements for in January 2016 it was also requested that a payroll register must be implemented to keep record of the distribution, follow-up and receipt of the payroll certificates. Unfortunately due to the responsible officials having left the department and there requirements not being communicated to the new employees it has resulted in the current situation.  To address this matter the memo providing the requirements for the certification of payroll certificates as well as the payroll register will again be implemented with immediate effect. The responsible supervisor will also be tasked to review this register on a weekly basis so that if the register is not being kept she will become aware of this and take the necessary corrective measures to ensure that he register is maintained. | Name: F Johnson  Position: Regional Manager  Date: 22 February 2018 |
| 2 | Durban | There is agreement with the finding   * + - 1. One official was designated for collection of payroll certificates and payslips. At time she will not be available.       2. The official who certifies the payroll certificate travel out of the office regularly.   A second official will be identified to provide collection backup to the one already designated. The official designated for collection will be instructed immediately scan the payment certificate and email it to the official who certifies it in order to stop travel related delays. | Name: S Simelane  Position: Director:EPWP  Date: 20 March 2018 |
| 3 | Port Elizabeth | I am in agreement with the finding for the following reasons: the manager responsible for EPW was out of the office at the time concerned. |  |
| 4 | Polokwane | Management acknowledges the audit finding and wishes to respond as follows:  Payroll certificates are only received from the head office after the payment date, Regional office is unable to provide further details in terms of corrective action to be taken as the printing of payroll is centralised. Management disagrees with the impact identified by the audit team that *“Should incorrect payments be present on the payroll reports, they will not be timeously detected and corrected, might lead to possible fictitious payments or losses to the state.”* The certification, as a control measure, is not meant to “…timeously detected and corrected…which might lead to fictitious or losses to the state” since the certification of the payroll must be done on the date of payment, at which stage no fictitious payment would not be detected. | Name: Lucas Serepo  Position: DD Finance  Date: 14 March 2018 |
| 5 | Pretoria | The management is in agreement with this finding for the following reasons, it is a challenge to certify the payroll certificates before the payday due to unavailability of some of the employees to sign for their payslips. The certification can only be done when all the payslips have been taken by their owners. Management will from now on ensure that the managers responsible for paypoints sign the payroll sheet, and in case where employees are not available to sign for their payslip, responsible managers will sign the payroll on their behalf.  Management disagrees with the impact identified by the audit team that *“Should incorrect payments be present on the payroll reports, they will not be timeously detected and corrected, might lead to possible fictitious payments or losses to the state.”* The certification, as a control measure, is not meant to “…timeously detected and corrected…which might lead to fictitious or losses to the state” since the certification of the payroll must be done on the date of payment, at which stage no fictitious payment would not be detected.  **Payroll certificate was returned to the finance section within ten days of certification**  The management is in agreement with this finding for the following reasons, it is a challenge to certify the payroll certificates before the payday due to unavailability of some of the employees to sign for their payslips. The certification can only be done when all the payslips have been taken by their owners. Management will from now on ensure that the managers responsible for pay points sign the payroll sheet, and in case where employees are not available to sign for their payslip, responsible managers will sign the payroll on their behalf. | Name: Ms Tebogo Phiri  Position: Regional Manager  Date: 22 March 2018 |
| 6 | Head Office | I am in agreement with the finding that the Unit: Training Support EPWP did submit their signed payroll certificate after the required 10 days as per Treasury Regulation. The Head of the Unit did provide an explanation and indicated that it will not happen again. The relevant Chief Director to whom this directorate reports have been informed and they will ensure that it will not happen in future again. HR will intensify the follow-up process on Unit who do not submit timeously.  Follow-ups on Units who have not submitted in time is currently part of the process as well as escalating of the matter to next level of reporting. Repeat offenders will be reported to the Chief Director: HRM. | Name: C Mtshisa    Position: DDG: CS  Date: 11 April 2018 |

**Auditor’s conclusion**

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

Goods and services

1. Legal Services: Non–compliance with SCM Processes

Audit Finding

1. Public Finance Management Act section 38(1)(a)(iii) states that*:*

*“The accounting officer for a department, trading entity or constitutional institution must ensure that that department, trading entity or constitutional institution has and maintains—an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective”.*

1. Furthermore, Treasury Regulation 16A3.2 States that A Supply Chain Management referred to in paragraph 16A3.1 must:
2. be fair, equitable, transparent, competitive and cost effective;
3. be consistent with the Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 200)
4. be consistent with the Broad Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003)

c) Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including—

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act or

(c) any provincial legislation providing for procurement procedures in that provincial government”

The following deviation was noted:

When auditing goods and services – Legal Service Fees it was noted that legal services directorate did not follow an appropriate SCM process of obtaining three quotations from different law firms in order to obtain services from the State Attorney for the below transactions. It was further noted that in some cases the department recommended the firm that must be appointed by the State Attorney office then based on the recommendation the State Attorney appoints the law firm without following the SCM process.

| **No** | **Supplier Name** | **Payment number** | **Payment Date** | **Amount per GL** | **Invoice number** | **Invoice receipt date** | **Services rendered** | **Amount per invoice** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | Department of Justice | 2401971 | 20-Jun-17 | 253 263,15 | 392PTA16A | 07-Dec-16 | Legal fees | 253 263,15 |
| 2 | Department of Justice | 2401969 | 19-Jun-17 | 171 604,84 | 710PTA15A | 08-Jun-17 | Legal fees | 171 604,84 |
| 3 | Department of Justice | 2400006 | 06-Apr-17 | 1 178 586,06 | 989PTA16 | 29-Mar-17 | Legal fees | 1 178 586,06 |
| 4 | Department of Justice | 2402813 | 17-Jul-17 | 456 319,80 | 011DBN17 | 11-Jul-17 | Legal fees | 456 319,80 |
| 5 | Department of Justice | 2402817 | 17-Jul-17 | 231 107,00 | 111PTA17 | 11-Jul-17 | Legal fees | 231 107,00 |
| 6 | Department of Justice | 2403349 | 01-Aug-17 | 1 443 855,25 | 121PTA17 | 31-Aug-17 | Legal fees | 1 443 855,25 |
| 7 | Department of Justice | 2404882 | 13-Sep-17 | 101 200,00 | 033PLK17 | 31-Aug-17 | Legal fees | 101 200,00 |
| 8 | Department of Justice | 2404948 | 14-Sep-17 | 1 172 829,56 | 188PTA17 | 31-Aug-17 | Legal fees | 1 172 829,56 |
| 9 | Department of Justice | 2404950 | 14-Sep-17 | 393 021,34 | 055DBN17 | 31-Aug-17 | Legal fees | 393 021,34 |
| 10 | Department of Justice | 2406146 | 23-Oct-17 | 823 005,41 | 012PTA17A | 11-Oct-17 | Legal fees | 823 005,41 |
| 11 | Department of Justice | 2406149 | 23-Oct-17 | 473 025,56 | 641PTA16A | 12-Oct-17 | Legal fees | 473 025,56 |
| 12 | Department of Justice | 2406147 | 23-Oct-17 | 685 939,88 | 377PTA17 | 12-Oct-17 | Legal fees | 685 939,88 |
| 13 | Department of Justice | 2406162 | 23-Oct-17 | 1 406 379,76 | 272PTA17 | 13-Mar-18 | Legal fees | 1 406 379,76 |
| 14 | Department of Justice | 2411603 | 23-Mar-18 | 131 580,00 | 248JHB17 | 13-Mar-18 | Legal fees | 131 580,00 |
| 15 | Department of Justice | 2411604 | 23-Mar-18 | 128 686,00 | 138PLK17 | 13-Mar-18 | Legal fees | 128 686,00 |
| 16 | Department of Justice | 2411605 | 23-Mar-18 | 198 269,46 | 181PEL17 | 13-Mar-18 | Legal fees | 198 269,46 |
| 17 | Department of Justice | 2411607 | 23-Mar-18 | 273 398,29 | 138PEL17 | 13-Mar-18 | Legal fees | 273 398,29 |
| 18 | Department of Justice | 2411597 | 23-Mar-18 | 100 528,09 | 142MMB17 | 13-Mar-18 | Legal fees | 100 528,09 |
| 19 | Department of Justice | 2411614 | 23-Mar-18 | 926 141,87 | 450PTA17 | 13-Mar-18 | Legal fees | 926 141,87 |
| 20 | Department of Justice | 2411639 | 26-Mar-18 | 133 520,00 | 228CTN17 | 13-Mar-18 | Legal fees | 133 520,00 |
| 21 | Department of Justice | 2411642 | 26-Mar-18 | 673 445,72 | 522PTA17 | 13-Mar-18 | Legal fees | 673 445,72 |
| 22 | Department of Justice | 2411668 | 28-Mar-18 | 155 221,00 | 216DBN17 | 13-Mar-18 | Legal fees | 155 221,00 |
| **Total** | | | | **11 510 928,04** |  |  |  | **11 510 928,04** |

**The impact of the finding**

This may result in:

Non-compliance with Public Finance Management Act section 38(1)(a)(iii) and Treasury Regulation 16A3.2 resulting in irregular expenditure of R11 510 928,04.

**Internal control deficiency**

Reason for the deviation:

Management has not implemented effective controls to ensure that the procurement of legal services is done in accordance with prescribed legislations

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

*Financial and Performance Management*

Review and monitor compliance with applicable legislation.

The procurement of the State Attorney services was not in accordance with the Public Finance Management Act and Treasury Regulation which may result in irregular expenditure.

**Recommendation**

Management must ensure that:

* Services procured by the legal directorate are in accordance with applicable laws and regulations
* Threshold values for different procurement processes are complied with
* The expenditure incurred for legal services must be reported to National Treasury and disclosed as irregular expenditure in the annual financial statements of the department.

**Management response**

Management does not agree with the finding by Auditor General for following reasons:

1. **STATUTORY MANDATE OF THE OFFICE OF THE STATE ATTORNEY** 
   1. The Office of the State Attorney is responsible for management of all litigious matters for and on behalf Government as directed by Section 3 (1) of the State Attorney Act 56 of 1957 as amended which provides as follows:

“*3. Functions of State Attorney’s Office*

1. *The functions of the Office of the State Attorney and of its branches* ***shall*** *be the performance in any court or in any part of the Republic of such work on behalf of the Government of the Republic as is by law, practice or custom performed by attorneys, notaries and conveyancers or by parliamentary agents: Provided that the functions in regard to his duties as parliamentary agent shall be subject to the Standing Rules of the respective Houses of Parliament.*
2. *There may also be performed at the State Attorney’s Office or at any of its branches like functions for or on behalf of the administration of any province, and the South African Railways and Harbours Administration, subject to such terms and conditions as may be arranged between the Minister of Justice and the Administration concerned.*
3. *Unless the Minister of Justice otherwise directs, there may also be performed at the State Attorney’s Office or at any of its branches like functions in or in connection with any matter in which Government or such administration as aforesaid, though not a party, is interested or concerned in, or in connection with any matter where, in the opinion of the State Attorney or of any person acting under his authority, it is in the public interest that such functions be performed at the said office or at one of its branches”*.
   1. The provisions of section 3 above and in particular the use of the word “**shal**l” therefore implies that the Office of the State Attorney exercise exclusive functions in terms of handling cases on behalf of Government only, however, the same functions cannot be exercised exclusively when it comes to administration of any province, and the South African Railways and Harbours Administration in view of the discretionary functions provided by section 3 (2) of the Act.
   2. Furthermore, the provisions of Section 3 (3) empowers the Office of the State Attorney or any of its branches to perform similar functions in connection with any matter in which Government or such an administration may have an interest although it is not a party to the proceedings or in connection with any matter where in the opinion of the State Attorney or of any person acting under his authority, it is in the public interest that such functions be performed at the said office or at one of its branches, unless the Minister of Justice otherwise directs.
   3. Legal Services usually instructs the Office of the State Attorney to handle all litigation matters on behalf of DPW from inception until finalisation unless otherwise the Office of the State Attorney does not have the requisite capacity and or expertise to manage some matters. State Attorney in most litigious matters indicates lack of capacity to prepare Court documents or pleadings and there and then requests for the appointment of external Advocates and or Private Law Firms in order to augment their capacity challenges or constraints.  This practice is recognised and provided for in the Act and more particularly Section 8 (1) which provides as follows:

*“8. Employment of correspondents by State Attorney and matters incidental thereto*

1. *The State Attorney or person in charge of a branch of the State Attorney’s Office shall be entitled in the exercise of his functions aforesaid to instruct and employ as correspondent any attorney or other qualified person to act in any legal proceedings or matters in any place in the same way and, mutatis mutandis, subject to the same rules, terms and conditions as govern attorneys in private practice, and shall be entitled in the exercise of his functions aforesaid to instruct and employ as correspondent any attorney or other qualified person to act in any legal proceedings or matters in any place in the same way and , mutatis mutandis, subject to the same rules, terms and conditions as govern attorneys in private practice, and shall be entitled to receive and recover from such correspondent the same allowances as he would be entitled to do if he were an attorney in private practice”.* 
   1. It is therefore Legal Service‘s view that the functions to augment capacity constraints including the appointment private law firms or Advocates at the Office of the State Attorney is authorised by law subject to the provisions of subsection (2), (3) and (4) of section 6 shall mutatis mutandis apply in respect of any legal proceedings or matters in which any such attorney or other qualified person has been so instructed and employed.  In this instance, letters of instructions from Legal Services is only courteous or for expediency reasons since the authority to appoint any attorney or advocates is inherently vested upon the Office of the State Attorney by virtue of Section 8 (1).

