**DETAILED AUDIT FINDINGS**

**SECTION 8: 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** |
| 41 | 1 | Compliance annual financial statements: Misstatements in the financial statements | **✓** |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 45 | 2.1 | Predetermined objectives: EPWP actual performance not reliable |  | **✓** |  |  | **✓** | **✓** |  |  | 3 | In progress |
| 58 | 2.2 | Predetermined objectives: Reasons for variances not explained |  | **✓** |  |  | **✓** | **✓** |  |  | 3 | In progress |
| 61 | 2.3 | Predetermined objectives: Reasons for variances not supported by sufficient appropriate evidence |  | **✓** |  |  | **✓** | **✓** |  |  | 3 | In progress |
| 76 | 2.4 | Predetermined objectives: Actual achievements not valid and accurate |  | **✓** |  |  | **✓** | **✓** |  |  | 3 | In progress |
| 82 | 3 | Non-compliance Strategic planning and performance management |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 85 | 4.1 | Internal audit: Non-compliance with Treasury Regulation 3.2.8 |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 88 | 4.2 | Internal audit: No external review performed on internal audit division |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 91 | 5.1 | Human Resource Management: Posts vacant for more than 12 months |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 103 | 5.2 | Human Resource Management: High number of posts filled additional to the establishment |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 106 | 6.1 | Expenditure management: Limitation of scope |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 108 | 6.2 | Expenditure management: Procurement deviations approved for not obtaining at least three written price quotations from prospective suppliers even though it was possible to obtain three quotations |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 114 | 6.3 | Expenditure management: Procurement without following a competitive bidding process |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 121 | 6.4 | Expenditure management: Contracts not advertised for the minimum required number of days |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 125 | 6.5 | Expenditure management: Contracts not adjudicated by properly constituted bid adjudication committee |  |  | **✓** |  |  | **✓** |  |  | 1 | In progress |
| 130 | 6.6 | Expenditure management: A quotation was awarded to a service provider that did not submit a declaration whether it is employed by the state or connected to any person employed by the state |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 132 | 6.7.1 | Expenditure management: Splitting of orders to avoid complying with supply chain management requirements: Glorina General Trading, J Kekana Interiors, Awenze Women in Production |  |  | **✓** |  |  | **✓** |  |  | 2 | In progress |
| 139 | 6.7.2 | Expenditure management: Order split to avoid complying with supply chain management requirements: Senex Interiors (Pty)  Ltd |  |  | **✓** |  |  | **✓** |  |  | 2 | In progress |
| 146 | 6.8 | Expenditure management: Local content not promoted |  |  | **✓** |  |  | **✓** |  |  | 3 | In progress |
| 169 | 6.9 | Expenditure management: Gearhouse South Africa (Pty) Ltd costs pertaining to the dome procured |  |  | **✓** |  |  | **✓** |  |  | 1 | In progress |
| 152 | 7.1 | Consequence management: Irregular and fruitless and wasteful not timeously investigated |  |  | **✓** |  |  | **✓** |  |  | 3 | Not addressed |
| 162 | 7.2 | Consequence management: Deviation from SCM high frequency of deviations of one service provider not investigated |  |  | **✓** |  |  | **✓** |  |  | 2 | Not addressed |

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

1. **Compliance annual financial statements: Misstatements in the financial statements**

**Audit Finding**

Section 40(1)(b) of the PFMA and Treasury Regulation 18.2 require the financial statements of the department to be prepared in accordance with generally recognised accounting practice as prescribed by National Treasury in all material respects.

The following was disclosed in note 35 pertaining to the functions transferred to PMTE:

*“The operationalization of the PMTE has been a key focus area within the Department as this will facilitate improved service delivery to client departments with regards to the provision and servicing of their accommodation requirements in future. During the period under review all the below business units;*

* *Projects and Professional Services (all)*
* *Inner City Regeneration (ICR)*
* *Regional Coordination (all)*
* *Prestige Immovable Assets*
* *Regional Offices except EPWP and Internal Audit*
* *Key Account Management*

*Were formally transferred from the Department to the PMTE. Although the PMTE is still reflected as an organisational component of the Department, it has the status of a Trading Account approved by the National Treasury in terms of the Public Finance Management Act. This functional transfer was comprehensive in nature and, inter alia included all related assets, legal obligations, systems and staff to ensure a seamless transition and ensure that assets are matched to expenses and obligations.*

*During the transfer of functions, the assets and liabilities listed below were transferred at no consideration from the Department to PMTE.”*

