**DRAFT FINAL MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**31 MARCH 2018**

**Communicated to the accounting officer on: 16 July 2018**

**MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**31 MARCH 2018**

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

**CONTENT**

|  |  |
| --- | --- |
| **Introduction** | **[xx]** |
| **Overall message** | **[xx]** |
| **Section 1: Interactions with stakeholders responsible for oversight and governance** | **[xx]** |
| **Section 2: Matters relating to the auditor’s report** | **[xx]** |
| Audit of the financial statements | **[xx]** |
| Matters to be brought to the attention of users | **[xx]** |
| Audit of the annual performance report | **[xx]** |
| Audit of compliance with legislation | **[xx]** |
| Other information | **[xx]** |
| Internal controls | **[xx]** |
| Other reports | **[xx]** |
| **Section 3: Assurance providers and status of implementation commitments and recommendations** | **[xx]** |
| Assessment of assurance providers | **[xx]** |
| Status of implementing commitments and recommendations | **[xx]** |
| **Section 4: Specific focus areas** | **[xx]** |
| Financial viability | **[xx]** |
| Procurement and contract management | **[xx]** |
| Fraud and consequence management | **[xx]** |
| Conditional grants and transfer of funds | **[xx]** |
| **Section 5: Using the work of internal audit** | **[xx]** |
| **Section 6: Emerging risks** | **[xx]** |
| **Section 7: Entities controlled by the department** | **[xx]** |
| **Section 8: Ratings of detailed audit findings** | **[xx]** |
| **Section 9: Conclusion** | **[xx]** |
| **Section 10: Summary of detailed audit findings** | **[xx]** |
| **Detailed audit findings contained in annexures A to C** | **[xx]** |
| **Annexures D: Performance management and reporting framework** | **[xx]** |
| **Annexures E: Auditor-general’s responsibility for the audit of the reported performance information** | **[xx]** |
| **Annexures F: Assessment of internal controls** | **[xx]** |

**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









Provides assurance

Provides some assurance

Provides limited/no assurance

Vacant/not established

**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**

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



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.
2. The misstatements identified were corrected.

| **Material misstatement** | | | | | **Impact**  **R**  current year | | **Impact**  **R**  prior year | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial statement item** | | **Finding**  (Include a brief description of the misstatement as per the findings and the auditor’s report. Include the reasons for the auditee not correcting the misstatement when applicable.) | **Occurred in prior year**  (Insert Yes/No) | |
| **Material misstatements corrected** | | | | | | | | |
|  | |  |  | |  | |  | |
| Disclosure | |  |  | |  | |  | |
| Irregular Expenditure | | Deviation not approved | No | |  | | 12 606 297 | |
| **Material misstatements corrected** | | | | | | | | |
| Payables - Intergov payables - departments - Non current - sub total | Difference between the 2017/18 “word” AFS comparatives and 2016/17 published AR | | | No | | -41 000 | |  |
| Payables - EC DR&PW - expenses incurred | Difference between the 2017/18 “word” and “excel” AFS | | | No | | 8 480 | |  |

**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 | Disclaimer |  |
| 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**

**Disclaimer of opinion**

1. I do not express an opinion on the reported performance information for Programme 3 – Expanded Public Works Programme 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**

**Various indicators**

1. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of 3 of the 6 indicators relating to this programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

|  |  |  |
| --- | --- | --- |
| **Indicator description** | **Planned annual target** | **Actual Achievement** |
| Number of work opportunities reported in the EPWP-RS by public bodies | 1 406 736 work opportunities reported in the EPWP-RS by public bodies | 900 234 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 | 55% youth 55% women 2% persons with disabilities | 43.8% youth 66.5% women 1.3% persons with disabilities |
| Number of public bodies provided with technical support | 290 public bodies provided with technical support | 297 public bodies provided with technical support |

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

**Opinion**

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

**Programme 5 – Prestige Policy**

**Disclaimer of opinion**

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**

**Various indicators**

I was unable to obtain sufficient appropriate audit evidence for the reported achievements of 4 of the 5 indicators relating to this programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

|  |  |  |
| --- | --- | --- |
| **Indicator description** | **Planned annual target** | **Actual Achievement** |
| Average number of working days taken to resolve mechanical breakdown after logging of complaint | 15 working days taken to resolve mechanical breakdown after logging of complaint | Pretoria 440 complaints out of 617 received were completed within 15 working days Cape Town Residences and PV: 2.8 days Offices: 7.9 days |
| Average number of working days taken to resolve emergency breakdowns after logging a complaint | 2 working days taken to resolve emergency breakdown’s after logging a complaint | Pretoria 337 complaints out of 497 were completed within 2 working days Cape Town Residences and PV: 1.4 days Offices: 3.9 days |
| Number of planned state events supported with movable structures | 8 planned state events supported with movable structures | 8 planned state events supported with movable infrastructure |
| Average number of working days taken to provide furniture to prestige clients | 60 days to provide movable assets (office and residential) to prestige clients from receipt of request | Pretoria 15 working days. Cape Town 6 out of 18 furniture provision requests were carried out within 60 days. |

**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 disclaimer of opinions 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**

**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. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of Treasury regulation 16A6.4.