* 1. It is clear from the above section 3 and 8 of the State Attorney Act and its subsections that the authority to procure private attorneys or advocates in any legal proceedings on any matter involving Government lies primarily with the Office of the State Attorney and its branches and there is nowhere in the Act where the Office of the State Attorney is required to exercise such functions in concurrent with the Government Departments including DPW and this therefore implies that accountability for appointment/s and the resultant expenditure thereof remains the responsibility of the Accounting Officer of the Office of the State Attorney.
  2. It is on this basis that Legal Services submits that it is not the responsibility of DPW’s Accounting Officer to appoint the private attorneys or advocates in terms Section 8 (1) of the State Attorneys Act either as correspondents or as any other qualified person to act in any legal proceedings or matters on behalf of Government or DPW in particular, hence we do not agree with the findings of Auditor General.
  3. The DPW’s Accounting Officer is only responsible for reimbursement of the costs incurred by the Office of the State Attorney when managing any matter on behalf of DPW and this is authorised and provided for by section 6 of the State Attorney Act no 56 of 1957 which provides as follows:

*6 Recovery of costs when work performed at State Attorney’s Office*

1. *In every application, motion, action, suit or other legal proceedings of a civil nature in or before any court in or in connection with which the State Attorney, or any person employed in the State Attorney’s Office or a branch thereof and admitted and entitled to practice as aforesaid, has appeared, or in any matter wherein he or any such person has acted in the performance of any of the said functions, fees and costs may be taxed and recovered in the same manner as if such functions has been performed by a practitioner in private practice.*
   1. It is therefore the submission of Legal Services that the payments made to the Office of the State Attorney which are classified by Auditor-General to be irregular expenditure in the sum of more than R 11 million, are reimbursements for the services and costs incurred by the Office of the State Attorney or its appointed private attorneys or advocates. Furthermore, these payments are based on the taxed and approved invoices which were verified and paid by the Office of the State Attorney and only brought to Legal Services for reimbursement purposes.
2. **STATE ATTORNEY USING ITS TARIFFS/FEES STRUCTURE IN ENGAGING CORRESPONDENTS ATTORNEYS OR ADVOCATES OR ANY OTHER QUALIFIED PERSON.** 
   1. The Office of the State Attorney is using its tariffs in employing correspondent attorneys or advocates or any other qualified person to perform any of its functions on its behalf in any matter involving Government and where there are no tariffs they usually negotiate a tariff or fee agreement with the said correspondent attorney or advocate or any other qualified person to be appointed before making such appointment.
   2. When appointing such correspondent attorneys or advocates or qualified person, the State Attorney derives its functions from the Act and does not exercise such power concurrently with Legal Services.
   3. Furthermore, Office of the State Attorney has internal policies regarding appointment of correspondents attorneys and advocates or any other qualified person, which amongst others include the existence of the Fee Committee that determines the fees payable to correspondent attorneys, advocates or any other qualified person and Legal Services is not a member of that Committee nor having any power to ratify or disapprove the Committee’s decisions.
   4. It is also on this basis that Legal Services disagree with the finding of the Auditor General that when engaging the Office of the State Attorney services, it is actually procuring services directly, which process according to Auditor General, trigger the provisions of Section 217 of the Constitution and the Public Finance Management Act which requires competitive bidding process or three quotations, for the reasons already stated that the Legal Services does not procure but that the Office of the State Attorney is in fact procuring in accordance with its statutory mandate.
3. **DPW ISSUING INSTRUCTION TO THE OFFICE OF THE STATE ATTORNEY ON ORDINARY LEGAL OPINIONS** 
   1. Furthermore, Legal Services would ordinarily instruct the Office of the State Attorney to assist with legal opinions on any question of law that the DPW may have in order to assist the DPW on that matter or question of law that the DPW encounters whilst executing its powers and functions in accordance with its mandate. In most instances, the Office of the State Attorneys would usually require the services of external independent advocates to assist given its capacity constraints including expertise in the area of law.
   2. For instance the National Treasury Regulations empowers the Accounting Officer of an organ of state to refer certain claims on loss or damages against the state to the Office of the State Attorney for recovery and the relevant provisions are as follows:

***“2.3 Claims by the state against other persons***

*12.3.1 If the state suffers a loss or damage and the other person denies liability, the accounting officer* ***must****, if deemed economical,* ***refer the matter to the State Attorney for legal action, including the recovery of the value of the loss or damage”.***

***12.7 Losses or damages through acts committed or omitted by officials***

*[Sections 76(1)(b) and 76(4)(a) of the PFMA]*

*12.7.1 Losses or damages suffered by an institution because of an act committed or omitted by an official, must be recovered from such an official if that official is liable in law.*

*12.7.2 The accounting officer must determine the amount of the loss or damage and, in writing, request that official to pay the amount within 30 days or in reasonable instalments. If the official fails to comply with the request, the matter* ***must*** *be handed to the State Attorney for the recovery of the loss or damage.*

12.7.3 A claim against an official must be waived if the conditions in paragraph 12.2.1(a) to (g) are

Not applicable.

*12.7.4* ***If in doubt, the accounting officer of the institution must consult the State Attorney on questions of law in the implementation of paragraphs 12.7.1 and 12.7.3.***

* 1. Given this prevailing practice or custom which has been consistent over many years, where the Office of the State Attorney does not ordinarily prepare legal opinions itself on behalf of the Department, it also became a common practice in Legal Services just like other Government Departments to adopt a practice of writing instructions letters either recommending or requesting the appointment of private attorneys and advocates based on work experience and or expertise. However, this practice or custom cannot legally be equated with exercise of procurement of goods and or services by Legal Services as it is not in any way sanctioned by law but mainly driven by experience and capacity constraints faced by the Office of the State Attorney.

1. **WHEN IS PROCUREMENT DECISIONS MADE AND WHO ARE PARTIES TO THE CONTRACT, IS IT STATE ATTORNEY AND OR DPW?**
   1. Legal Services only issue instructions to the Office of the State Attorney either recommending or requesting appointment of private attorney or advocate to assist in managing any matter involving legal proceedings against the Department and or assist in providing legal opinion on any question of law.
   2. Following receipt of instructions letter, State Attorney is not necessarily duty bound to follow the instructions letter as it is having inherent authority from the law (State Attorneys Act) to either appoint or decline such a request or recommendation from Legal Services.
   3. It is also the submission of the Legal Services that the actual appointment of private attorneys or briefing of advocate is concluded by Office of the State Attorney and the subsequent contractual relationship arise between the Office of the State Attorney and the private attorneys or advocates in question and neither with Legal Services or DPW directly.
   4. It is on this basis that the Legal Services disagree with the findings of the Auditor-General in so far as it is contending that the Legal Services has engaged in procurement of services by only issuing a letter of instructions, which letter, in a legal sense of word is not authorised by any law rather than a practise or custom existing between Legal Services (client) and the Office of the State Attorney.
   5. Furthermore, Legal Services would like to clarify that the term “instructions” is commonly used within the legal profession as a form of communication between client and attorney on the nature of assistance required and in the case of Legal Services and Office of the State Attorney the extent and the nature of instructions are limited by virtue of the provisions section 3, 6 and 8 of the State Attorney Act of 1957 as amended.

Furthermore, the National Treasury’s Updated Guideline on Irregular Expenditure, 2015, provides as thus:

*59. Where institutions are mandated in terms of the law to make use of other organs of state to procure goods and/or services, the institution receiving the goods and/or services must, where possible, ensure that it has supply chain management representatives on the mandated institution’s bid committee to confirm that appropriate supply chain management procedures have been followed.*

*60. If supply chain management transgressions are identified in the procurement processes of the mandated institution, the supply chain management representatives of the institution that is going to receive the goods and/or services must immediately inform the accounting officer or accounting authority of the institution that he or she represents.*

*61. In line with paragraphs 59 and 60 above, the procuring institutions (Client) must always be represented in the bid committees of the mandated institutions for the procurement goods or services procured on their behalf, unless there are justifiable reasons for not being represented in the bid committees and such reasons must be in writing.*

Paragraph 61.1 (i) of the Guideline *supra* further provides thus:

***61.1 Institutions that are not represented in the Bid Committees***

*(i) Institutions (client) that are not represented in the bid committees will not bear any irregular expenditure emanating from transgressions with the laws and regulations.*

From the above, it is clear that any irregularities, despite the fact the department incurs the expenditure, as a result of the engagement by the State Attorney will not be disclosed by the Department. The Department did not participate, nor was it represented, in any of the procurement by the State Attorney. The Department will, as a matter of cause, report and disclose the non-compliance emanating from such procurement.

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

1. Travel and Subsistence Expense: Debt not raised within the required time frame

**Audit finding**

Laws, rules and regulations

1. Public Finance Management Act section 38(1)(c)(i) states that*:*

*“The accounting officer for a department, trading entity or constitutional institution— must take effective and appropriate steps to collect all money due to the department, trading entity or constitutional institution”.*

1. Ministerial Handbook Chapter 7 subsection 7.2 (Subsistence and Travel Allowance International) states the following:

*“7.2.1. A daily accommodation and subsistence allowance may be paid to Members,*

*and Spouses accompanying them in official capacity, on official visits abroad.*

*They may:*

1. *be compensated for their reasonable actual accommodation expenditure (i.e. for lodging, laundering and dry cleaning); and*

*b. Receive a daily allowance (i.e. for three meals and other incidental expenditure such as tips, room service, reading material and normal liquid refreshments) equal to 110% of the daily allowance payable to Directors-General during visits abroad. Should the daily allowance be insufficient, their reasonable actual expenditure on meals may be reimbursed and an additional daily allowance for incidental expenditure equal to the amount applicable to Directors-General as determined from time to time by the Department of Public Service and Administration, is payable to them”.*

1. Debt, Claim Recoverable and Revenue Management Policy paragraph 8.1.1 States that:

*“The originating office where the debt is discovered must inform the official/supplier of the outstanding amount and provide them with the opportunity to settle the outstanding amount within thirty (30) calendar days. This period for thirty days (30) calendar days after which, if the outstanding amount has not been settled in full, where applicable interest starts accruing from the date of the original transaction”.*

The following deviations were noted:

The Minister travelled with his wife and three (3) of his children for the period 06 to 12 July 2017. The Minister indicated that his children will accompany him for a vacation as it was school holidays. According to the Minister’s letter dated 30 August 2017 he instructed the department to submit all invoices relating to the children’s travel to him to settle them personally, however on receipt of the invoices the department paid the children vacation costs. The cost was not recovered from the Minister and no debtor was raised in the books of the department as at 31 March 2018:

| **No** | **Name of traveller** | **Purpose of trip** | **Invoice Number** | **Supplier Name** | **Invoice Date** | **Cost Classification** | **Amount "R"** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | Minister's Children | School Holiday Vacation | Hof0197993 | Travel Adventures International (Pty) Ltd | 26-Jul-17 | Accommodation | 51 066,73 |
| 2 | Minister's Children | School Holiday Vacation | Hof0189314 | Travel Adventures International (Pty) Ltd | 26-Jul-17 | Flights | 83 043,00 |
| 3 | Minister's Children | School Holiday Vacation | Hof0189299 | Travel Adventures International (Pty) Ltd | 26-Jul-17 | Insurance | 630,34 |
| **Total** | | | | | | | **134 740,07** |

The impact of the finding

The matter results in:

1. Non - Compliance with the Public Finance Management Act section 38(1)(c)(i)
2. Non - Compliance with Ministerial Handbook Chapter 7
3. Non - Compliance with Debt, Claim Recoverable and Revenue Management Policy paragraph 8.1.1
4. Understatement of debtors in the annual financial statements

**Internal control deficiency**

Reason for the deviation:

The department’s officials failed to comply with the letter from the Minister

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

**Financial and Performance Management**

Review and monitor compliance with applicable laws and regulations

The review process surrounding the payment for travel and subsistence was inadequate which has resulted in non – compliance with the Debt, Claims recoverable and Revenue Management Policy, Ministerial Handbook and the Public Finance Management Act.

**Recommendation**

1. Management must ensure that the payments for subsistence and travel expenses comply with the Debt, Claims recoverable and Revenue Management Policy, Ministerial Handbook and the Public Finance Management Act.
2. Supporting documents attached to submissions for payment of travel and subsistence expenses should be noted and complied with

**Management Response**

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

The Department received a consolidated invoice from the Travel Agent for the trip undertaken by Minister to France. Noting the various invoice charges and different traveler’s on the invoice, the Department engaged with Travel Adventures International (TAI) on 13 December 2017 to finalize the split of the invoice per Traveler and per service. The invoices were submitted by TAI, duly certified by the Chief of Staff in Ministry and was paid during February and March 2018 in accordance with National Treasury Instruction 02 of 2017/2018, Annexure A paragraphs 13.1.6 and 13.1.7.

*“The Traveler must check out at time of departure, verify the cost on the invoice, sign the final invoice and settle any other expenses. If the Traveler fails to check out and not settle the additional charges and not sign the invoice the Institution will settle the account and if the Traveler is found liable, recover the amount from the Traveler.*

*Only the service as approved and described on the Travel Voucher that correspond with the Travel Authorization Form is for the account of the Institution and the TMC only invoices this to the Institution. The Institution instructs the TMC to invoice all other unauthorized expenses separately to the Institution and deal with theses in terms of paragraph 13.1.6 above”*

Upon payment of the invoices, the Department followed due protocol and submitted an internal memorandum dated 22 March 2018 to the Chief of Staff to provide the Minister with all the invoices paid and the final outstanding amount as per Ministers letter dated 30 August 2017.

No debt accounts were opened for the Ministry due to the fact that the utilization of the travel and accommodation services of the Travel Agent were under investigation. The investigation report was only concluded on 12 April 2018.

|  |  |  |  |
| --- | --- | --- | --- |
| **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 |  | | |
| 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. |  | | |
| 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: Raymond Naidoo

Position: Chief Director: SCM

Date: 16 July 2018

**Auditor’s conclusion**

Management’s comment is noted, however, the investigation on the Travel Agent was concluded on 12 April 2018 before the submission of the Annual Financial Statements on the 31 May 2018.

A debt should have been raised and disclosed as such in the AFS, as the amount paid to the Travel Agent is included in Goods and Services as per the AFS. Therefore the finding remains and will be included in the management’s report.