Despite the statement above about the functions transferred it is a concern that the following were not disclosed and quantified in the transfer of function note:

| **Item misstated** | **Detail** | **Impact –**  **Rand value** |
| --- | --- | --- |
| Commitments – note 20 | Although it was indicated in the note 20 that the reduction of commitment is due to the transfer of budget and related functions to PMTE, there were no balances disclosed pertaining to commitment that were transferred to PMTE. As the funds were transferred from 1 April 2015 the balances as at 31 March 2015 transferred to PMTE should have been disclosed. This should have included all commitments transferred.  An extract from the commitments as per the WCS schedules of PMTE was made to identify commitments where Public Works are the client department. The total commitments amounted to R843 659 206,31. Therefore the information disclosed in the note 35 pertaining to the transfer of functions was understated with R843 659 206,31. | 843 659 206 |
| Commitments – note 20 | The financial statements of PMTE submitted on 30 June 2015 contain LOGIS commitments of DPW amounting to R56 832 454,41. The transfer of these commitments was not included in the transfer of function note. | 1. 832 454 |
| Accruals and payables not recognised– note 21 | The following accruals existed at year end in the financial statements of PMTE pertaining to DPW:  Construction – PACE - R115 879 768  Construction – CA - R9 039 266  Municipal services - R27 822 998 | 152 742 032 |
| Accruals and payables not recognised– note 21 | According to the financial statements submitted by PMTE on 30 June 2015, accruals amounting to R21 474 238,57 was transferred from DPW to PMTE. This transfer was also not included in note 35. | 21 474 239 |
| Lease commitments – note 23 | Although it was indicated in note 23 that the budget for office accommodation has been transferred to PMTE as part of the transfer of function, no balances as at year end transferred to PMTE were disclosed in note 35. As no schedules to support the lease commitment pertaining to DPW was prepared and submitted with the annual financial statements the extent to which note 35 may be understated can therefore not be determined. It was however noted that at year end DPW owed PMTE R90 533 092,07 pertaining to private leases. | 90 533 092 |
| Employee benefits – note 22 | Although it was indicated in the description of the note that staff was also transferred to PMTE, the balance of the liability as at 31 March 2015 was not disclosed in the transfer of function note. As there were no schedules provided with the financial statements of which staff members were transferred the extent to which this note was understated could not be determined. | Extent cannot be determined |

**Internal control deficiency**

The review of the financial statements was ineffective pertaining to the transfer of function note.

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

**Recommendation**

1. Every function transferred by the department must be analysed, quantified and disclosed.
2. Detail schedules supported by appropriate supporting documentation need to be provided to support the disclosure in the financial statements.
3. When the process is complete the information must be provided for audit purposes.

**Management’s response**

Awaiting management’s response.

**Auditor’s conclusion**

1. Non-compliance with section 40(1)(b) of the PFMA and Treasury Regulation 18.2 will be reported.
2. The transfer of functions note 35 was materially misstated and if not appropriately adjusted will result in an audit qualification.

1. **Predetermined objectives:**
   1. **Predetermined objectives: EPWP actual performance reported not reliable**

**Audit Finding**

In terms of the New Ministerial Determination dated 4 May 2012 paragraph 12 – Keeping records, 12.1(b): *“Every employer must keep a written record of at least the following…*

*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)  Payment made to each worker.”*

The following deviations were noted when the reliability of reported performance on EPWP was assessed:

1. The following table illustrates projects where ID documents of beneficiaries could not be provided to verify validity of the beneficiaries:

| **No** | **Project description on database** | **Sector** | **Reported work opportunities created** |
| --- | --- | --- | --- |
| 1 | Mass participation | Social | 1 313 |
| 2 | Philani support group (hbc) | Social | 48 |
| 3 | Empilweni | Social | 20 |
| 4 | HIV and Aids Community Outreach Programme ( Volunteers ) | Social | 28 093 |
| 5 | Gardening services project | Non-State | 100 |
| 6 | Mokopane circuit | Social | 3 570 |
| 7 | Nsnp cape winelands food handelers | Social | 17 520 |
| 8 | Nsnp west coast food handlers | Social | 12 420 |
| 9 | Mokwallo Construction of Sewer Connections for 1625 stands | Infrastructure | 40 |
| 10 | Tshepong disable centre | Social | 9 |
| 11 | Construction of 62 Rdp houses | Infrastructure | 3 |
| 12 | Siyaphilisa home based care | Social | 23 |
| 13 | National certificate landscaping learnreship project | Environmental & Culture | 179 |
| 14 | Tarring of Gravel Roads Cluster C Motherwell | Infrastructure | 37 |
| 15 | NMBM Rehabilitation of Pond 6 | Environmental & Culture | 78 |
| 16 | Kagung / West Derby Water supply | Infrastructure | 276 |
| 17 | Pothole Repair and Slurry of Internal Roads In Roodepan,Floors and Colville | Infrastructure | 1 355 |
| 18 | Lokgabeng disability centre | Non-Profit Organisations | 308 |
| 19 | Lekwa teemane epwp cleaning project | Environmental & Culture | 167 |
| 20 | Kgetleng mayoral letsema cleaning project | Environmental & Culture | 207 |
| 21 | Construction of VIP Toilets Phase 11 | Infrastructure | 320 |
| 22 | Mandela Park: Sanitation 650 stands | Infrastructure | 137 |
| 23 | Ward based cleaning programme | Environmental & Culture | 1 536 |
| 24 | Wells estate (677 units) | Infrastructure | 42 |
| 25 | Tri Annual Ward 52 Installation of Civil Services to Khaymnandi A&B | Infrastructure | 19 |
| 26 | 7th Floor Brister House(Libraries) | Infrastructure | 11 |
| 27 | Massive environmental project | Environmental & Culture | 792 |
| 28 | Qaqawuli community hall | Infrastructure | 12 |
| 29 | Mendi multipurpose cultural centre | Infrastructure | 37 |
| 30 | Ntingantakandini | Environmental & Culture | 24 |
| 31 | Arcadia north | Infrastructure | 8 |
| 32 | SRAC Grass cutting | Environmental & Culture | 12 |
| 34 | Tshwane bus rapid transport | Infrastructure | 1 088 |
| 35 | Tshwane public lighting programme (external funds) | Infrastructure | 202 |
| 36 | Tshwane metro | Community Work | 1 513 |
| 37 | Mamelodi rondavels renovation | Infrastructure | 32 |
| 38 | Existing Cemetery Maintenance and Grave digging | Environmental & Culture | 51 |
| 39 | Provision of Chemical Toilets. | Infrastructure | 79 |
| 40 | Early childhood development | Social | 385 |
| 41 | Street cleaning | Environmental & Culture | 113 |
| 42 | Siyazenzela road maintanance | Infrastructure | 641 |
| 43 | Kalahari Desert festival 2014 | Environmental & Culture | 108 |
| 44 | Vaalharts revitalization | Environmental & Culture | 64 |
| 45 | Pampierstad 1450 housing project | Infrastructure | 118 |
| 46 | Mod central karoo | Social | 22 |
| 47 | Mod capewinelands | Social | 44 |
| 48 | Routine Cleaning of Streets and Waste Management | Environmental & Culture | 218 |
| 49 | Ngangelizwe greening | Environmental & Culture | 93 |
| 50 | Hankey primary school | Infrastructure | 5 |
| 51 | Tokologo | Community Works (DCoG) | 72 |
| 52 | Welkom | Community Works (DCoG) | 72 |
| 53 | Ward 1 water supply | Infrastructure | 189 |
| 54 | Mapela circuit | Social | 85 |
| 55 | Ventersdorp CWP | Community Work | 1 268 |
| 56 | Cemetry naledi | Infrastructure | 179 |
| 57 | General school maintenance | Infrastructure | 901 |
| 58 | Connie richardson hiv/aids home based care centre | Social | 21 |
| 59 | Senekal cemetery | Environmental & Culture | 91 |
| 60 | Sasolburg ECD | Social | 46 |
| 61 | Metsimaholo Greening and Cleaning Programme | Environmental & Culture | 69 |