**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 which includes the audit committee’s report. The other information does not include the financial statements, the auditor’s report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor’s report.
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. 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. Lack of commitment by Information Technology, Human resources, supply chain and finance divisions to provide evidence requested for audit purpose as per the RFI’s sent.
2. The department recently established and approved the disaster recovery plan; as a result, testing was not yet performed by IT department.
3. Lack of Chief Information Officer oversight to ensure that backup 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.
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.

**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 Report**

1. R 12 606 297 (100%) of irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. The root cause is of the lack of ineffective prevention controls for non-adherence to SCM processes.
2. Regular, accurate and complete performance reports were not always supported and evidenced by reliable information.

**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 some assurance

* The internal audit function was still under-capacitated during the period under review considering the size of and risk relating to the department and the PMTE. Internal audit is responsible for normal internal audits in terms of their internal audit service charter. With regard to the latter, capacity in the form of private service providers has been in-sourced.

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 years 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 realised (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)**  **R6 788 100 000** |
| 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 (these) amount(s) has (have) been adjusted for uncorrected misstatements that resulted in the modification of the audit opinion and will therefore not agree with the financial statement amounts.*  *\*\* 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. R12 606 297 (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.”
2. 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.

IT-related goods and services

* 4 IT-related goods/services classified as mandatory services were procured through means other than SITA. The total value of these awards was R10 224 273.00.

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

**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. Appropriate steps should immediately be taken based on the results of the investigations. Our audits included an assessment of the department’s management of consequences. The significant findings are provided below:

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 |  |
| Number of investigations exceeding a period of six months | 2 |

**CONDITIONAL GRANTS AND TRANSFER OF FUNDS (VALUE ADD)**

Transfer of conditional grants

1. The department was responsible for transferring and monitoring the following conditional grants:

a) Expanded Public Works Programme Integrated Grant for Municipalities

b) Expanded Public Works Programme Integrated Grant for Provinces

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

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

|  |  |  |
| --- | --- | --- |
| **Test** | **Number of records in the final** | **Prior year records** |
| Beneficiaries have invalid ID numbers | 0 | 65 |
| Beneficiaries wages less than R87,00 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 R87 per day in the current year (2017/18: 6 043). This represents non-compliance with the new ministerial determination issued by the Department of Labour 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 deceased workers 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 normal working days.

**FINDINGS NOTED DURING THE AUDIT OF EPWP CONDITIONAL GRANTS**

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 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** | **Work Opportunities Created** | **Percentage** |
| --- | --- | --- | --- |
| Limpopo |  | 94,498 | 10% |
| North West |  | 51,158 | 6% |
| Northern Cape |  | 44,599 | 5% |
| Mpumalanga |  | 72,017 | 8% |
| Free state |  | 53,613 | 6% |
| Eastern Cape |  | 167,122 | 19% |
| Gauteng |  | 97,034 | 11% |
| Kwazulu-Natal |  | 217,843 | 24% |
| Western Cape |  | 102,350 | 11% |
| **TOTAL** |  | **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. | We have requested the updated template, however this has not been provided to date. |
| 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. | We were unable to confirm whether quarterly reports have been submitted to the portfolio committee as no reports have been provided to date. |

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.
* Frequent reviews should be performed 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 this 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** |  |  |  |  |  |  |  |  |  |
| **Construction Industry Development (CIDB)** |  |  |  |  |  |  |  |  |  |
| **Council for the Built Environment (CBE)** |  |  |  |  |  |  |  |  |  |
| **Independent Development Trust (IDT)** |  |  |  |  |  |  |  |  |  |
| **Agrement South Africa (ASA)** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

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

1. We performed procedures to evaluate the department’s oversight of the public entities under its control. The following are our findings in this regard:

* [Insert findings.]

**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]

Enquiries: Zaid Motala

Telephone: xxx xxx xxxx

Fax: xxx xxx xxxx

Email: zaidm@agsa.co.za

**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 3 and 5 |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: Reported achievement not in agreement with evidence provided – Programme 5 |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: Reported achievement not in agreement with evidence provided - Programme 3 |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: Projects not reported on the EPWP reporting system. |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: EPWP beneficiaries were not reported on the EPWP fourth quarter data. |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: Non submission of attendance register |  | X |  |  |  | X |  |  | 3 | In progress |
|  | Predetermined objectives: Non submission of proof of 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 |
|  | 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 |
|  | 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

**Audit finding**

Audit of predetermined objectives (AOPO) – Reported achievement not in agreement with evidence provided

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. *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;*”

1. “*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 deviation was noted for Programme 3: Expanded Public Works and Programme 5: Prestige Policy

“Information relating to the 2016/17 financial period was submitted as supporting evidence to the 2017/18 Annual Performance Plan (APR).