Procurement

1. Procurement: Non-compliance with a deviation approved by National Treasury

Audit finding

1. Treasury Regulation 16A6.4 provides as follows:

*“If in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from competitive bids must be recorded and approved by the accounting officer or accounting authority.”*

1. Practice Note 8 of 2007/08 paragraph 3.4.3 states that:

*The accounting officer should invite competitive bids for all procurement above R 500000. Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier, the accounting officer may procure the required goods or services by other means, such as price quotations or negotiations in accordance with Treasury Regulation 16A6.4. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer are required to report within ten (10) working days to the relevant treasury and the Auditor-General all cases where goods and services above the value of R1 million (VAT inclusive) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the prescribed competitive bidding process*

1. Irregular expenditure means:

“Expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including—

(*a*) this Act; or

(*b*) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act or

(*c*) any provincial legislation providing for procurement procedures in that provincial government”

The following deviation was noted:

During the audit of procurement and contract management deviation testing it was identified that the department applied for a deviation for an extension of a contract in excess of the 15% threshold for Mercy Civils and Buildings for the maintenance of and servicing of building, civil, mechanical and electrical infrastructure and installation for a period of four (4) months for an amount of R1 095 369,00. National Treasury approved the deviation on the 02 May 2017 however it was noticed that the department cancelled the name of the supplier (Mercy Civils and Building) on the approved National Treasury deviation letter and Caledon River Properties was added in place of the approved supplier.

**The impact of the finding**

This results in non-compliance with Treasury Regulation 16A6.4 and Practice Note 8 of 2007/08 paragraph 3.4.3 resulting in irregular expenditure.

**Internal control deficiency**

Reason for the deviation:

There are no proper controls in place for reviewing the accuracy of the information submitted to National Treasury for approval of deviations

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

*Financial and Performance Management*

Review and monitor compliance with applicable laws and regulations

Management did not design and implement proper controls to ensure that the information and contained in the documents submitted to National Treasury to obtain approval to deviate from the competitive bidding process was accurate

**Recommendation**

Management must ensure that:

1. A deviation approval is submitted to National Treasury to obtain approval for the appropriate supplier
2. Controls are implemented to ensure that the information on the deviation submission documents is accurate

**Management response**

I am not in agreement with the finding that the department changed the National Treasury approval letter and cancelled the name of Mercy Civils and Buildings and added Caledon River Properties. The original letter dated 2 May 2017 received from National Treasury with the name of Mercy Civils and Buildings *albeit* being the incorrect service provider name was submitted without any changes to the relevant Project Manager by the SCM Bid committee official.

The copy of the National Treasury letter that was sent to AG reflecting the name changes of Mercy Civils and Building was actually used by the SCM official to demonstrate to the supervisor the error that was identified in the names of the service provider. This was during the process of addressing RFI 118 and this copy should not have been submitted to AG as is, due to the fact that the department did not amend the original National Treasury approval letter (See attached Annexure A - letter which is not amended).

The departments bid committee duly considered the expansion of contract request for Caledon River Properties and after confirming amongst others, the correctness of all documents and names, recommended the expansion to National Treasury. Documents submitted to National Treasury are sent in accordance with a standard template/format and herein is where an error occurred. The responsible official in compiling the source document to National Treasury used a previous identical request template but erroneously left the name of Mercy Civils and Building in the “Description Column” instead of changing it to Caledon River Properties. It must however be noted that on the same page of the document, four lines below the correct name of the service provider Caledon River Properties is stated. See Annexure B: Submission to National Treasury. It is therefore evident that even the National Treasury did not identify the error with the names despite all the supporting documents reflecting Caledon River Properties and not Mercy Civils and Buildings.

The department confirms that notwithstanding the error in the names, the contents of the submission referred to Caledon River Properties and the contract was thus expanded with Caledon River Properties and not Mercy Civils and Buildings. See attached Annexure C: Confirmation of Extension – Caledon River Properties.

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

Name:

Position:

Date:

**Auditor’s conclusion**

Management’s response is noted, however, can management kindly furnish us with a letter informing National Treasury of the error in Supplier’s name, attached is the Q1 expansions approved by National Treasury, Caledon River Properties does not appear on the list but Mercy Civil and building with the amount of R1 095 267.33 on row 162 of the attached document.

The finding will remain until the appropriate evidence is submitted.

**Audit Finding**

Procurement: No approval obtained for performing remunerative work outside employment in the Public Service

Public Service Act paragraph 30(1) states that:

*"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 deviations were noted:

During the audit on procurement and contract management, the following internal control deficiency was identified within the interest declarations process in the department: The following employees were identified to have performed outside remunerative work however the employees did no obtain prior approval from the relevant executive authority.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Persal Number** | **Name of person** | **Position** | **Supplier name** | **Approval obtained for additional remunerative work?** | **Interest disclosed?** | **Total payments to supplier "R"** |
| 1 | 60011751 | Mondli Wellington Qulo | Chief Director:Legal Services | Mzansi Communications | No | No | 15 792,74 |
| 2 | 28644042 | Sharone Episha Ndhlovu | Intern - Marketing & Communications | Ramapulana Mapulaneng Project Management | No | No | 105 000,00 |
| 3 | 27837131 | Sipheleke Boqwana | Intern:Water Graduate Programme | SST Security | No | No | 115 200,00 |
| **Total** | | | |  |  |  | **235 992,74** |

**The impact of the finding**

This results in non-compliance with the Public Service Act section 30(1).

**Internal control deficiency**

Reason for the deviation:

Proper controls were not designed and implemented to ensure compliance with the Public Service Act

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

*Financial and performance management:*

Review and monitor compliance with applicable laws and regulations

Management did not design and implement proper controls to ensure that employees complied with Public Service Act section 30(1).

**Recommendation**

Management must ensure that:

a) For contracts awarded before 01 August 2016 employees submit proof to the department that either one of the following actions has been taken by 01 February 2017:

i) the contract has been cancelled;

ii) the official has resigned from being a director of the company; or

iii) the official has resigned from public service

b) Action is taken against officials who were awarded contracts after 01 August 2016 as this contravenes the public service code of conduct

c) Proper controls are designed and implemented to ensure compliance with the Public Service Act

**Management response**

I am in agreement with the finding that none of the mentioned officials requested prior approval for remunerative work. Attached is Adv. Qulo’s financial disclosure please see the comment at the bottom. Also take note that in terms of Section 21 of the PSR, 2016 the Public Service Commission investigates conflict of interest in terms of SMS.

The matter will also be referred to Fraud and Anti-Corruption for investigation.

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

Name:

Position:

Date:

**Auditor’s conclusion**

Management’s response is noted, follow-up will be done in the next audit.

1. Procurement – Non–Compliance with Procurement Process

**Audit Finding**

Public Finance Management Act section 38(1)(a)(iii) states that*:*

*“The accounting officer for a department, trading must ensure that that department, trading entity or constitutional institution has and maintains—an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective”.*

Furthermore, Treasury Regulation 16A3.2 States that A Supply Chain Management referred to in paragraph 16A3.1 must:

a) be fair, equitable, transparent, competitive and cost effective;

b) be consistent with the Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 200)

c) be consistent with the Broad Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003)

Preferential Procurement Regulations 2011 paragraph 4(4) states that no tender must be regarded as an acceptable tender if it fails to achieve the minimum qualifying score for functionality as indicated in the tender invitation

Furthermore, paragraph 4(5) of the Preferential Procurement Regulations 2011 states that tenders that have achieved the minimum qualification score for functionality must be evaluated further in terms of the preference point system prescribed in regulation 5 and 6

Preferential Procurement Regulations 2011 paragraph 14 states that no tender may be awarded to any person whose tax matters have not been declared by the South African Revenue Service to be in order.

Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including—

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act or

(c) any provincial legislation providing for procurement procedures in that provincial government”

The following deviation was noted:

During the audit of Procurement and contact management – the following internal control deficiency occurred within the competitive bids process for the appointment of Qualified Service Providers to a Panel of Town Planning Services. Pfukani Kusile Consulting was declared by the South African Revenue Services as being non tax compliant this was indicated on the Central Supplier Database report as at 11 May 2017. It was indicated in the Bid Evaluation Committee minutes dated 5 April 2017 that the Supply Chain Management Unit informed the Bid Evaluation Committee that 29 bidders responded on the closing date and 11 bids were none responsive of which Pfukani Kusile Consulting was one of the bidders disqualified. It was indicated that the Bid Evaluation Committee verified the reasons for disqualification and agreed with the SCM unit.

On the 15th May 2017 the supplier was recorded on the PA-21: Tender Evaluation Report to the Bid Adjudication Committee as administratively non – responsive due to the none compliant tax status. We further noted the bidder was indicated as not acceptable on the PA-20.7: Scoring Model was also not scored for functionality on the PA-20.7. On 5 April 2017 the Bid Evaluation Committee recommended two suppliers to be adjudicated for Limpopo Province, Nhlatse Planning Consultants and Matete and Associates Consultants. An irregular checklist was also completed for only these suppliers. On further perusal of the tender file it was noted that Pfukani Kusile Consulting was appointment on the 10 July 2017 together with the two recommended bidders even though the bidder was not evaluated for functionality and price nor recommended for adjudication.

**The impact of the finding**

This results in:

a) Non - compliance with Public Finance Management Act section 38(1)(a)(iii)

b) Non – compliance with Treasury Regulation 16A3.2

c) Non – compliance with Preferential Procurement Regulations 2011 paragraph

1. The non – compliance might result in irregular expenditure

**Internal control deficiency**

Reason for the deviation:

The controls implemented by the department to ensure that bids are not awarded to bidders who have not been evaluated and recommended by the Bid Evaluation Committee for adjudication were not effective and as a result did not detect and prevent the non-compliance from occurring.

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

*Financial and Performance Management*

Review and monitor compliance with applicable laws and regulations

Management did not review and monitor compliance with applicable laws and regulations

**Recommendation**

Management must ensure that:

a) No tender is awarded to any person whose tax matters have not been declared by the South African Revenue Service to be in order.

b) No tender is regarded for functionality evaluation if the tender failed to meet the responsive criteria stipulated in the PA-04: Notice and Invitation to Bid

c) Tenders that have achieved the minimum qualification score for functionality are evaluated further in terms of the preference point system

d) An irregular checklist is completed for all the suppliers recommended by the Bid Evaluation Committee for appointment

**Management Response**

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

At the time of approving the recommendation, the NBAC stated that certain administrative errors be corrected on the PA 21. These corrections were however not affecting the outcome of the panel appointees. In addressing the issues raised by the NBAC in relation to the PA21, the Project Manager then used a wrong version of the PA21 which version erroneously reflected three recommended bidders instead of the two bidders approved by the NBAC. The Project Manager / Chairperson of the BEC confirmed that utilisation of the wrong version of PA21 was a human error. Regrettably, the error went unnoticed and led to the issuance of a letter of acceptance by Legal Services. The bidder; Pfukani Kusile Consulting was not supposed to have been accepted into the panel as they were declared non-responsive.

The department will undertake necessary steps to withdraw the acceptance letter issued to Pfukani Kusile Consulting who has not been appointed under this panel thus far. The Department further confirms that no expenditure has been incurred on this bidder as part of the approved panel.

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

Name:

Position:

Date:

**Auditor’s conclusion**

Management’s response is noted, follow up will be made in the next financial year’s audit.

Lease commitments

1. Lease Commitments: Incorrect amounts disclosed in the notes to the annual financial statements.

**Audit finding**

Laws, rules and regulations

a) Public Finance Management Act sections 38(1)(a)(i):

“*the accounting officer for a department, trading entity or constitutional institution must ensure that the department, trading entity or constitutional institution has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.”*

Modified Cash Standard paragraph 6.1 states that the total future lease commitment is disclosed in the notes to the AFS and any unpaid instalments due by the 31 march disclosed as a payable in the Annual Financial Statements

Furthermore, the paragraph states that the future minimum lease payments expected to be made should be recorded in the financial statements as secondary financial information in the following periods:

* Not later than one year;
* Later than one year and not later than five years; and
* Later than five years

The following deviations were noted:

We re-performed the calculation of the amounts disclosed in the disclosure note for lease commitments (Note 29) for the period within 1 year and over 1 year up to 5 years as prescribed by Chapter 33(Lease) of Modified Cash Standard paragraph 22 and noted the following misstatements in relation to the calculation of the commitment:

1. Not later than 1 year

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Photocopy Machine Serial Number** | **Start Date** | **End Date** | **Lease Instalment** | **Greater than 1 year as per schedule** | **Auditors recalculation Not later 1 year** | **Differences** |
| 1 | A5AY41004984 | 01-Mar-16 | 01-Mar-19 | 2 751,72 | 68 586,86 | 30 268,92 | 38 317,94 |
| 2 | A61E041002762 | 01-Oct-16 | 01-Oct-19 | 1 789,73 | 25 038,65 | 21 476,76 | 3 561,89 |
| 3 | A579K02100128 | 01-Oct-16 | 01-Oct-19 | 3 200,44 | 44 774,75 | 38 405,28 | 6 369,47 |
| 4 | A55V047002031 | 01-Jul-16 | 01-Jul-19 | 2 572,59 | 36 121,88 | 30 871,08 | 5 250,80 |
| 5 | A55V047002040 | 01-Jul-16 | 01-Jul-19 | 2,572,59 | 36 121,88 | 30 871,08 | 5 250,80 |
| 6 | 3660661700 | 17-Aug-15 | 16-Aug-18 | 2 213,85 | 9 816,95 | 8 855,40 | 961,55 |
| 7 | 3660662617 | 06-Aug-15 | 05-Aug-18 | 2 213,65 | 7 682,71 | 8 854,60 | - 1 171,89 |
| 8 | A5AY041004382 | 01-Mar-16 | 01-Mar-19 | 3 787,19 | 75 847,90 | 41 659,09 | 34 188,81 |
| 9 | 3660663354 | 07-Sep-15 | 06-Sep-18 | 2 213,65 | 9 675,15 | 11 068,25 | - 1 393,10 |
| 10 | A61D041002471 | 01-Feb-16 | 31-Jan-19 | 1 751,57 | 39 753,41 | 17 515,70 | 22 237,71 |
| **Total** | | | | | | | **113 573,98** |

Greater than 1 year to 5 years

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Photocopy Machine Serial Number** | **Start Date** | **End Date** | **Lease Instalment** | **Greater than 1 to 5 years as per schedule** | **Auditors recalculation greater than 1 to 5 years** | **Differences** |
| 1 | A61E041002762 | 01-Oct-16 | 01-Oct-19 | 1 789,73 | 12 519,33 | 10 738,38 | 1 780,95 |
| 2 | A579K02100128 | 01-Oct-16 | 01-Oct-19 | 3 200,44 | 22 387,37 | 19 202,64 | 3 184,73 |
| 3 | A55V047002031 | 01-Jul-16 | 01-Jul-19 | 2 572,59 | 9 030,47 | 7 717,77 | 1 312,70 |
| 4 | A55V047002040 | 01-Jul-16 | 01-Jul-19 | 2,572,59 | 9 030,47 | 7 717,77 | 1 312,70 |
| **Total** | | | | | | | **7 591,08** |

# The impact of the finding

1. This results in non-compliance with chapter 13 of Modified Cash Standard
2. Overstatement of lease commitments by an amount of R121 165,06

**Internal control deficiency**

Reason for the deviation:

The provisions of Chapter 13 paragraph 6 was incorrectly applied in the computation of the disclosed amounts relating to lease commitments.