| 62 | Psj ward ward 2 | Infrastructure | 54 |
| 63 | Ingquza hill ward 9a sanitation | Infrastructure | 69 |
| 64 | Meerlust F | Environmental and Culture | 19 |
| 65 | Clearing road reserves | Infrastructure | 63 |
| 66 | Klerksdorp pc pelcer building/justice | Infrastructure | 15 |
| 67 | Rusternburg Prison,Rehabilitation of Sewerage plant | Infrastructure | 9 |
| 68 | Rustenburg prison | Infrastructure | 8 |
| 69 | Group 20 military veterans group 20mess | Infrastructure | 13 |
| 70 | Thohoyandou prison: construction of entrance control facility | Infrastructure | 1 |
| 71 | Phalala magistrate court | Infrastructure | 5 |
| 72 | Saps tin mine | Infrastructure | 7 |
| 73 | SAPS Ohrigstad: Facilities for People with Disabilities | Infrastructure | 7 |
| 74 | Malipsdrift saps project | Infrastructure | 29 |
| 75 | Thabazimbi Magistrate Office: Repair and Renovations | Infrastructure | 11 |
| 76 | Ellisras SAPS: Facilities for people with disabilties | Infrastructure | 12 |
| 77 | Hlogotlou police station nys project | Infrastructure | 28 |
| 78 | Pinaarsriver saps | Infrastructure | 5 |
| 79 | Bela bela saps disability project | Infrastructure | 7 |
| 80 | South gauteng high court | Infrastructure | 37 |
| 81 | Jhb south gauteng high court: additional accomodation | Infrastructure | 47 |
| 82 | Npa: jhb innes chambers | Infrastructure | 376 |
| 73 | Roodepoort magistrate court: upgrade and maintanance | Infrastructure | 25 |
| 74 | Kempton park police station: repairs and renovations | Infrastructure | 41 |
| 75 | Diepsloot saps | Infrastructure | 100 |
| 76 | South gauteng high court:upgrading of public and staff ablutions | Infrastructure | 26 |
| 77 | Jeppe saps: renovations and repairs to single quarters | Infrastructure | 15 |
| 78 | Florida police complex: repair and renovation of all buildings | Infrastructure | 18 |
| 79 | Doornkop millitary base | Infrastructure | 28 |
| 80 | Heidelberg prison:construction of classroom and technical training centre | Infrastructure | 23 |
| 81 | Mondeor police complex:repairs and renovations of all buildings | Infrastructure | 14 |
| 82 | Jhb,noorwood married quarters | Infrastructure | 28 |
| 83 | Benoni saps:roof repair | Infrastructure | 18 |
| 84 | Jhb brixton:vehicle and robbery unit:caroline street repair and renovations of all buildings:finishing contract | Infrastructure | 18 |
| 85 | Brakpan saps:repairs and renovations to barracks at police station:finishing contract | Infrastructure | 8 |
| 86 | Sandf:heidelberg gymnasium:head quarters:repairs and renovations | Infrastructure | 14 |
| 87 | Pretoria West SAPS Dog schl | Infrastructure | 26 |
| 88 | (Civil)paarl drankenstein | Infrastructure | 16 |
| 89 | Ekhombe SAPS | Infrastructure | 91 |
| 90 | Phuthaditjhaba department of home affairs: construction of new office accommodation | Infrastructure | 37 |
| 91 | Bloemfontein 3 milhospital Martenity ward | Infrastructure | 14 |
| 92 | BFN Repair and Maintensnce to lift Installations | Infrastructure | 30 |
| 93 | Lindley DCS:Repair and Renovation | Infrastructure | 22 |
| 94 | Bloemfontein saps crime inteligence unit: repair | Infrastructure | 21 |
| 95 | Camden military base | Infrastructure | 6 |
| 96 | Nelspruit high court | Infrastructure | 197 |
| 97 | Barberton prison | Infrastructure | 81 |
| 98 | Ermelo prison | Infrastructure | 39 |
| 99 | Barberton prison-nys | Infrastructure | 26 |
| 100 | Standerton prison | Infrastructure | 54 |
| 101 | Standerton prinon - nys | Infrastructure | 30 |
| 102 | Kirkwood prison | Infrastructure | 86 |
| 103 | SANDF: Renovations to single quarte | Infrastructure | 21 |
| 104 | Vosburg police station repairs | Infrastructure | 29 |
| 105 | Kimberley: R | Infrastructure | 9 |
| 106 | Vosburg Police Station: Repair and Renovation | Infrastructure | 12 |
| 107 | Jan kemp r | Infrastructure | 7 |