|  |  |  |
| --- | --- | --- |
| **No.** | **Programme** | **Information submitted for audit purposes** |
| 1 | Programme 3 : Expanded Public Works - EPWP | Evidence submitted to support the reported achievement for the 2017/18 was relating to 2016/17 financial year |
| 2 | Programme 5 : Prestige Policy | Evidence submitted to support the reported achievement for the 2017/18 was relating to 2016/17 financial year |

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 3 and Programme 5 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]:

* AGSA and M&E have met the EPWP Branch and the required information has been received by AGSA on 26th June 2018. The information was received from EPWP from their Premises as per the agreed meeting scheduled 26th June 2018.
* With regards to Prestige, sample of POEs were agreed upon with AGSA and further to that a meeting has been scheduled with Prestige on the 29th June 2018 in the Pretoria Regional Office where further discussions around POEs will follow. Prestige will be having its broader Unit meeting on the said date and a slot has been provided for M7E and AGSA to deliberate of the request towards responding to this COAF.

| **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: Lwazi Mahlangu

Position: CD: M&E

Date: 27 June 2018

**Auditor’s conclusion**

The annual performance report for the Department of Public Works (Chapter 2 Performance Information - Main Vote) for the 2017/18 financial year was submitted 05 June 2018, 5 days after the legislated submission date. The annual performance report was not accompanied by the documentation and information in support of the annual performance report.

Subsequently, on 12 June 2018 supporting evidence was submitted for the selected programmes (Programme 3,4 & 5) for audit purposes. However; the information submitted for Programme 3: EPWP and Programme 5: Prestige related to the prior financial year (2016/17). This was communicated to M&E and they confirmed that the information submitted was incorrect. On 19 June 2018 a formal Request for Information (RFI 104) was sent to the department requesting supporting evidence for the selected programmes. The agreed upon 3 days’ turnaround time for request of information as per the engagement letter lapsed and a Communication of Audit Finding (CoAF 9) was issued to the department on 25 June 2018.

Only after a communication of audit finding was issued, the department submitted a spreadsheet relating to Indicator 2 and 3 of Programme 5, and no supporting evidence for Indicator 1, 4 and 5. The information submitted for indicator 2 and 3 is incomplete as it only relates to the Cape Town regional Office. Furthermore; we communicated to M&E that the spreadsheet submitted for the Cape Town office is not in a usable format.

A meeting was held with the Prestige officials from Pretoria and Cape Town offices on Friday 29 June 2018, to discuss the abovementioned issues and to get to some sort of agreement. It was agreed that the prestige officials from Cape Town will go back to the service provider to obtain a spreadsheet that is in a usable format. The prestige officials from the Pretoria office promised to submit information before close of business on Friday (29 June 2018), the information that was submitted was not complete - the Day to day maintenance spread sheet had missing information, where in some cases the completion date was not filled but the status will be “complete” making it difficult for us to verify that turn around days as reported is correct. We also have not received any supporting evidence for Indicator 1, 4 and 5 to date.

This significantly impacts the audit process as we are unable to select a sample to perform the required audit procedures. This is regarded as a limitation on the audit.

**Audit finding**

Audit of predetermined objectives (AOPO) – Reported achievement not in agreement with evidence provided

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

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

a. Indicator 1 - Number of prestige policies approved

We were unable to obtain audit evidence for the comments on deviation which states: "The 4 policies are still in a draft form for further engagements". This was due to limitations placed on the scope of my work. Consequently, we were unable to determine whether the policies are indeed in a draft form.

b. 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.

c. 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)

d. 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.

e. 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.

**Audit finding**

Audit of predetermined objectives (AOPO) – Reported achievement not in agreement with evidence provided

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.”*
2. *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;*”

 ,

1. “*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 Predetermined Objectives, the following deviation was noted under Programme 3: Expanded Public Works Programme (EPWP)

Technical support reports provided as supporting evidence for indicator “Technical support provided to the public bodies” are not in agreement with the actual reported achievement in the 2017/18 Annual performance report. Below are the details:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Programme** | **Indicator** | **Achievement as per Technical reports provided as POE for audit purposes** | **Actual reported achievement as per 2017/18 APR** | **Differences noted** |
| 1. | Expanded Public Works Programme (EPWP) | Number of public bodies provided with technical support | 327 | 297 | 30 |

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

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

**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 reported.

**Management response**

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

There was a challenge in consolidating information on the number of public bodies provided with technical support due to changes in name of municipalities. The information has been re-aligned and has been resubmitted. The total number of public bodies supported is 298 and not 297 as previously indicated. Please find attached a summary of municipalities provided with technical support and supporting information.

|  |  |  |  |
| --- | --- | --- | --- |
| **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 comment is noted, however the finding will remain.