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

**Financial and Performance Management**

Management did not implement controls over daily and monthly processing and reconciling of transactions

**Recommendation**

1. The Finance Manager should ensure that the lease commitments disclosed in the financial statements are accurate in terms of the applicable provisions of the Modified Cash Standard Chapter 13 and Accounting Manual for Departments Chapter 13.
2. Management should revisit the population and correct any miscalculations that might be in the lease commitment schedule and resubmit the corrected schedules to the AGSA

**Management Response**

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

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

1. Lease Commitments: Incorrect lease commitment for cell phone contracts

**Audit finding**

Laws, rules and regulations

a) Public Finance Management Act sections 38(1)(a)(i):

“*the accounting officer for a department, trading entity or constitutional institution must ensure that the department, trading entity or constitutional institution has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.”*

b) In terms of the Modified Cash Standard: Leases Chapter 13 paragraph 22

*A lessee department shall make the following disclosures for lease commitments, distinguishing clearly between finance and operating lease commitments:*

*(a) the total of future minimum lease payments at the reporting date,*

*(i) not later than one year;*

*(ii) later than one year and not later than five years; and*

*(iii) later than five years;*

*(b) the total minimum lease payments at the reporting date specified in (a) above should also be disclosed for the comparative period;*

The following deviations were noted:

We noted that the lease schedule was not accurate.

1. The lease commitment for the below cellphone contracts was not calculated using the total subscription fee per the contract that the department is paying for the cell phone contract. The payment portion relating to other components of the contract is not disclosed as part of the lease commitment i.e. minutes, data etc.)

Not later than 1 year

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Mobile Number** | **Asset Description** | **Lease term** | **Subscription fee "R"** | **Payment per month per schedule "R"** | **Difference identified "R"** | **Remaining Months** | **Total difference "R"** |
| 1 | 828867537 | Samsung Galaxy S8 & Tab 8 | 24 | 1 999,00 | 922,79 | 1 076,21 | 15 | 12 914,52 |
| 2 | 795119849 | Samsung Galaxy A7 | 24 | 899,10 | 448,87 | 450,23 | 17 | 5 402,76 |
| 3 | 723824446 | Samsung Galaxy Tablet | 24 | 2 099,00 | 184,07 | 1 914,93 | 17 | 22 979,16 |
| 4 | 828888994 | Samsung Grand prime plus | 24 | 463,98 | 114,50 | 349,48 | 15 | 4 193,76 |
| **Total** | | | | | | | | **45 490,20** |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PK Asset ID** | **Category1** | **Category2** | **Category3** | **Category4** | **Description** | **Extended Description** | **Asset Number** | **Serial**  **Number** | **Registration Number** |
| **4723** | **Property, plant and equipment** | **Buildings** | **Community**  **Facility** | **1562** | **Building** |  | **1562** |  |  |

Later than 1 year to 5 years

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Mobile Number** | **Asset Description** | **Lease term** | **Subscription fee "R"** | **Payment per month per schedule "R"** | **Difference identified "R"** | **Remaining Months** | **Total difference "R"** |
| 1 | 828867537 | Samsung Galaxy S8 & Tab 8 | 24 | 1 999,00 | 922,79 | 1 076,21 | 15 | 3 228,63 |
| 2 | 795119849 | Samsung Galaxy A7 | 24 | 899,10 | 448,87 | 450,23 | 17 | 2 251,15 |
| 3 | 723824446 | Samsung Galaxy Tablet | 24 | 2 099,00 | 184,07 | 1 914,93 | 17 | 9 574,65 |
| 4 | 828888994 | Samsung Grand prime plus | 24 | 463,98 | 114,50 | 349,48 | 15 | 1 048,44 |
| **Total** | | | | | | | | **16 102,87** |

# The impact of the finding

This results in non-compliance with chapter 13 of Modified Cash Standard

Incorrect amounts disclosed in the annual financial statements relating to lease commitments for cell phone contracts resulting in an understatement of R61 593,07.

1. The following contracts were not included in the lease commitment schedule

| **No** | **Mobile Number** | **Employee Name** | **Designation** | **Responsible unit/ Directorate** | **Renewed or Terminated** |
| --- | --- | --- | --- | --- | --- |
| 1 | 823772157 | Thomas Dzivhani | Director | EPWP {Polokwane} | Not for head office |
| 2 | 795074307 | Dzivhani T | Director | DPW | Not for head office |
| 3 | 795095363 | Mphahlele V | Deputy director | DPW | Not for head office |
| 4 | 795115934 | Mashamba A | ASD | DPW | Not for head office |
| 5 | 795073413 | Kganyago M | Deputy director | DPW | Not for head office |
| 6 | 795072860 | Shabangu Meriam | Deputy director | DPW | Not for head office |
| 7 | 795079868 | Ngoasheng P | ASD | DPW | Not for head office |
| 8 | 795080179 | Phafe Tlaka | ASD | DPW | Not for head office |
| 9 | 795117166 | Makatu I | Deputy director | DPW | Not for head office |
| 10 | 836455346 | Minky Leutie | Admin Officer | Prestige | Not for head office |
| 11 | 828851514 | Edwin Mashele | Senior Admin Officer | Prestige | Not for head office |
| 12 | 810308910 | Lybo Nkwinika | Senior Admin Officer | Prestige | Not for head office |
| 13 | 836340450 | Hendrik Sebogodi | SENIOR ADMIN OFFICER | Prestige | Not for head office |
| 14 | 833782921 | Jeffrey Shaba | DEPUTY DIRECTOR | Prestige | Not for head office |
| 15 | 829573655 | Nofundo Tefu | DEPUTY DIRECTOR | EPWP | Not for head office |
| 16 | 828035320 | William Mapahata | PROJECT MANAGER | Prestige | Not for head office |
| 17 | 820835289 | Charles Netshisaulu | Senior Admin Officer | Prestige | Not for head office |
| 18 | 836759662 | Hannie Klienhans | Senior Admin Officer | Prestige | Not for head office |
| 19 | 833950168 | Bongiwe Sibisi | ASD | EPWP | Not for head office |
| 20 | 829574105 | Tembela Ndlazi | Deputy Director | EPWP | Not for head office |
| 21 | 824462710 | Barbara Manuel | Deputy Director | Prestige | Not for head office |
| 22 | 820411605 | Ilse Swart | Senior Admin Officer | Prestige | Not for head office |
| 23 | 829574724 | Thembekile Piki | Deputy Director | EPWP | Not for head office |
| 24 | 833872722 | Nicolaas Mlgas | Driver | DG's Office | Not for head office |
| 25 | 824140324 | Lundi Lutya | Deputy Director | EPWP | Not for head office |
| 26 | 798873231 | Mzwamadoda Mfene | Deputy Director | EPWP | Not for head office |
| 27 | 764237558 | Mzimkhulu Gusha | Director | EPWP | Not for head office |
| 28 | 828295864 | Somikazi Pita | Senior Admin Officer | Prestige | Not for head office |
| 29 | 798861177 | Clive Zederberg | Assistant Director | Prestige | Not for head office |
| 30 | 824541487 | Luvuyo Rasmeni | Assistant Director | Prestige | Not for head office |
| 31 | 826999244 | Euphemiah Zide | Adimin Officer | Prestige | Not for head office |
| 32 | 724960413 | David Morris | Messenger | Prestige | Not for head office |
| 33 | 798873254 | Bongiwe Skosana | Admin Officer | Prestige | Not for head office |
| 34 | 826999688 | Bongiwe Tyekela | Admin Officer | Prestige | Not for head office |
| 35 | 824464406 | Nonene Ntshonga | Admin Officer | Prestige | Not for head office |
| 36 | 823071785 | Gary Sasman | Senior Admin Officer | Prestige | Not for head office |
| 37 | 769410556 | Tsakani Maringa | Assistant Director | EPWP | Not for head office |
| 38 | 828156705 | Linda Kotsi | Assistant Director | Prestige | Not for head office |
| 39 | 798863785 | Nonyameko Klaas | Assistant Director | Prestige | Not for head office |
| 40 | 721968548 | Thembela Tshotyana | Admin Officer | Prestige | Not for head office |
| 41 | 820534117 | Theo Nel | Assistant Director | Prestige | Not for head office |
| 42 | 820432513 | Belinda Mlota | Director | Prestige | Not for head office |
| 43 | 712505415 | Jakobus Nakoo | Deputy Director | EPWP | Not for head office |
| 44 | 820514795 | Thamsanqa Ngqula | Assistant Director | EPWP | Not for head office |
| 45 | 822105588 | Sebola M | Deputy Director | EPWP | Not for head office |
| 46 | 829574192 | Seitheisho J | Deputy Director | EPWP | Not for head office |
| 47 | 826971200 | Serame SP | ASD | EPWP | Not for head office |
| 48 | 834295299 | Tshabalala M | Director | EPWP | Not for head office |
| 49 | 820670184 | Kabelo S | Deputy Director | EPWP | Not for head office |
| 50 | 820658615 | Malebese K | Deputy Director | EPWP | Not for head office |
| 51 | 820656384 | Sedupane TS | Deputy Director | EPWP | Not for head office |
| 52 | 825209929 | Nkonki T | Deputy Director | EPWP | Not for head office |
| 53 | 725714008 | T Mokoqama | DATA CAPTURER | EPWP | Not for head office |
| 54 | 726534091 | B.TONI | DEPUTY DIRECTOR | EPWP | Not for head office |
| 55 | 726556033 | M.MPONDO | DEPUTY DIRECTOR | EPWP | Not for head office |
| 56 | 726565426 | NONTLAHLA NTULI | ASSISTANT DIRECTOR | EPWP | Not for head office |
| 57 | 795148412 | N MZAYIYA | DATA CAPTURER | EPWP | Not for head office |
| 58 | 795173957 | L.MPAKATO | DEPUTY DIRECTOR | EPWP | Not for head office |
| 59 | 798759690 | KC.PEMBA | DEPUTY DIRECTOR | EPWP | Not for head office |
| 60 | 798894735 | W.LUDONGA | SENIOR ADMIN OFFICER | EPWP | Not for head office |
| 61 | 798899507 | A.MAJI | DATA CAPTURER | EPWP | Not for head office |
| 62 | 798904433 | O.BACELA | DATA CAPTURER | EPWP | Not for head office |
| 63 | 837829302 | Leonard Mpakato | DD: EPWP | EPWP | Not for head office |
| 64 | 837829306 | Kaya Pemba | DD: EPWP | EPWP | Not for head office |
| 65 | 837829316 | Ovayo Bacela | Data Capturer | EPWP | Not for head office |
| 66 | 837829317 | Asanda Maji | Data Capturer | EPWP | Not for head office |
| 67 | 837829321 | Lupiwo Mzaku/ Bangikhaya Toni | Data Capturer | EPWP | Not for head office |
| 68 | 716093349 | Motsamai Moipolai | ASD | EPWP | Not for head office |
| 69 | 836478158 | Manoto Simon | DD | EPWP | Not for head office |
| 70 | 795074742 | Vincent Mamathaba | DD | EPWP | Not for head office |
| 71 | 836805407 | Xoliswa Letsapa | Director | EPWP | Not for head office |
| 72 | 828037599 | Noso Moilwa | DD | EPWP | Not for head office |
| 73 | 828037599 | Mokgowe Moilwa | DD. NYS & Cont . Develop | EPWP. Infrastructure | Not for head office |
| 74 | 827417099 | Jimmy Mbhokotha | DD. Training | EPWP. Training | Not for head office |
| 75 | 820511273 | Elizabeth Rantsela | Director | Epwp Programme Manager | Not for head office |
| 76 | 716407338 | Isaac Mothapho | Deputy Director | Epwp Environm & Culture Sect | Not for head office |
| 77 | 829574295 | Lesley Nthangeni | Assistant Director | Nsp Epwp Training | Not for head office |
| 78 | 716408159 | Lesly Nthangeni | Assistant Director | Nsp Epwp Training | Not for head office |
| 79 | 716407356 | Eugenia Rakgoale | Data Capturer | Epwp Environm & Culture Sect | Not for head office |
| 80 | 798889538 | Martha Mashele | Data Capturer | Epwp Environm & Culture Sect | Not for head office |
| 81 | 820537148 | Lefela Mashaba | Deputy Director | Nsp Epwp Training | Not for head office |
| 82 | 827397488 | Timothy Maluleke | Assistant Director | Nsp Epwp Training | Not for head office |
| 83 | 726908651 | Lindiwe Motloung | Deputy Director | Nsp Epwp Social Sector | Not for head office |
| 84 | 828164422 | W.MOEKETSI | DD:EPWP | EPWP | Not for head office |
| 85 | 713329740 | W. MOEKETSI | DD:EPWP | EPWP | Not for head office |
| 86 | 820507977 | M MATHABA | DD | EPWP | Not for head office |
| 87 | 823145792 | D STEENKAMP | DD | EPWP | Not for head office |
| 88 | 820998121 | M NTESHE | DD | EPWP | Not for head office |
| 89 | 824938551 | N SIBANDA | DD | EPWP | Not for head office |
| 90 | 829574613 | R JAER | DD | EPWP | Not for head office |
| 91 | 829574006 | W SWARTZ | DD | EPWP | Not for head office |
| 92 | 796915820 | NTESE M | DIRECTOR | EPWP | Not for head office |
| 93 | 796929654 | V SANDLA | DEPUTY DIRECTOR | EPWP | Not for head office |
| 94 | 796937903 | MOSO D | DD: EPWP | EPWP | Not for head office |
| 95 | 796939729 | PAKATI P | DATA CAPTURER | EPWP | Not for head office |
| 96 | 796915368 | K SOKHULU | DD: EPWP | EPWP | Not for head office |
| 97 | 828762735 | X VILAKATI | SAO: EPWP | EPWP | Not for head office |
| 98 | 716824214 | M NORUWANA | DD: EPWP | EPWP | Not for head office |

# The impact of the finding

1. This results in non-compliance with chapter 13 of Modified Cash Standard
2. Incorrect amounts disclosed in the annual financial statements relating to understatement of lease commitments with an undetermined amount.

**Internal control deficiency**

Reason for the deviation:

The provisions of Chapter 13 paragraph 6 was incorrectly applied in the computation of the disclosed amounts relating to lease commitments.

The controls surrounding the review process of the lease commitment schedule was inadequate and resulted in errors not being detected

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

*Financial and Performance Management*

Management did not implement controls over daily and monthly processing and reconciling of transactions

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

**Recommendation**

a) The Finance Manager should ensure that the lease commitments disclosed in the financial statements are accurate in terms of the applicable provisions of the Modified Cash Standard Chapter 13 and Accounting Manual for Departments Chapter 13.

b) The department should prepare the lease commitments schedules and perform a thorough review to ensure that all lease commitment amounts are complete in the schedule.

c) Management should revisit the population for lease commitment for cell phone contracts and ensure that the lease commitment is calculated correctly and update the schedule together with the financial statements

**Management Response**

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

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

Commitments

1. Commitments: Inaccurate commitment schedule

**Audit finding**

Laws, rules and regulations

Public Finance Management Act sections 38(1)(a)(i):

“*the accounting officer for a department, trading entity or constitutional institution must ensure that the department, trading entity or constitutional institution has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.”*

The following deviations were noted:

We noted that the commitment schedule was not accurate.

1. We compared the contractual amount used to raise a commitment as at 31 March 2018 for the below supplier and noted that an incorrect contractual amount was used to raise a commitment.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Service Provider** | **Order Number** | **End Date** | **Order amount per Schedule** | **Order amount as per supporting documents** | **Remaining Commitments per schedule** | **Remaining commitments (Auditor)** | **Difference** |
| 1 | KMM Quality Solutions | OR-058919 | 22-Apr-18 | 9 551 458,09 | 9 984 658,00 | 1 861 143,66 | 2 294 343,66 | 433 200,00 |

We noted that the agreement for the below supplier ended on the 14 February 2018 however was included on the commitment schedule as at 31 March 2018.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Service Provider** | **Order Number** | **End Date** | **Order amount per Schedule** | **Order amount as per supporting documents** | **Remaining Commitments per schedule** | **Remaining commitments (Auditor)** | **Difference** |
| 2 | LA Consulting Engineer | OR-058766 | 28-Jan-18 | 5 254 925,00 | 5 483 400,00 | 2 255 011,58 | 2 483 486,58 | 228 475,00 |

We noted that the cumulative expenditure on the commitment schedule as at 31 March 2018 is different from the recomputed cumulative expenditure balance. Thus the remaining commitment balance differs between that on the schedule and the recomputed remaining commitment balance as at 31 March 2018 as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Service Provider** | **Order Number** | **End Date** | **Order amount per Schedule** | **Order amount as per supporting documents** | **Remaining Commitments per schedule** | **Remaining commitments (Auditor)** | **Difference** |
| 3 | STATE INFORMATION TECH | OR-060506 | 15-Apr-19 | 266 218,40 | 266 218,40 | 184 292,33 | 203 307,93 | (19 015,60) |

**The impact of the finding**

This results in non-compliance with chapter 13 of Modified Cash Standard

Incorrect amounts disclosed in the annual financial statements resulting in overstatement of commitments by an amount of R661 675,00.

**Internal control deficiency**

Reason for the deviation:

The controls surrounding the review process of the commitments schedule was inadequate and resulted in errors not being detected while compiling the commitment schedule

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

*Financial and Performance Management*

Management did not implement controls over daily and monthly processing and reconciling of transactions

**Recommendation**

a) Management should prepare the commitments schedule and perform a thorough review to ensure that all commitments that are in the commitment schedule should have been included i.e the contract has not ended

b) Management should revisit the population for commitment and ensure that the commitment is calculated correctly and update the schedule together with the financial statements

**Management Response**

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

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

Information Technology – Security Management

1. **NETWORK SECURITY: INTERNAL VULNERABILITY ASSESSMENT**

An internal vulnerability assessment was performed on Department of Public Works (DPW) local area network (LAN) from the Head Office.

In excess of eight hundred and sixty (860) hosts were detected and scanned for vulnerabilities. The hosts included servers, switches, routers, client machines, printers, etc. of which one hundred and eleven (111) of the identified hosts contained reportable vulnerabilities (i.e. forty-six (46) had missing patches or were running unsupported software, and eighty-two (82) contained weak/ vulnerable configurations). To exploit the identified vulnerabilities, an attacker would require access to the LAN, i.e. be inside a DPW facility and plugged into a network point via Ethernet cable or have access to a Wireless Access Point.

With this access, an attacker may exploit one of the identified vulnerabilities (note: exploits available freely online) that would primarily disrupt services provided by the affected hosts. Information disclosure exploits and default access vulnerabilities were also available, providing attackers with opportunities to attempt privileged access exploits. In certain cases, an attacker may be able to access one or more of the affected hosts without the need for credentials.

**Audit finding**

Missing security updates and unsupported software on various systems

A patch is software developed and released by a vendor with the intention of correcting flaws in the software or operating system. Patches may include resolutions to security vulnerabilities or fixes to a malfunctioning component of the software.

A total of one hundred and eleven (111) internal hosts (e.g. production servers, switches, routers, etc.) were either running unsupported software, operating systems and/or databases, or missing critical and/or high risk security updates with exploits available.

The issues detected included:

1. Unsupported and/or vulnerable Microsoft software
2. Vulnerable Cisco operating system
3. Vulnerable encryption software
4. Vulnerable database
5. Vulnerable web application software

An attacker may use the enumerated vulnerabilities to cause unapproved/ malicious activities within the confines of the network, directly/ indirectly affecting critical business applications. Exploits (note: exploits available freely online) would primarily disrupt services provided by the affected hosts. Information disclosure exploits and default access vulnerabilities were also detected. If used, attackers may successfully conduct privileged access attacks.

The following section details the vulnerabilities and their prevalence:

1. **Unsupported and/or vulnerable Microsoft software**

A total of twenty-eight (28) hosts were either running an unsupported operating system and/or missing one or more critical or high risk security updates.

* One (1) Windows hosts had Microsoft Server Message Block 1.0 (SMBv1) enabled, which contains a variety of denial of service vulnerabilities.
* Twenty-eight (28) Windows hosts are missing numerous, critical security updates. Some of the associated vulnerabilities had been published as early as 2006. The following patch signatures were found to be missing: MS12-020, MS14-066, MS17-010

Successful exploitation of the most severe of the vulnerabilities could result in an attacker encrypting the hosts hard drive preventing access to all data on the hosting machine (i.e. holding the data ransom in an attempt to gain financially). In addition, vulnerabilities would also allow users Depending on the privileges associated with the user, an attacker could then install programs; view, change, or delete data; or create new accounts with full user rights. Users whose accounts are configured to have fewer user rights on the system could be less impacted than those who operate with administrative user rights. In addition, a lack of support implies that no new security patches for the product will be released by the vendor. As a result, it is likely to contain security vulnerabilities. Furthermore, the vendor is unlikely to investigate or acknowledge reports of vulnerabilities.

Affected system(s):

| **#** | **A** | **B** | **C** | **D** |
| --- | --- | --- | --- | --- |
| 1 | 10.130.40.101 | 10.130.40.51 | 10.130.40.67 | 10.130.40.97 |
| 2 | 10.130.40.104 | 10.130.40.52 | 10.130.40.68 | 10.130.48.32 |
| 3 | 10.130.40.105 | 10.130.40.54 | 10.130.40.73 | 10.130.48.38 |
| 4 | 10.130.40.111 | 10.130.40.55 | 10.130.40.77 | 10.130.48.49 |
| 5 | 10.130.40.120 | 10.130.40.64 | 10.130.40.79 | 10.130.48.57 |
| 6 | 10.130.40.138 | 10.130.40.65 | 10.130.40.81 | 10.130.48.61 |
| 7 | 10.130.40.146 | 10.130.40.66 | 10.130.40.84 | 10.130.48.66 |

|  |  |  |
| --- | --- | --- |
| **Management comment on the finding:** | | |
| **Remedial action:** | | |
| What actions will be taken: | By whom:  Person:  Position: | By when: |

1. **Vulnerable Cisco operating system**

A total of eight (8) hosts were running versions of the Cisco Internetwork Operating Systems (IOS) that were missing one or more critical or high risk security updates and/ or contained bugs (technical issues) identified by the vendor.

As a result of the missing updates and existing bugs, the affected hosts were found to contain multiple vulnerabilities that included, amongst other issues, denial of service (DoS) vulnerabilities. If exploited, it would render the services provided by the hosts

unusable during an attack.

Affected system(s):

| **#** | **A** | **B** | **C** | **D** |
| --- | --- | --- | --- | --- |
| 1 | 10.130.1.10 | 10.130.1.6 | cisco-lwapp-controller.ndpw.local | 10.153.1.2 |
| 2 | 10.130.1.13 | 10.130.1.7 | 10.142.1.21 | 10.154.1.2 |

|  |  |  |
| --- | --- | --- |
| **Management comment on the finding:** | | |
| **Remedial action:** | | |
| What actions will be taken: | By whom:  Person:  Position: | By when: |

1. **Vulnerable encryption software**

Secure Shell (SSH), is a cryptographic (encrypted) network protocol to allow remote login and other network services to operate securely over an insecure network. A total of twenty-two (22) hosts were running a vulnerable version of SSH and as a result, open to denial of service (DoS) and information disclosure vulnerabilities.

The versions installed are primarily vulnerable to information leaking related vulnerabilities where attackers will attempt to intercept traffic that should be encrypted, and potentially decrypt portions of information otherwise though to be protected. In addition, should OpenSSH communications between end-user and server be intercepted, it may be possible for an unauthorised individual or attacker to create a denial of service condition or in certain circumstances, hijack or intercept communications.

Affected system(s):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **#** | **A** | **B** | **C** | **D** |
| 1 | 10.130.0.2 | 10.130.0.69 | 10.130.1.1 | 10.130.36.1 |
| 2 | 10.130.0.242 | 10.130.0.70 | 10.130.10.1 | 10.130.4.1 |
| 3 | 10.130.0.35 | 10.130.0.81 | 10.130.10.254 | 10.130.40.1 |
| 4 | 10.130.0.52 | 10.130.0.82 | 10.130.10.5 | 10.130.48.1 |
| 5 | 10.130.0.67 | 10.130.0.83 | 10.130.2.1 |  |
| 6 | 10.130.0.68 | 10.130.0.84 | 10.130.32.1 |  |

Dropbear SSH (A1-C5)

Unsupported and vulnerable OpenSSL (C6-A8)

|  |  |  |
| --- | --- | --- |
| **Management comment on the finding:** | | |
| **Remedial action:** | | |
| What actions will be taken: | By whom:  Person:  Position: | By when: |

1. **Vulnerable database**

One (1) hosts were affected by multiple vulnerabilities (Oracle TNS Listener Remote). An attacker could exploit this issue to divert data from a legitimate database server or client to an attacker-specified system.

If exploited it could allow an attacker to manipulate database instances, potentially facilitating man-in-the-middle, session-hijacking, or denial of service attacks on a legitimate database server.

Affected system(s):

| **#** | **A** | **B** | **C** | **D** |
| --- | --- | --- | --- | --- |
| 1 | 10.130.48.19 |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Management comment on the finding:** | | |
| **Remedial action:** | | |
| What actions will be taken: | By whom:  Person:  Position: | By when: |

1. **Vulnerable network software**

One (1) hosts was running a variations of network enabling software/ protocols subject to vulnerabilities that could allow unauthenticated attackers to perform undesired activities, causing the affected hosts to malfunction. These issues are as a result of missing security updates/ upgrades. The following protocols/ agents/ applications were affected:

* CodeMeter < 5.20 Local Privilege Escalation Vulnerability

An attacker may be able to exploit the existing issue to crash the hosting systems or execute arbitrary commands with administrative privileges.

Affected system(s):

| **#** | **A** | **B** | **C** | **D** |
| --- | --- | --- | --- | --- |
| 1 | 10.130.40.120 |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Management comment on the finding:** | | |
| **Remedial action:** | | |
| What actions will be taken: | By whom:  Person:  Position: | By when: |

**Internal control deficiency**

*Financial and performance management: Information technology systems*

Non-compliance to the patch management policy and management not performing risk assessments.

**Recommendation**

Management should consider the following remedial actions:

* Ensure missing patches are deployed as per the respective policies;
* Ensure the ICT risk register is kept up to date with the acceptable patch related risks and the reasons for not patching specific systems, and;
* Should the decision be taken not to apply a particular security update, approval should be sought at a strategic level to accept the risk.
* Consider procuring a tool to periodically assess the environment for vulnerabilities.

**Management response**

|  |  |  |
| --- | --- | --- |
| **Management comment on the audit finding:**  Management agrees with the finding and will take the necessary action to remedy the issue. / Management disagrees with the finding for the following reasons: | | |
| **Management comment on internal control deficiencies:**  Management considers the control deficiency as appropriate given the finding. / Management considers the control deficiency inadequate for the following reasons: | | |
| **Management comment on recommendation:**  The recommendation is adequate/ The recommendation is inadequate for the following reasons: | | |
| **Remedial action:** | | |
| **What actions will be taken:** | **By whom:**  Person:  Position: | **By when:** |

**Auditor’s conclusion**

1. Insecure configurations on internal networked systems

**Audit finding**

A total of eighty-two (82) internal systems (e.g. production servers, switches, routers, etc.) were vulnerable as a result of weak configuration settings.