**Audit finding**

EPWP projects were not reported on the EPWP reporting system

Laws, rules and regulations

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

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

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

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

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

| **No.** | **Public body** | **Project code** | **Project name** | **Audit timing** | **No of beneficiaries listed on the municipal records** |
| --- | --- | --- | --- | --- | --- |
| 1 | uMsinga Local Municipality - Durban | 55394 | Ezingqungeni access road | Interim | Unknown |
| 2 | uMsinga Local Municipality - Durban | Unknown | Obisini access road | Interim | Unknown |
| 3 | uMsinga Local Municipality - Durban | Unknown | Mambeni access road | Interim | Unknown |
| 4 | uMsinga Local Municipality - Durban | 55386 | Mabaso access raod | Interim | Unknown |
| 5 | Kagisano Molopo Local Municipality - North West | Unknown | Bray Thusong Centre (MIS: 213317) | Final | Unknown |
| 6 | Kagisano Molopo Local Municipality - North West | Unknown | Piet Plessis Thusong Centre (MIS: 197901) | Final | Unknown |
| 7 | Mohokare Local Municipality - Freestate | 43112 | Smithfield/ Somidopark: Construction of 3km access collectors, internal streets & related | Final | Unknown |
| 8 | Mohokare Local Municipality - Freestate | 73635 | Zastron/ Itumeleng: Upgrading of sports facility (MIS: 262316) | Final | Unknown |
| 9 | Mohokare Local Municipality - Freestate | Unknown | Zastron/ Matlakeng: Building of gatehouse, ablution facility, fencing of cemetery | Final | Unknown |
| 10 | Mohokare Local Municipality - Freestate | Unknown | Rouxville/ Roleleathunya: Construction of gatehouse, ablution facility, fencing of cemetery | Final | Unknown |
| 11 | Mohokare Local Municipality - Freestate | Unknown | Rouxville/ Roleleathunya: Installation of 5m high mast lights in Thokoza (MIS: 265444) | Final | Unknown |
| 12 | Tswelopele Local Municipality -  Freestate | Unknown | Phahameng/ Bultfontein: Construction of a 2 km paved road and storm water (MIS: 227668) | Final | Unknown |
| 13 | Polokwane Local Municipality - Limpopo | 39912 | Litter Picking and Waste Collection Rural Areas | Final | Unknown |
| 14 | Polokwane Local Municipality - Limpopo | 39913 | Rural Road Bush Clearance (Intersection) | Final | Unknown |
| 15 | Polokwane Local Municipality - Limpopo | 39914 | Construction of low level structure bridges | Final | Unknown |
| 16 | Polokwane Local Municipality - Limpopo | 39915 | Cleaning and Labour at libraries and musseums | Final | Unknown |
| 17 | Polokwane Local Municipality - Limpopo | 52238 | Regulate and Control traffic | Final | Unknown |

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.

**Audit finding**

EPWP beneficiaries were not reported on the EPWP Q4 data.

Laws, rules and regulations

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

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

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

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

During the audit of EPWP projects the beneficiaries for the projects listed below were included on the attendance register and proof of payment, however these beneficiaries were not on the beneficiary list for the respective projects as at 31 March 2018.