The issues detected included:

1. Open unencrypted ports
2. Default community strings (SNMP)
3. Non-credentialed access and password hash disclosures

An attacker may be able to use these vulnerabilities to access the affected system(s), disrupt services provided by the affected system(s) or gather sensitive/ confidential information generated by the entity. In addition, an attacker may use the enumerated issues to conduct unapproved/ malicious activities in the confines of the network.

The following section details the vulnerabilities and their prevalence:

1. **Open unencrypted ports**

A total of ninety-five (95) hosts connected on the internal network had clear text ports/ services enabled. The service ports/ service included:

* Unencrypted telnet
* FTP Server Detection
* TFTP Daemon Detection

If intercepted, usernames and passwords, as well as any other communication transmitted using clear-text methods between the servers and end-users would be visible to an unauthorised individual attempting to gain access to the information hosted on these servers.

Affected system(s):

| **#** | **A** | **B** | **C** | **D** |
| --- | --- | --- | --- | --- |
| 1 | 10.129.0.49 | 10.130.1.5 | 10.143.0.19 | 10.130.0.2\*\* |
| 2 | 10.129.0.51 | 10.130.1.7 | 10.143.0.49 | 10.130.0.242\*\* |
| 3 | 10.130.0.1 | 10.130.1.9 | 10.143.0.51 | 10.130.0.35\*\* |
| 4 | 10.130.0.2 | 10.130.10.1 | 10.145.0.17 | 10.130.0.52\*\* |
| 5 | 10.130.0.242 | 10.130.10.254 | 10.145.0.19 | 10.130.0.70\*\* |
| 6 | 10.130.0.35 | 10.130.10.5 | 10.145.0.49 | 10.130.0.84\*\* |
| 7 | 10.130.0.49 | 10.130.2.1 | 10.145.0.51 | 10.130.1.1\*\* |
| 8 | 10.130.0.50 | 10.130.32.1 | 10.147.0.1 | 10.130.10.1\*\* |
| 9 | 10.130.0.51 | 10.130.36.1 | 10.148.1.21 | 10.130.10.5\*\* |
| 10 | 10.130.0.52 | 10.130.4.1 | 10.148.10.6 | 10.130.10.6\*\* |
| 11 | 10.130.0.54 | 10.130.40.1 | 10.148.4.6 | 10.130.2.1\*\* |
| 12 | 10.130.0.67 | 10.130.48.1 | 10.149.0.51 | 10.130.32.1\*\* |
| 13 | 10.130.0.68 | 10.131.0.1 | 10.149.10.1 | 10.130.36.1\*\* |
| 14 | 10.130.0.69 | 10.131.0.17 | 10.151.0.18 | 10.130.4.1\*\* |
| 15 | 10.130.0.70 | 10.131.0.17 | 10.151.0.19 | 10.130.40.1\*\* |
| 16 | 10.130.0.81 | 10.131.0.19 | 10.151.0.49 | 10.130.48.1\*\* |
| 17 | 10.130.0.82 | 10.131.0.19 | 10.151.0.50 | 10.139.10.9\*\* |
| 18 | 10.130.0.83 | 10.131.0.51 | 10.151.0.51 | 10.139.36.9\*\* |
| 19 | 10.130.0.84 | 10.132.0.1 | 10.151.0.54 | 10.139.4.9\*\* |
| 20 | 10.130.1.1 | 10.134.0.1 | 10.151.10.9 | 10.139.40.9\*\* |
| 21 | 10.130.1.10 | 10.139.1.2 | 10.154.1.2 | 10.142.10.2\*\* |
| 22 | 10.130.1.13 | 10.142.0.1 | 10.130.1.11\* | 10.142.4.2\*\* |
| 23 | 10.130.1.2 | 10.142.1.21 | 10.130.10.254\* | 10.148.10.2\*\* |
| 24 | 10.130.1.4 | 10.143.0.17 |  | 10.148.4.2\*\* |

Unencrypted telnet

FTP Server Detection\*

TFTP Daemon Detection\*\*

|  |  |  |
| --- | --- | --- |
| **Management comment on the finding:** | | |
| **Remedial action:** | | |
| What actions will be taken: | By whom:  Person:  Position: | By when: |

1. **Default community strings (SNMP)**

A total of fifteen (15) systems were configured with default SNMP strings on the entity’s network. The default “public” string was in use.

SNMP provides an attacker with information about the device being queried. This information could be used to conduct further attacks. If SNMP allows configuration modifications, an attacker may use this to change the configuration of the affected system.

Affected system(s):

| **#** | **A** | **B** | **C** | **D** |
| --- | --- | --- | --- | --- |
| 1 | 10.130.1.10 | 10.130.1.5 | 10.130.1.9 | 10.148.1.21 |
| 2 | 10.130.1.13 | 10.130.1.6 | 10.130.10.254 | 10.153.1.2 |
| 3 | 10.130.1.2 | 10.130.1.7 | 10.139.1.2 | 10.154.1.2 |
| 4 | 10.130.1.4 | 10.130.1.8 | 10.142.1.21 |  |

|  |  |  |
| --- | --- | --- |
| **Management comment on the finding:** | | |
| **Remedial action:** | | |
| What actions will be taken: | By whom:  Person:  Position: | By when: |

1. **Non-credentialed access and password hash disclosures**

A total of seven (7) hosts contained vulnerabilities that could lead to an attacker bypassing the authentication mechanisms.

One (1) systems were running virtual network computing (VNC) servers which were did not require authentication and six (6) systems were web servers transmitting cleartext credentials.

An unauthenticated attacker could exploit this to take control of the system and could obtain and change sensitive business information.

Affected system(s):

| **#** | **A** | **B** | **C** | **D** |
| --- | --- | --- | --- | --- |
| 1 | 10.130.48.19\* | 10.130.1.13 | 10.130.1.6 |  |
| 2 | 10.130.1.10 | 10.130.1.7 | 10.130.40.120 | 10.153.1.2 |

Virtual network computing\*

Web Server Transmits Cleartext

|  |  |  |
| --- | --- | --- |
| **Management comment on the finding:** | | |
| **Remedial action:** | | |
| What actions will be taken: | By whom:  Person:  Position: | By when: |

**Internal control deficiency**

*Financial and performance management: Information technology systems*

Weak configurations were attributed to the leak of database policies, standards and procedures which had not yet been formalised to ensure that servers would be securely configured.

**Recommendation**

1. Management should ensure that an Information security hardening standards procedures is enforced and monitor for compliance. Security monitoring tools should be made available to management and regular risk assessment should be done on the network.
2. ICT management should consider the following remedial actions:
3. Disable the use of clear-text protocols. Only use encrypted channels such as SSH to administer networked devices.
4. Change the default SNMP string or disable the service if it is not needed.
5. For VNC unauthenticated access:

Disable the 'No Authentication' security type.

The remote web server might transmit credentials in cleartext.

**Management response**

|  |  |  |
| --- | --- | --- |
| **Management comment on the audit finding:**  Management agrees with the finding and will take the necessary action to remedy the issue. / Management disagrees with the finding for the following reasons: | | |
| **Management comment on internal control deficiencies:**  Management considers the control deficiency as appropriate given the finding. / Management considers the control deficiency inadequate for the following reasons: | | |
| **Management comment on recommendation:**  The recommendation is adequate/ The recommendation is inadequate for the following reasons: | | |
| **Remedial action:** | | |
| **What actions will be taken:** | **By whom:**  Person:  Position: | **By when:** |

**Auditor’s conclusion**

**NETWORK SECURITY: FIREWALL ASSESSMENT**

1. Perimeter firewall management

**Audit finding**

The following firewall management weaknesses were found:

a) If analysed regularly, logs help you to confirm that the policy you have implemented for your firewall matches the security policy your organisation expects to enforce. Logs also help identify new and suspicious application activity. They reveal the latest, most popular attacks and methods. Most importantly, timely log analysis might help you to predict and deter an attack.

Firewall log changes could not be obtained and therefore changes to the firewall changes 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.

In addition, a lack of regular backups on the firewall may result in lost configuration settings if a firewall administrator were to make 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) No firewall rule commentary was used on the firewall rule bases.

With no review of firewall configuration and rules, management would have difficulty identifying weakness, misconfigurations and unapproved changes in a timely manner. This could result in weaknesses in the firewall going undetected which in turn could pose a risk to the department’s network and make it easier for an attacker to gain access.

1. Furthermore, it was also found the firewall password setting was set to 6 characters and not to 8 as set out in the security policy.

The risk of an attacker discovering passwords increases substantially if password settings are not adequately set. An attacker could use this information to guess passwords with little difficulty and could then exploit it to modify the contents of the system, or to shut it down, which would impact the business applications and transactions

These issues were also reported in the 2016/17 financial period.

**Internal control deficiency**

*Financial and performance management: Information technology systems*

IT management was in the process of implementing a firewall management system to enable proper management of the network environment by the department officials. However, the project has subsequently been put on hold.

**Recommendation**

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

ICT management should:

a) That all firewall change go through the change management process and are approved.

b) Firewall configurations and logs should be backed up regularly, and stored in a secure location with versioning capabilities. Once they are backed up the firewall configurations and logs should be regularly reviewed for inconsistencies and weaknesses.

c) Firewall commentary should be enabled to ensure effective and easy management of the firewall management system.

d) The firewall password setting should be set to 8 characters.

**Management response**

|  |  |  |
| --- | --- | --- |
| **Management comment on the audit finding:**  Management agrees with the finding and will take the necessary action to remedy the issue. / Management disagrees with the finding for the following reasons: | | |
| **Management comment on internal control deficiencies:**  Management considers the control deficiency as appropriate given the finding. / Management considers the control deficiency inadequate for the following reasons: | | |
| **Management comment on recommendation:**  The recommendation is adequate/ The recommendation is inadequate for the following reasons: | | |
| **Remedial action:** | | |
| **What actions will be taken:** | **By whom:** | **By when:** |

**Auditor’s conclusion**

1. **NETWORK SECURITY: OPERATING SYSTEM ASSESSMENT** (Windows)

An operating system (OS) is a system software that manages computer hardware and software resources and provides common services for computer programs. All computer programs, excluding firmware, require an operating system to function.

**Windows Operating system**

**Audit finding**

Inadequate management of the database operating system

The operating security and configuration settings were either inadequate or not configured, which gave rise to the following weaknesses:

1. **Inadequate patch management processes**

A patch is software developed and released by a vendor with the intention of correcting flaws in the software or operating system. Patches may include resolutions to security vulnerabilities or fixes to a malfunctioning component of the software.

An operating system scan was performed on the windows systems hosting the SQL database, it was noted that four (4) were high priority patches. Some of these missing patches were exploitable.

Affected system: dpwsagedb.ndpw.local

Failure to install patches could lead to vulnerabilities being exploited. Furthermore, if updates are not timely installed, business systems such as web and application systems are vulnerable to unauthorised access that might not be detected.

1. **User authentication and user management**

User authentication and management ensures that only authorised users with valid credentials (i.e. username and passwords) have access to the organisational information systems.

The following was noted with regards to user authentication and management:

Inadequate password parameter settings

An evaluation of the database server revealed that password policies of the following password settings were inadequate setup:”

* Failed password lockout attempts was set to “8”
* Two user account’s password change was set to False
* It was found that the administrator account was not renamed.

Affected system: dpwsagedb.ndpw.local

The risk of an attacker discovering passwords increases substantially if password settings are not adequately set. An attacker could use this information to guess passwords with little difficulty and could then exploit it to modify the contents of the system, or to shut it down, which would impact the business applications and transactions.

1. **Inadequate audit logging and monitoring**

Through a review of the local audit policy settings, the following weaknesses were noted:

* Audit logging was not set to log both successes and failures for File/Object Access.
* Audit logging was not set to log successful changes on the Process Tracking and Account logon. See below table for the detailed setting:

If analysed regularly, logs could aid in identifying unauthorised and suspicious activities on the system.

|  |  |  |
| --- | --- | --- |
| **Policy** | **Success** | **Failure** |
| Audit Sensitive Use | No auditing | |
| Audit Other Logon/  Logoff Events |  | |

Whilst logging was enabled on the system, logs were not reviewed on a continuous basis in order to identify unauthorised activities performed on the system.

1. **File system access and management**

The following write access to network and file shares for the ‘everyone’ were identified on the operating system. There were shares that were not restricted:

* PMTE
* SageVMs
* temp2

Affected system: dpwsagedb.ndpw.local

Unauthorised write access to network and file shares could lead to changes in financial data which could lead to a material misstatement. Unauthorised read access to sensitive data could lead to a breach in classified information.

1. **Authorized and necessary services**
2. The following unnecessary services presented on the server increases the risk of unauthorised access to the server:

* SNMP Service
* RDP Service

Affected system: dpwsagedb.ndpw.local

An attacker could use the information located on the shared folders to obtain sensitive information regarding the department and the leakage of this information could negatively affect the reputation of the department.

2) Anonymous enumeration accounts and shares was not prevented as the restrict anonymous was set to 0.

Anonymous access can be used to gather information in preparation for system compromise, and if the level of access is significant, be used to compromise a vulnerable server.

1. **Outdated antivirus software**

The window operating system hosting the SAGE database was running an out dated anti-virus definitions version of Kaspersky Anti-Virus Agent.

A lack of support implies that no new security patches for the product will be released by the vendor. As a result, it is likely to contain security vulnerabilities.

**Internal control deficiency**

*Financial and performance management: Information technology systems*

Weak configurations were attributed to the leak of database policies, standards and procedures which had not yet been formalised to ensure that servers would be securely configured.

**Recommendation**

1. Management should ensure that an Information security hardening standards procedures is enforced and monitor for compliance. Security monitoring tools should be made available to management and regular risk assessment should be done on the network.
2. ICT management should ensure that the following is implemented:
3. Test and apply the latest Microsoft updates in accordance with the patch management process.
4. ICT Management should further ensure that:

* Password lockout attempts is set to 3 failed attempts
* User account’s password change is set to True
* Default system accounts i.e. Administrator is renamed

1. That operating security logs are enabled and reviewed on the regular basis.
2. Restrict access to all open network shared folders and put measures in place that prevent the creation of unrestricted shared folders.