| **No.** | **Public body** | **Project name** | **Project code** | **Audit timing** | **Number of beneficiaries not included in the project list** | **Number of work opportunities reported** | **Province** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | Maluti-A-Phofung Local Municipality -  Bloemfontein | Maluti - a- Phofung Revenue and Job Creation EPWP | 59270-EPWP3M | Interim | 66 | 1 687 | Free State |
| 2 | Mangaung Local Municipality -  Bloemfontein | Non-State Sector Community Work Programme- Mangaung 18001 | 301381-CWP | Interim | 81 | 236 | Free State |
| 3 | Ngwathe Local Municipality - Bloemfontein | Parys Upgrading of pumps and pipelines | 59460-EPWP3M | Interim | 11 | 17 | Free State |
| 4 | Setsoto Local Municipality -  Bloemfontein | Setsoto bucket eradication project | 50283-EPWP3M | Interim | 6 | 87 | Free State |
| 5 | Tokologo Local Municipality -  Bloemfontein | Construction of the Bulk water abstraction point | 58702-EPWP3M | Interim | 1 | 25 | Free State |
| 6 | Mohokare Local Municipality | People on Parks | 60510-EPWP3M | Final | 15 | 101 | Free State |
| 7 | Mantsopa Local Municipality | Ladybrand: Upgrading of 1.2km paved road | 62397-EPWP3M | Final | 22 | 81 | Free State |
| 8 | COGTA National department | Kopanong 18001 | 301441-CWP | Final | 42 | 184 | Free State |
| 9 | FS EPWP RO | Golden Gateway Hospice | 64245-EPWP3N | Final | 4 | 263 | Free State |
| 10 | Tswelopele Local Municipality | Repairing of potholes | 56429-EPWP3M | Final | 1 | 42 | Free State |
| 11 | Ditsobotla Local Municipality - Mmabatho | Non-State Sector Community Work Programme | 301290-CWP | Interim | 265 | 301 | North West |
| 12 | Dr. Ruth Segomotsi Mompati District Municipality - Mmabatho | Rural Sanitation Programme for Dr RSM District Municipality | 58704-EPWP3M | Interim | 179 | 201 | North West |
| 13 | COGTA National department | Greater Taung Community Work Programme | 301326-CWP | Interim | 259 | 1 007 | North West |
| 14 | Greater Taung Local Municipality - Mmabatho | Chokonyane 2 Small Bridge | 37876-EPWP3M | Interim | 6 | 1 | North West |
| 15 | Moretele Local Municipality - Mmabatho | Construction of Office Space in Mathibestad Area | 45539-EPWP3M | Interim | 11 | 26 | North West |
| 16 | COGTA National department - Kagisano Molopo | Kagisano Molopo 18001 | 301334-CWP | Final | 50 | 383 | North West |
| 17 | NW Provincial department - Education and Sports Development | Rustenburg Food handlers | 73678-EPWP3P | Final | 96 | 179 | North West |
| 18 | Kagisano Molopo Local Municipality | Kagisano Molopo Cemeteries | 55975-EPWP3M | Final | 14 | 125 | North West |
| 19 | COGTA National department -  Kimberley | Kareeberg 18001 | 301336-CWP | Interim | 151 | 58 | Northern Cape |
| 20 | Umsobomvu Local Municipality | Upgrading of voortrekker street to block paving | 45035-EPWP3M | Final | 2 | 50 | Northern Cape |
| 21 | Dawid Kruiper Loacal Mmunicipality | Installing Prepaid Water Meters | 51332-EPWP3M | Final | 6 | 48 | Northern Cape |
| 22 | Breede Valley Local Municipality - Cape Town | Solid Waste and Area Cleaning | 40936-EPWP3M | Interim | 2 | 229 | Western Cape |
| 23 | City Of Cape Town Metro Municipality - Cape Town | Upgrade of sections of Strandfontein Road | 53316-EPWP3M | Interim | 2 | 41 | Western Cape |
| 24 | George Local Municipality -  Cape Town | George New 12.5 Reservoir | 49048-EPWP3M | Interim | 10 | 14 | Western Cape |
| 25 | Oudtshoorn Local Municipality -  Western Cape | Rosevalley Housing | 51385-EPWP3M | Interim | 12 | 38 | Western Cape |
| 26 | Stellenbosch Local Municipality | Law Enforcement | 43884-EPWP3M | Final | 33 | 102 | Western Cape |
| 27 | Theewaterskloof Local Municipality | Greyton Land Reform | 67324-EPWP3M | Final | 31 | 81 | Western Cape |
| 28 | Langeberg Local Municipality | Cleaning of Difference Towns | 71452-EPWP3M | Final | 7 | 83 | Western Cape |
| 29 | Richmond Local Municipality - Durban | Greening and Beautification | 40021-EPWP3M | Interim | 1 | 76 | Kwazulu/ Natal |
| 30 | Richmond Local Municipality - Durban | Hopewell Internal Roads | 51917-EPWP3M | Interim | 3 | 8 | Kwazulu/ Natal |
| 31 | uMvoti Local Municipality -  Durban | Keeping Umvoti Clean Project | 41797-EPWP3M | Interim | 1 | 24 | Kwazulu/ Natal |
| 32 | Emadlangeni Local Municipality -  Durban | Beautification Of Caravan Game Park | 48163-EPWP3M | Interim | 9 | 36 | Kwazulu/ Natal |
| 33 | COGTA National department | eMadlangeni 18001 | 301282-CWP | Interim | 102 | 1045 | Kwazulu/ Natal |
| 34 | uMhlabuyalingana Local Municipality -  Durban | Umhlabuyalingana Waste Management | 5543-EPWP3M | Interim | 4 | 89 | Kwazulu/ Natal |
| 35 | uMhlabuyalingana Local Municipality -  Durban | Umhlabuyalingana Community Base Care | 51163-EPWP3M | Interim | 9 | 93 | Kwazulu/ Natal |
| 36 | Ugu District Municipality | Ithubalethu Grasscutting 2 | 63081-EPWP3M | Final | 64 | 304 | Kwazulu/ Natal |
| 37 | Ray Nkonyeni Local Municipality | Uyabonwa Security | 47752-EPWP3M | Final | 33 | 159 | Kwazulu/ Natal |
| 38 | Richmond Local Municipality | Rural Road Rehabilitation Programme | 56390-EPWP3M | Final | 2 | 81 | Kwazulu/ Natal |
| 39 | Msinga Local Municipality | Street Cleaning | 23494-EPWP3M | Final | 3 | 106 | Kwazulu/ Natal |
| 40 | KZN EPWP RO - Durban | uThukela School Maintenance Programme | 65185-EPWP3P | Final | 4 | 473 | Kwazulu/ Natal |
| 41 | Umgungundlovu District Municipality | Hilton Water Reticulation Replacement Project | 23597-EPWP3M | Final | 97 | 283 | Kwazulu/ Natal |
| 42 | eThekwini Metropolitan Municipality | EThekwini Community Social Support Programme | 27905-EPWP3M | Final | 80 | 384 | Kwazulu/ Natal |
| 43 | eThekwini Metropolitan Municipality | Izandla Ziyagezana Programme | 74778-EPWP3P | Final | 1 | 161 | Kwazulu/ Natal |
| 44 | KZN PW Provincial department | uMdoni Youth Environmental Service | 55472-EPWP3P | Final | 1 | 82 | Kwazulu/ Natal |
| 45 | KZN PW Provincial department | uMzumbe Youth Environmental Services | 55471-EPWP3P | Final | 6 | 181 | Kwazulu/ Natal |
| 46 | Joe Gqabi District Municipality - Port Elizabeth | Sterkspruit infrastructure upgrade phase 2 | 52799-EPWP3M | Interim | 3 | 17 | Eastern Cape |
| 47 | Joe Gqabi District Municipality - Port Elizabeth | Senqu 18001 | 301280-CWP | Interim | 1 616 | 362 | Eastern Cape |
| 48 | O.R Tambo District Municipality -  Port Elizabeth | Construction of 4,7KM DN300GRP Megacom Gravity Main | 52978-EPWP3N | Interim | 1 | 18 | Eastern Cape |
| 49 | Buffalo City Metro Municipality - Port Elizabeth | KWT Public Transport - Facilities Upgrade | 51172-EPWP3M | Interim | 6 | 19 | Eastern Cape |
| 50 | Buffalo City Metro Municipality - Port Elizabeth | Maintenance of Eco Parks and Cemetries | 42348-EPWP3M | Interim | 9 | 97 | Eastern Cape |
| 51 | Buffalo City Metro Municipality - Port Elizabeth | West Bank Restitution | 50940-EPWP3M | Interim | 27 | 22 | Eastern Cape |
| 52 | COGTA National department | Camdeboo 18001 | 301400-CWP | Interim | 209 | 75 | Eastern Cape |
| 53 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | Construction of Civil Eng. Services in Qaqawuli | 44277-EPWP3M | Interim | 12 | 44 | Eastern Cape |
| 54 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | FishWater Flats WTW Phase 4 | 58117-EPWP3M | Interim | 6 | 10 | Eastern Cape |
| 55 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | Baakens River Valley | 51637-EPWP3M | Interim | 74 | 302 | Eastern Cape |
| 56 | Dr Beyers Naude Local Municipality | Cleaning Campaign Dr Beyers Naude LM | 56185-EPWP3M | Final | 117 | 379 | Eastern Cape |
| 57 | Engcobo Local Municipality | Refuse collection | 42441-EPWP3M | Final | 25 | 130 | Eastern Cape |
| 58 | Nelson Mandela Bay Metropolitan Municipality | War on waste | 58354-EPWP3M | Final | 31 | 268 | Eastern Cape |
| 59 | Blue Crane Route Local Municipality | Upgrading of Gravel Roads(2013/15) | 72175-EPWP3M | Final | 36 | 131 | Eastern Cape |
| 60 | Greater Letaba Local Municipality -  Polokwane | GLM Infrastructure maintenance | 41776-EPWP3M | Interim | 1 | 78 | Limpopo |
| 61 | Polokwane Local Municipality - Polokwane | Seshego B | 55052-EPWP3M | Interim | 5 | 63 | Limpopo |
| 62 | Polokwane Local Municipality - Polokwane | GNS Security | 45065-EPWP3M | Interim | 3 | 81 | Limpopo |
| 63 | Polokwane EPWP RO | Silawa Early Learning Centre | 58750-EPWP3N | Interim | 1 | 493 | Limpopo |
| 64 | Polokwane EPWP RO | Phela O Phedishe Health and Welfare Care Group | 58709-EPWP3M | Interim | 1 | 493 | Limpopo |
| 65 | Mopani Distric Municipality | Pothlako security services | 72918-EPWP3M | Final | 21 | 93 | Limpopo |
| 66 | Vhembe District Municipality | Makhado West Bulk Water Scheme | 49531-EPWP3M | Final | 10 | 154 | Limpopo |
| 67 | Thulamela Local Municipality | Thulamela Refuse removal | 57048-EPWP3M | Final | 82 | 117 | Limpopo |
| 68 | LP - Public Works, Roads and Infrastructure Provincial department | Vhembe General Maintenance | 60450-EPWP3P | Final | 3 | 117 | Limpopo |
| 69 | Elias Motsoaledi Local Municipality | EMLM Adopt spot | 48652-EPWP3M | Final | 7 | 68 | Limpopo |
| 70 | Sedibeng District Municipality - Johannesburg | Cleaning and maintenance of the heritage site | 50888-EPWP3M | Interim | 6 | 66 | Gauteng |
| 71 | City Of Ekurhuleni Metro Municipality - Johannesburg | Community Emergency Response Team | 14681-EPWP3M | Interim | 3 | 511 | Gauteng |
| 72 | City Of Ekurhuleni Metro Municipality - Johannesburg | Primary Health Care Support Programme | 30944-EPWP3M | Interim | 5 | 103 | Gauteng |
| 73 | City Of Tshwane Metro Municipality - Johannesburg | Water purification plant upgrades- Temba | 8314-EPWP3M | Interim | 63 | 178 | Gauteng |
| 74 | City Of Johannesburg Metro Municipality - Johannesburg | Home Community Based Care Project | 48107-EPWP3M | Interim | 105 | 230 | Gauteng |
| 75 | City Of Tshwane Metro Municipality - Pretoria | Youth and Greening Project | 5736-EPWP3M | Interim | 38 | 2336 | Gauteng |
| 76 | West Rand Local Municipality | NDPG | 58332-EPWP3M | Interim | 9 | 30 | Gauteng |
| 77 | Ekurhuleni Metropolitan Municipality | Cleaning of Road side stormwater Channels | 58497-EPWP3M | Final | 11 | 338 | Gauteng |
| 78 | Mogale City Local Municipality | Clean Green road construction and maintenance(waste removal) | 27310-EPWP3M | Final | 17 | 126 | Gauteng |
| 79 | City Of Tshwane Metro Municipality - Pretoria | Gata Lenna | 74458-EPWP3M | Final | 2358 | 229 | Gauteng |
| 80 | Bushbuckridge Local Municipality | TSHAU SECURITY (PTY) LTD | 73737-EPWP3M | Final | 63 | 110 | Mpumalanga |
| 81 | Msukaligwa Local Municipality | Cleaning of Municipal Buildings | 58545-EPWP3M | Final | 3 | 69 | Mpumalanga |
|  | **Total** | | |  | **6 792** | **17 232** |  |