* Restrict this type of access to administrators.
* Restrict anonymous setting should be change to 1 or 2.

1. Unnecessary services should be disabled if not required. If they are required, more secured services such as secure shell (SSH) should be used.
2. Make sure that updates are working and the associated services are running.

**Management response**

|  |  |  |
| --- | --- | --- |
| **Management comment on the audit finding:**  Management agrees with the finding and will take the necessary action to remedy the issue. / Management disagrees with the finding for the following reasons: | | |
| **Management comment on internal control deficiencies:**  Management considers the control deficiency as appropriate given the finding. / Management considers the control deficiency inadequate for the following reasons: | | |
| **Management comment on recommendation:**  The recommendation is adequate/ The recommendation is inadequate for the following reasons: | | |
| **Remedial action:** | | |
| **What actions will be taken:** | **By whom:** | **By when:** |

**Auditor’s conclusion**

1. **NETWORK SECURITY: OPERATING SYSTEM ASSESSMENT** (SQL Database)

A database (DB) is software used to allow a computer to organise a collection of information in such a way that other computer programs can quickly select desired pieces of data. A database (DB) server is a computer program that provides database services to other computer programs or to computers.

**SQL Database Compliance**

**Audit finding**

Inadequate database configurations

The database security and configuration settings were either inadequate or not configured, which gave rise to the following weaknesses:

* Administrator account was not renamed from the "sa" account
* Password policy check and password expiration check settings were set to “0”
* Database Mail XPs Server Configuration was set “0”
* Ad Hoc Distributed was set to “1”
* c2 audit mode was set to “0”
* Default port of 1433 enabled
* Cross DB ownership was set to “1”
* Remote access server was set to “1”
* Remote admin connections was set to “0”
* xp\_cmdshell was set to “0”
* Mixed mode login

Affected systems: dpwsagedb.ndpw.local

The risk of an attacker discovering ways to access the database increases substantially if the database is not securely configured. An attacker could exploit configuration weaknesses to modify the contents of the databases, or to shut them down. This would impact the business applications and transactions.

**Internal control deficiency**

*Financial and performance management: Information technology systems*

Weak configurations were attributed to the leak of database policies, standards and procedures which had not yet been formalised to ensure that servers would be securely configured.

**Recommendation**

1. Management should ensure that an information security hardening standards procedures is enforced and monitor for compliance. Security monitoring tools should be made available to management and regular risk assessment should be done on the network.
2. Management should ensure the following are adequately configured to the following:

* Password policy check and password expiration check on all accounts must be abled
* Administrator account should be renamed
* Password policy check and password expiration check settings should be set to “1”
* Database Mail XPs Server Configuration should be set “1”
* Ad Hoc Distributed should be set to “0”
* c2 audit mode should be set to “1”
* Default port of 1433 disabled
* Cross DB ownership should be set to “0”
* Remote access server should be set to “0”
* Remote admin connections should be set to “1”
* xp\_cmdshell should be set to “1”
* Mixed mode login should be disabled and Windows authentication should be enabled.

**Management response**

|  |  |  |
| --- | --- | --- |
| **Management comment on the audit finding:**  Management agrees with the finding and will take the necessary action to remedy the issue. / Management disagrees with the finding for the following reasons: | | |
| **Management comment on internal control deficiencies:**  Management considers the control deficiency as appropriate given the finding. / Management considers the control deficiency inadequate for the following reasons: | | |
| **Management comment on recommendation:**  The recommendation is adequate/ The recommendation is inadequate for the following reasons: | | |
| **Remedial action:** | | |
| **What actions will be taken:** | **By whom:** | **By when:** |

**Auditor’s conclusion**

Information Technology – IT Governance

1. Vacant positions within information technology division.

**Audit finding**

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

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

The inadequate staffing of the ICT division may result in inefficient service delivery, lack of segregation of duties within the ICT function and ultimately failure by the department to achieve key strategic objectives.

**Internal control deficiency**

*Leadership: Lack of implementation of appropriate key controls:*

The Chief Information Officer did not fill the vacant positions, as they were not funded by the department.

**Recommendation**

Human Resource together with the Chief Information Officer should ensure that the IT organisational structure is reviewed on an annual basis to ensure that the structure is appropriate and allows for adequate segregation of duties, efficient and effective operations of IT and alignment to the department’s strategy.

**Management response**

Name:

Position:

Date:

**Auditor’s conclusion**

Information Technology – Security Management

1. 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.

**Audit finding**

Scope limitation - Evidence not provided to evaluate Security Management controls

Information for security management was requested as per RFI 64 on 02 March 2018. However, only the DPW/PMTE ICT Security Risk Management Policy was provided for audit review.

The following security management controls evidence was not provided for audit purposes.

As a result the controls could not be assessed for adequacy and effectiveness.

* Antivirus Management;
* Patch Management;
* Password configuration settings;
* User activity logging; and
* Firewall management.

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

**Internal control deficiency**

*Financial and performance management: Formal controls over IT Systems*

Lack of commitment by ICT Security Information Services division to provide evidence for review.

**Recommendation**

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

* Design adequate patch management procedures which include the following; definition of patch information sources, prioritisation, testing procedures, change management, installation and deployment and monitoring of updates to ensure consistency and continuous compliance.
* User logins and failed login reports are regularly monitored and discrepancies followed up. Evidence of the reviews is to be retained for audit purposes.
* Managements should commit to findings resolution by prioritising the procurement and implementation of a departmental firewall. Furthermore firewall policies and procedures should be documented, by first performing a risk assessment of the overall infrastructure and system. This risk analysis should be based on an evaluation of threats; vulnerabilities; counter measures in place to mitigate vulnerabilities; and the impact if systems or data are compromised. The Firewall policy should be maintained and updated regularly as classes of new attacks or vulnerabilities arise, or as the needs regarding network applications change. The policy should also include specific guidance on how to address changes to the rule set.

**Management response**

Name:

Position:

Date:

**Auditor’s conclusion**

Information Technology – User Access Management

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

**Audit finding**

Inadequate user access management controls on PERSAL

During the audit, it was noted that the PERSAL user access procedure does not provide adequate guidance on the process to follow when performing the following user access management activities:

* Monitoring actions of the system controllers on application security level (creation of IDs, user ID maintenance, allocating functions to users etc.)
* Periodic checks to ensure employees’ access is commensurate with their job responsibilities

Furthermore, information for PERSAL user access controls was requested as per RFI 64 on 02 March 2018. However, the following user access control evidence was not provided for audit purposes:

* Creation of new users;
* Change of existing access/access modification;
* Termination of users;
* Reviews performed to monitor employees’ current access and privileges on the system
* Reviews performed on activities performed by system controllers; and
* Process to monitor and review logon and access violation.

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

**Internal control deficiency**

*Financial and performance management: Formal controls over IT Systems*

Lack of oversight by HR management to include the minimum access management activities procedures and lack of commitment and effort by PERSAL system controllers to provide evidence for audit review.

**Recommendation**

1. PERSAL system controller – Personnel and Salaries should ensure that that the current user access management procedure is reviewed and updated to include the following key requirements:

* Monitoring actions of the system controllers on application security level (creation of IDs, user ID maintenance, allocating functions to users etc.)
* Monitoring the actions of the users responsible for operating system user account management
* Periodic checks to ensure employees’ access is commensurate with their job responsibilities

1. Furthermore, Director HR and Finance should ensure that there is a consequence management process in place for the non-compliance to audit processes.

**Management response**

Name:

Position:

Date:

**Auditor’s conclusion**

1. Inadequate user access management controls on BAS

**Audit finding**

During the audit, it was noted that there was no documented BAS user access management policy which provides guidance on the user administration BAS system.

Furthermore, information for BAS user access controls was requested as per RFI 64 on 14 May 2018. However, the following user access control evidence was not provided for audit purposes:

* There was no evidence provided to assess changes of user functions
* There was no evidence provided to assess password reset
* There was no evidence provided of the review of user access rights on a periodic basis.
* There was no evidence provided of the reviews of system controller activities and the periodic monitoring of failed user login attempts.

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

**Internal control deficiency**

*Financial and performance management: Formal controls over IT Systems*

BAS system controller was currently documenting a BAS policy which will be complete and submitted for Approval in 2018/19 audit review period. Furthermore, the lack of commitment and effort by BAS system controllers to provide evidence requested by the auditors.

**Recommendation**

BAS system controller should priorities that the user access management policy that is currently being drafted provides adequate guidance on how to perform the following administrative processes at minimum:

* Request for access (new user set-up)
* Approval of request
* Reset of password
* Termination of access and inactive accounts
* Change of access (users transferred)
* Monitoring actions of the system controllers on application security level (creation of IDs, user ID maintenance, allocating functions to users etc.)
* monitoring the actions of the users responsible for operating system user account management
* Periodic checks to ensure employees’ access is commensurate with their job responsibilities
* User identification.

**Management response**

Name:

Position:

Date:

**Auditor’s conclusion**

1. Inadequate user access management controls on LOGIS

**Audit finding**

During the audit, the following weaknesses were identified with regards to the review of controls on LOGIS system:

* No evidence was provided to assess the reviews to monitor activities performed by the system controller.
* Inadequate evidence was provided for the review of logon violations.

Lack of regular reviews of administrator activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying security information on LOGIS and unauthorised activities may not be timely detected and resolved.

Security violations, i.e. attempts to gain unauthorised access, could consequently occur without being detected or followed up.

**Internal control deficiency**

*Financial and performance management: Formal controls over IT Systems*

There is a lack of commitment and effort by LOGIS system administrator to provide evidence requested for audit review.

**Recommendation**

LOGIS system controller should ensure that the following controls are implemented and continuously monitored:

1. The activities performed by the users with administrator access is reviewed on a regular basis to ensure that only authorised activities were performed and evidence of review should be retained for audit purposes.
2. Update the LOGIS Procedure Manual to include the extraction of reports to review the security violations and ensure they are monitored and reviewed. Security violation logs on LOGIS should be activated, extracted and at minimum report on the following:

* Failed user login attempts;
* User account changes and deletions;
* Object denied access;
* Invalid requests; and
* A report any security breaches should be prepared for distribution to management. The evidence of those reviews should be maintained for good record keeping and audit purposes.

**Management response**

Name:

Position:

Date:

**Auditor’s conclusion**

1. Inadequately designed and implementation of the user account management policy on EPWPRS

**Audit finding**

The department had documented approved user account management policy, however the policy was not adequately designed as the following information were not clearly defined:

* The process for creation of users and granting users access to the public bodies
* The responsibilities between national and public bodies in terms of user administration.
* The process to review privilege user accounts and the frequency of the review.

Furthermore, the following weaknesses were also identified:

* The helpdesk super administrator did not ask security questions when resetting password to confirm the identity of the users before resetting their password
* Evidence provided for review of the super administrator account was not adequate as it doesn’t show the activities performed by the administrator on the system. As results sample of 10 were requested to confirm that the super-admin authorized users that have request letter from senior manager or attendance register for training and it was found that one user by the name of Yongama Mjuleni with role user and last login of 2017/07/10 did not have either request letter or attendance register when created.
* The six super administrator’s had conflict access such as admin, user/capture, authorizer, project owner and participant approver on the system
* The password configuration on EPWP RS system was not configure according to DPW password policy as the password attempts threshold and history were not set furthermore, review of login violations was not performed.
* There were thirty-seven users with last logon date of January 2017 which was older than 12 months which were not deactivated on the EPWPRS system. Furthermore two users were found with blank date that created in 2016.

Lack of adequate designed policy might result in users performing functions not in line with or beyond their job requirements which may affect the quality of the data being capture on the EPWPRS system.

Lack security question during password reset might results in user requesting resetting password on behalf of other users and thereafter impersonate the users on the system to gain unauthorised access to confidential information.

Lack of review of the super administrator activities might results in ghost users created on the system that might have unauthorised access to confidential information or might compromise the data quality of data capture on EPWPRS system.

**Internal control deficiency**

*Financial and performance management: Formal controls over IT Systems*

Lack of management oversight to ensure that user access controls are designed and implemented adequately on EPWP system.

**Recommendation**

Management should update the user account management policy to ensure that the access control in the EPWP RS are as per the policy and the responsibilities should be clearly defined between EPWP and Public bodies..

**Management response**

**The department had documented approved user account management policy, however the policy was not adequately designed as the following information were not clearly defined:**

* **The process for creation of users and granting users access to the public bodies**
* **The responsibilities between national and public bodies in terms of user administration.**
* **The process to review privilege user accounts and the frequency of the review.**

The processes mentioned above are documented in the series of EPWP system circulars issued and communicated to public bodies during the implementation of the EPWP reporting system (EPWPRS). This information is available but not clearly defined in the user account management policy. The finding is noted and the process of incorporating information in the circulars to the user account management policy / user manual shall be initiated immediately.

**The helpdesk super administrator did not ask security questions when resetting password to confirm the identity of the users before resetting the password**

The EPWPRS helpdesk functions are guided by Standard Operating Procedures (SOPs). One of the SOP is to record every call that has been logged for internal audit purposes. The first version of the document was released in July 2017 and it has been noted that there is a need to update this version to include system security measures. The helpdesk administrators will be trained on the updated version of the SOP document.

**Evidence provided for review of the super administrator account was not adequate as it doesn’t show the activities performed by the administrator on the system. As results sample of 10 were requested to confirm that the super-admin authorized users that have request letter from senior manager or attendance register for training and it was found that one user by the name of Yongama Mjuleni with role user and last login of 2017/07/10 did not have either request letter or attendance register when created.**

Supervision of the system super administration activities such as the registration of system users is done outside the system. Users request access to the system in writing, with evidence of the public body they report to, or during system training. The evidence is stored on the system administrator local machine. We therefore could not provide a system generated evidence for this activity as was required by AG. File mismanagement by the system administrator resulted in some records missing. The process will be reviewed and a proper file management and storage investigated.

**The six Super Administrators had conflict access such as admin, user/capture, authorizer, project owner and participant approver on the system**

The single role of Super Administration is shared among the six helpdesk officials. The functions of the helpdesk is to effectively and efficiently solve the system users’ problems.

The nature of the queries logged to the helpdesk necessitates that the helpdesk administrators have complete access to the system in order to effectively assist users. All system requests are logged and activities are traceable. On a monthly basis, public bodies are provided with feedback on status quo of data reported in the system for their feedback. Users are also actively involved in the system to keep track of data captured by the public bodies. Only authorised and validated data is published.

The second version of the system is planned to separate the role of the super administrator from that of the helpdesk administrators. This implies that the system admin role will not have the ability to capture, update or authorise projects. It should also be notes that system activities are continuously monitored and recorded through system logs.

**The password configuration on EPWP RS system was not configure according to DPW password policy as the password attempts threshold and history were not set furthermore, review of login violations was not performed.**

The EPWPRS is only accessible to registered users. Configuration of the password strength is in line with the department’s requirements for system access control, as per the department’s password policy.

It is noted that the system is not complying in terms of several access attempts. This will be reviewed to comply accordingly.

**There were thirty-seven users with last logon date of January 2017 which was older than 12 months which were not deactivated on the EPWPRS system. Two users were found with blank date that created in 2016.**

The above is noted to have been an oversight at the time of submitting data / evidence to AG. The users have since been removed from the system and the user’s database is maintained regularly.

Name:

Position:

Date:

**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

Information Technology – IT Service Continuity

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

**Audit finding**

Inadequate IT service continuity controls

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

* Although Disaster Recovery Plan (DRP) was developed and approved, however it was noted that the DRP was not tested.
* There was no formal backup policy and procedure.
* There was no performance of periodic restoration of backups.
* EPWP backups were performed, however the based on the evidence provided the status of the backups performed was not successful

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

**Internal control deficiency**

*Financial and performance management: Formal controls over IT Systems*

1. The department recently established and approved the disaster recovery plan; as a result testing was not yet performed by IT department.
2. The chief information officer did not develop and approve the backup policy and procedure.
3. Lack of chief information officer oversight to ensure that backup processes are adequate.

**Recommendation**

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

a) Backup strategy

b) Roles and responsibilities

c) Backup frequency

d) Retention period

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

f) Back restoration process

g) On and off-site requirements

h) Archival requirements

i) Special media considerations

The Chief Information Officer together with the EPWP system owners should ensure that EPWP backup strategy is established in order to effectively perform backups.

**Management response**

Name:

Position:

Date:

**Auditor’s conclusion**

**ANNEXURE C: ADMINISTRATIVE MATTERS**

Procurement

**Audit finding**

Procurement: Quotation Register not timeously updated.

Laws, rules and regulations

Public Finance Management Act section 38(1) (a) (i) states that:

“General responsibilities of accounting officers — (1) the accounting officer for a department, trading entity or constitutional institution—

(a) Must ensure that the department, trading entity or constitutional institution has and maintains -

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

The following deviation was noted:

The below mentioned suppliers’ information were not updated accordingly on the quotation register by the relevant SCM section.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Winning Bidder Details as per quotation register** | **Project Description** | **Order Number as per quotation register** | **Quotation awarded Amount** |
| 1 | Duduza T Security | Cleaning Material services | Expired | 402 391,81 |
| 2 | Grobby Trading | House Furniture | Expired | 395 840,00 |
| 3 | Mkhabela Huntley Attorneys Inc | Legal Services | No entries exists on BAS for this order(OR -060978) | 342 000,00 |
| 4 | LH Langa (Pty) Ltd | Uniform | Cancelled | 82 825,56 |
|  | **Total** | | | **1 140 231,81** |

The impact of the finding

1. Non Compliance with the PFMA act section 38 (1)(a)(i).
2. The above finding is value add to the Department

**Internal Control deficiency**

The finding occurred as a result of the following:

Reason for the deviation:

The Provisioning section did not communicate the list of expired and inactive orders to

the Quotation section for the purposes of the register update.

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

*Financial and Performance Management*

Management did not implement controls over daily and monthly processing and reconciling of transactions

**Recommendation**

1. The SCM section (Quotation Section) should implement a tracking register for all quotations submitted to Provisioning section.
2. The Provisioning section should further update the Quotation section of any quotations that expired or orders that weren’t processed.
3. The SCM section should add an additional column on the quotation register to include invalid order numbers/ expired quotation for quotation register monitoring purposes.
4. Alternatively, the SCM section can remove the quotations stated as expired together with invalid orders on the quotation registers.

**Management Response**

Management is not in agreement with the finding. The purpose of the Quotation Register (which is an internal document) is to provide information of all transactions that were processed by SCM Acquisition Unit during a particular period. The information provide statistics that show throughput of the team that is responsible for sourcing quotations in the department. Through these statistics, management is able to assess performance of each and every official as well as to conduct various analysis such as demand planning, supplier and commodity profiling, price and market analysis, sourcing strategies, etc. The quotation register is purely an internal performance management and planning tool.

There are many reasons that may lead to non-issuance of a purchase order such as reprioritisation &/or withdrawal by end-users, subsequent budget limitations, expiry of quotation validity, etc. All these reasons do not negate the fact that the transactions were processed and approved by SCM Acquisition Unit during a particular period.

Adding a column to reflect cancelled / expired transactions is a superfluous exercise that does not affect / change the fact. Removing these items from the quotation register will not provide a true reflection of the SCM Acquisition Unit throughput and that would negatively affect reliability of the statistics for the purpose (outlined above) for which the register was created.

Management will be available for any clarity or discussion should the auditors require.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken |  | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | | **No** |
|  | | X |
| If yes, what corrections will be made to the population |  | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. |  | | |
| 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 |  | | |
| 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. |  | | |
| 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: Raymond Naidoo

Position: Chief Director

Date: 21 May 2018

**Auditor’s conclusion**

Management comment noted. A discussion was held with the relevant section and it was agreed that a column will be included on the quotation register as suggested, however this will only be implemented from 1 April 2018.

The issue will be reported in the management report as a value add finding.

**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 Act, 1994 (PSA)
  + Public Service Regulations, 2016 issued in terms of the Public Service Act
  + Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act No. 10 of 2009) (FMPPL)
  + Regulations for reporting by public higher education institutions, 2014, issued in terms of the Higher Education Act, 1997 (applicable to universities only).
* 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, Department of Public Service and Administration (DPSA) and supported by the Department of Planning Monitoring and Evaluation (DPME) 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** | **Universities** |
| **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  NT Instruction Note 33: Implementation of the FSAPP  Sec 25(1) and 31(1) of the PSR | Section 55(2)(a) of the PFMA TR 28.2.2  Applicable to 3A & 3C public entities: TR 30.1.3(g)  NT Instruction Note 33: Implementation of the FSAPP  Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | Section 55(3)(d) of the FMPPLA | Sec 5(2)(k) & 7(4)(a)of the regulations for reporting by Public Higher Education Institutions |
| 1. Changes to strategic or development objectives are approved | TR 5.1.1  NT Instruction Note 33: Implementation of the FSAPP  Sec 4 of FSAPP | Applicable to schedule 3A & 3C public entities: TR 30.1.1  NT Instruction Note 33: Implementation of the FSAPP  Sec 4 of FSAPP  Applicable to schedule 2, 3B & 3D public entities:TR 29.1.1 and TR 29.2 | Section 15(1) and (2)(b) of the FMPPLA | Sec 5(2)(m) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions |
| 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  NT Instruction Note 33: Implementation of the FSAPP  Sec 25(1) of the PSR | Section 55(2)(a) of the PFMA  TR 28.2.2  Applicable to 3A & 3C public entities: TR 30.1.3(g)  NT Instruction Note 33: Implementation of the FSAPP  Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | Section 55(3)(d) of the FMPPLA | Sec 5(2)(k) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions |
| 1. Changes to measures or indicators are approved | TR 5.1.1  NT Instruction Note 33: Implementation of the FSAPP  Sec 4 of FSAPP | Applicable to 3A & 3C public entities: TR 30.1.1  NT Instruction Note 33: Implementation of the FSAPP  Sec 4 of FSAPP  Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | Section 15(1) and (2)(b) of the FMPPLA | Sec 5(2)(m) of the regulations for reporting by Public Higher Education Institutions |
| 1. Reported targets are consistent or complete when compared to planned targets | Section 40(3)(a) of the PFMA  TR 5.2.4  NT Instruction Note 33: Implementation of the FSAPP  Sec 25(1) of the PSR | Section 55(2)(a) of the PFMA  TR 28.2.2  Applicable to 3A & 3C public entities: TR 30.1.3(g)  Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | Section 55(3)(d) of the FMPPLA | Sec 5(2)(k) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions |

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| --- | --- | --- | --- | --- |
| **Departments / constitutional institutions / trading entities** | **Public entities** | **Parliament / provincial legislatures** | **Universities** |
| **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  NT Instruction Note 33: Implementation of the FSAPP  Sec 25(1) and 31(1) of the PSR | Section 55(2)(a) of the PFMA TR 28.2.2  Applicable to 3A & 3C public entities: TR 30.1.3(g)  NT Instruction Note 33: Implementation of the FSAPP  Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | Section 55(3)(d) of the FMPPLA | Sec 5(2)(k) & 7(4)(a)of the regulations for reporting by Public Higher Education Institutions |
| 1. Changes to strategic or development objectives are approved | TR 5.1.1  NT Instruction Note 33: Implementation of the FSAPP  Sec 4 of FSAPP | Applicable to schedule 3A & 3C public entities: TR 30.1.1  NT Instruction Note 33: Implementation of the FSAPP  Sec 4 of FSAPP  Applicable to schedule 2, 3B & 3D public entities:TR 29.1.1 and TR 29.2 | Section 15(1) and (2)(b) of the FMPPLA | Sec 5(2)(m) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions |
| 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  NT Instruction Note 33: Implementation of the FSAPP  Sec 25(1) of the PSR | Section 55(2)(a) of the PFMA  TR 28.2.2  Applicable to 3A & 3C public entities: TR 30.1.3(g)  NT Instruction Note 33: Implementation of the FSAPP  Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | Section 55(3)(d) of the FMPPLA | Sec 5(2)(k) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions |
| 1. Changes to measures or indicators are approved | TR 5.1.1  NT Instruction Note 33: Implementation of the FSAPP  Sec 4 of FSAPP | Applicable to 3A & 3C public entities: TR 30.1.1  NT Instruction Note 33: Implementation of the FSAPP  Sec 4 of FSAPP  Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | Section 15(1) and (2)(b) of the FMPPLA | Sec 5(2)(m) of the regulations for reporting by Public Higher Education Institutions |
| 1. Reported targets are consistent or complete when compared to planned targets | Section 40(3)(a) of the PFMA  TR 5.2.4  NT Instruction Note 33: Implementation of the FSAPP  Sec 25(1) of the PSR | Section 55(2)(a) of the PFMA  TR 28.2.2  Applicable to 3A & 3C public entities: TR 30.1.3(g)  Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | Section 55(3)(d) of the FMPPLA | Sec 5(2)(k) & 7(4)(a) of the regulations for reporting by Public Higher Education Institutions |
| 1. Changes to targets are approved | TR 5.1.1  NT Instruction Note 33: Implementation of the FSAPP  Sec 4 of FSAPP | Applicable to 3A & 3C public entities: TR 30.1.1  NT Instruction Note 33: Implementation of the FSAPP  Sec 4 of FSAPP  Applicable to 2; 3B & 3D public entities: TR 29.1.1 & TR 29.2 | Section 15(1) and (2)(b) of the FMPPLA | Sec 5(2)(m) of the regulations for reporting by Public Higher Education |
| 1. Reported achievements are consistent with the planned and reported indicator and target | Sec 40(3)(a) of the PFMA | Sec 55(2)(a) of the PFMA | Sec 55(3)(d) of the FMPPLA | Sec 7(4)(a) of the regulations for reporting by Public Higher Education Institutions |
| **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 | FMPPI Chapter 3.2 | | Criteria not applicable | Sec 1(d) of the regulations for reporting by Public Higher Education Institutions |
| 1. A performance measure / indicator is verifiable when it is possible to validate or verify the processes and systems that produce the indicator | FMPPI Chapter 3.2 | | Criteria not applicable | |
| 1. A target is specific when the nature and the required level of performance of the target are clearly identifiable | FMPPI Chapter 3.3 | | Criteria not applicable | Sec 1(a) of the regulations for reporting by Public Higher Education Institutions |
| 1. A target is measurable when the required performance can be measured | FMPPI Chapter 3.3 | | Criteria not applicable | Sec 1(b) of the regulations for reporting by Public Higher Education Institutions |
| 1. A target is time bound when the time frames for the achievement of the target are indicated | FMPPI Chapter 3.3 | | Criteria not applicable | Sec 1(c) of the regulations for reporting by Public Higher Education Institutions |
| **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 | FMPPI Chapter 3.2 | | Criteria not applicable | Sec 1(e) of the regulations for reporting by Public Higher Education Institutions |
| **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 in the annual performance report. | The NT’s annual report guide for national and provincial departments  Sec 31(1) of the PSR | Applicable to schedule 3A & 3C public entities:  The NT’s annual report guide for schedule 3A and 3C public entities | Criteria not applicable | |
| 1. Reasons for variances are corroborated by source documentation | The NT’s annual report guide for national and provincial departments  FMPPI chapter 5 | Applicable to schedule 3A & 3C public entities:  The NT’s annual report guide for schedule 3A and 3C public entities  FMPPI chapter 5 | Criteria not applicable | |
| 1. Changes to objectives, performance indicators and performance targets are disclosed in the annual performance report | NT annual report guide for national and provincial departments  Sec 31(1) of the PSR | Applicable to 3A & 3C public entities:  NT annual report guide for schedule 3A and 3C public entities | 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 5 of the FMPPI  Sec 25(1)(e) of the PSR | Section 55(2)(a) of the PFMA  Chapter 5 of the FMPPI | Section 55 of the FMPPLA | Section 7 of the regulations for reporting by Public Higher Education Institutions |
| 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

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’s that supports the generation, collation, aggregation, monitoring and reporting of performance indicators/measures 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 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, and 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 and implement 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 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 |  |  |  |  |  |  |