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:

1. Beneficiary lists and attendance registers are not regularly reviewed to ensure that all participants are captured on EPWP reporting system.
2. The absence of adequate controls on the information systems to facilitate the validity of reported information. i.e. validating timesheets before capturing on the information systems.
3. There are no effective reconciliation controls implemented to reconcile the beneficiaries on the attendance registers to the beneficiaries 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*

Implement controls over daily and monthly processing and reconciling of transactions.

The department did not implement effective controls to reconcile the beneficiaries on the attendance registers and proof of payments to the beneficiaries reported on the EPWP reporting.

**Recommendation**

1. The department should perform frequent and adequate reviews of beneficiary lists and attendance registers from the public bodies to ensure that all participants are captured on EPWP reporting system.
2. The department should implement reconciliation controls to reconcile beneficiaries on the attendance registers and proof of payments to the beneficiaries reported on the EPWP reporting system.
3. 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.

**Management response**

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

* The relevant participants were in the pending file on the EPWP RS. They were not approved, as they were not compliant in terms of the upload of certified copies of ID documents.

| **Description** | **Response** | |
| --- | --- | --- |
| Corrective action to be taken | * The under-reporting on the EPWP RS in 2017/18 will be corrected. * A printout of the participant list from the EPWP RS for the project, which confirms that the fourteen participants are listed as participants of the project in the 2017/18 financial year, will be handed 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 | 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 | EPWP Champion at the municipality, supported by the EPWP Programme Manager at 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. | * The EPWP guidelines in terms of reporting was not followed by the public body. * Beneficiary lists and attendance registers were evidently not regularly reviewed to ensure that all participants are correctly captured on EPWP reporting system. The Department relies on the public body for this. | |
| 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 under-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 that were 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. * The securing of certified ID copies is an administrative function for which the Department relies on the public body. * Public bodies have been advised to ensure that the requirement for certified ID copies are written into contracts with service providers. * The EPWP RS has functionality that continuously report to public bodies those participants who do not pass validation. The public body was equipped to monitor the validation of the project’s participants and to ensure that all valid participants are approved and reported on the system. | |

Name: Mr. Stanley Henderson

Position: Deputy Director-General: EPWP

Date: 25 June 2018

**Auditor’s conclusion**

Management response noted, however the beneficiaries were not reported on the Q4 data report for the project as at 31 March 2018.

The finding remain unresolved, the department needs to submit updated projects list of work opportunities created for the year and demonstrate to us that all projects does not have the similar misstatement and we will select any projects and test whether for similar misstatement.

Should we identify similar finding, we will revert back to our previous finding the matter will be included in the final management report.

**Audit finding**

Non-submission of attendance registers

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 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 attendance registers not provided** | **Number of work opportunities reported for the year** | **Province** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | Setsoto Local Municipality | Setsoto bucket eradication project | 50283-EPWP3M | Interim | 80 | 87 | Free State |
| 2 | Mantsopa Local Municipality | Ladybrand: Upgrading of 1.2km paved road | 62397-EPWP3M | Final | 11 | 81 | Free State |
| 3 | Emadlangeni Local Municipality -  Durban | Beautification Of Caravan Game Park | 48163-EPWP3M | Interim | 5 | 36 | Kwazulu/ Natal |
| 4 | Umgungundlovu District Municipality | Hilton Water Reticulation Replacement Project | 23597-EPWP3M | Final | 1 | 283 | Kwazulu/ Natal |
| 5 | eThekwini Metropolitan Municipality | EThekwini Community Social Support Programme | 27905-EPWP3M | Final | 6 | 384 | Kwazulu/ Natal |
| 6 | Chris Hani Local Municipality -  Port Elizabeth | Cluster 6 Water Backlog Gqaga Bulk Supply- Rising | 30777-EPWP3M | Interim | 1 | 36 | Eastern Cape |
| 7 | Buffalo City Metro Municipality - Port Elizabeth | KWT Public Transport - Facilities Upgrade | 51172-EPWP3M | Interim | 3 | 19 | Eastern Cape |
| 8 | Buffalo City Metro Municipality - Port Elizabeth | West Bank Restitution | 50940-EPWP3M | Interim | 5 | 22 | Eastern Cape |
| 9 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | Construction of Civil Eng. Services in Qaqawuli | 44277-EPWP3M | Interim | 2 | 44 | Eastern Cape |
| 10 | Nelson Mandela Bay Metro Municipality - Port Elizabeth | FishWater Flats WTW Phase 4 | 58117-EPWP3M | Interim | 2 | 10 | Eastern Cape |
| 11 | Amathole Distric Municipality | Ngushwa Water Reticulation Phase 2 | 49130-EPWP3M | Final | 259 | 259 | Eastern Cape |
| 12 | Dr Beyers Naude Local Municipality | Cleaning Campaign Dr Beyers Naude LM | 56185-EPWP3M | Final | 175 | 379 | Eastern Cape |
| 13 | Nelson Mandela Bay Metropolitan Municipality | War on waste | 58354-EPWP3M | Final | 228 | 268 | Eastern Cape |
| 14 | Greater Letaba Local Municipality | GLM Infrastructure maintenance | 41776-EPWP3M | Interim | 4 | 78 | Limpopo |
| 15 | Polokwane Local Municipality | GNS Security | 45065-EPWP3M | Interim | 4 | 23 | Limpopo |
| 16 | Mopani Distric Municipality | Pothlako security services | 72918-EPWP3M | Final | 9 | 93 | Limpopo |
| 17 | Polokwane Local Municipality | Badimong RWS Phase 10 | 33667-EPWP3M | Final | 54 | 54 | Limpopo |
| 18 | Sedibeng District Municipality - Johannesburg | Cleaning and maintenance of the heritage site | 50888-EPWP3M | Interim | 2 | 66 | Gauteng |
| 19 | City Of Johannesburg Metro Municipality - Johannesburg | Home Community Based Care Project | 48107-EPWP3M | Interim | 50 | 230 | Gauteng |
| 20 | Ekurhuleni Metropolitan Municipality | Cleaning of Road side stormwater Channels | 58497-EPWP3M | Final | 2 | 338 | Gauteng |
| 21 | Mogale City Local Municipality | Clean Green road construction and maintenance(waste removal) | 27310-EPWP3M | Final | 24 | 126 | Gauteng |
| 22 | City of Johannesburg Metropolitan Municipality | Dobsonville Social Housing Project | 38001-EPWP3M | Final | 110 | 110 | Gauteng |
| 23 | Theewaterskloof Local Municipality | Greyton Land Reform | 67324-EPWP3M | Final | 26 | 81 | Western Cape |
| 24 | NW Provincial department - Education and Sports Development | Rustenburg Food handlers | 73678-EPWP3P | Final | 12 | 179 | North West |
|  | **Total** | | |  | **1 075** | **3 286** |  |

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.

**Audit finding**

Non-submission of proof of payment for the beneficiaries

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.

**Audit finding**

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

Laws, rules and regulations

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

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

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

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

During the audit of EPWP 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.

**ANNEXURE B: OTHER IMPORTANT MATTERS**

Compensation of employees

Audit finding

Human Resource: Management of vacancy rates

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

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

*3.1 The average vacancy rate in respect of funded posts to at 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 fulfill 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.

**Audit finding**

Human Resource: Posts vacant for over 12 months

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.

**Audit finding**

Human Resource: Manual Leave forms captured not timeously.

Laws, rules and regulations

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

*“The accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards”*

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

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

**Measurement of provisions**

**Best estimate**

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

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

The following 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

Goods and services

Audit Finding

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.

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

**Audit finding**

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

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**

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

Procurement

Audit finding

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

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 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

**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 [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 comment received as yet

**Audit Finding**

Procurement – Non–Compliance with Procurement Process

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 [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**

Lease commitments

**Audit finding**

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

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**

**Audit finding**

Lease Commitments: Incorrect lease commitment for cell phone contracts

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** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **LEASE IN** | | | | | | | | | | | |  |  |  |  |
|  | **ITEM** | **BLOEMFONTEIN** | **CAPE TOWN** | **DURBAN** | **HEAD OFFICE** | **JO’BURG** | **KIMBERLEY** | **NELSPRUIT** | **POLOKWANE** | **PORT ELIZABETH** | **PRETORIA** | **Grand Total** |  |  |  |  |
|  | Filled |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **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

**Audit finding**

Commitments: Inaccurate commitment schedule

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 |

**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

**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**

**Audit finding**

Insecure configurations on internal networked systems

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**

**Audit finding**

Perimeter firewall management

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**

**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**

**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

**Audit finding**

Vacant positions within information technology division.

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

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

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**

**Audit finding**

Inadequate user access management controls on BAS

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**

**Audit finding**

Inadequate user access management controls on LOGIS

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**

Information Technology – IT Service Continuity

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 |

**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 |
| 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 |  |  |  |  |  |  |