1. All attendance registers could not be provided for the following projects to enable us to verify whether reported beneficiaries actually worked on project:

| **No** | **Project description on database** | **Sector** | **Reported work opportunities created** |
| --- | --- | --- | --- |
| 1 | Mass participation | Social | 1 313 |
| 2 | Philani support group(hbc) | Social | 48 |
| 3 | Nsnp cape winelands food handelers | Social | 17 520 |
| 4 | Nsnp west coast food handlers | Social | 12 420 |
| 5 | Tshepong disable centre | Social | 9 |
| 6 | Construction of 62 Rdp houses | Infrastructure | 3 |
| 7 | Siyaphilisa home based care | Social | 23 |
| 8 | National certificate landscaping learnreship project | Environmental & Culture | 179 |
| 9 | Tarring of Gravel Roads Cluster C Motherwell | Infrastructure | 37 |
| 10 | NMBM Rehabilitation of Pond 6 | Environmental & Culture | 78 |
| 11 | Protection/access control/escort services/metro security | Social | 393 |
| 12 | Pothole Repair and Slurry of Internal Roads In Roodepan,Floors and Colville | Infrastructure | 1 355 |
| 13 | Kgetleng mayoral letsema cleaning project | Environmental & Culture | 207 |
| 14 | Thaba nchu: landfill site closure | Infrastructure | 37 |
| 15 | Construction of VIP Toilets Phase 11 | Infrastructure | 320 |
| 16 | Mandela Park: Sanitation 650 stands | Infrastructure | 137 |
| 17 | Ward based cleaning programme | Environmental & Culture | 1 536 |
| 18 | Bloemendal south block 23 (1685) | Infrastructure | 195 |
| 20 | Tri Annual Ward 52 Installation of Civil Services to Khaymnandi A&B | Infrastructure | 19 |
| 21 | 7th Floor Brister House(Libraries) | Infrastructure | 11 |
| 22 | Mendi multipurpose cultural centre | Infrastructure | 37 |
| 23 | Arcadia north | Infrastructure | 8 |
| 24 | Motherwell | Infrastructure | 4 |
| 25 | SRAC Grass cutting | Environmental & Culture | 12 |
| 26 | Informal Settlements - Water and Sanitation Maintainence | Infrastructure | 1 143 |
| 27 | Catchpit Cleaning and Retention ponds | Infrastructure | 39 |
| 28 | Tshwane bus rapid transport | Infrastructure | 1 088 |
| 29 | Tshwane public lighting programme (external funds) | Infrastructure | 202 |
| 30 | Mamelodi rondavels renovation | Infrastructure | 32 |
| 31 | Existing Cemetery Maintenance and Grave digging | Environmental & Culture | 51 |
| 32 | Provision of Chemical Toilets. | Infrastructure | 79 |
| 33 | Early childhood development | Social | 385 |
| 34 | Street cleaning | Environmental & Culture | 113 |
| 35 | Siyazenzela road maintanance | Infrastructure | 641 |
| 36 | Kalahari Desert festival 2014 | Environmental & Culture | 108 |
| 37 | Pampierstad 1450 housing project | Infrastructure | 118 |
| 38 | Mod central karoo | Social | 22 |
| 39 | Mod capewinelands | Social | 44 |
| 40 | Routine Cleaning of Streets and Waste Management | Environmental & Culture | 218 |
| 41 | Hankey primary school | Infrastructure | 5 |
| 42 | Setsoto ward committe programme | Social | 63 |
| 44 | Ventersdorp CWP | Community Work | 1 268 |
| 45 | Cemetry naledi | Infrastructure | 179 |
| 46 | General school maintenance | Infrastructure | 901 |
| 47 | Maluti a phofung ovc | Social | 167 |
| 48 | Fezile dabi nsnp | Social | 72 |
| 49 | Sterkfontein qwaqwa bulk water supply scheme | Infrastructure | 171 |
| 50 | Connie richardson hiv/aids home based care centre | Social | 21 |
| 51 | Senekal cemetery | Environmental & Culture | 91 |
| 52 | Psj ward ward 2 | Infrastructure | 54 |
| 53 | Ingquza hill ward 9a sanitation | Infrastructure | 69 |
| 54 | Meerlust F | Environmental and Culture | 19 |
| 55 | Klerksdorp pc pelcer building/justice | Infrastructure | 15 |
| 56 | Rusternburg Prison,Rehabilitation of Sewerage plant | Infrastructure | 9 |
| 57 | Rustenburg prison | Infrastructure | 8 |
| 58 | Group 20 military veterans group 20mess | Infrastructure | 13 |
| 59 | Thohoyandou prison: construction of entrance control facility | Infrastructure | 1 |
| 60 | Saps tin mine | Infrastructure | 7 |
| 61 | SAPS Ohrigstad: Facilities for People with Disabilities | Infrastructure | 7 |
| 62 | Malipsdrift saps project | Infrastructure | 29 |
| 63 | Ellisras SAPS: Facilities for people with disabilties | Infrastructure | 12 |
| 64 | Hlogotlou police station nys project | Infrastructure | 28 |
| 65 | Bela bela saps disability project | Infrastructure | 7 |
| 66 | South gauteng high court | Infrastructure | 37 |
| 67 | Jhb south gauteng high court: additional accomodation | Infrastructure | 47 |
| 68 | Npa: jhb innes chambers | Infrastructure | 376 |
| 69 | Roodepoort magistrate court: upgrade and maintanance | Infrastructure | 25 |
| 70 | Kempton park police station: repairs and renovations | Infrastructure | 41 |
| 71 | Diepsloot saps | Infrastructure | 100 |
| 72 | South gauteng high court:upgrading of public and staff ablutions | Infrastructure | 26 |
| 73 | Jeppe saps: renovations and repairs to single quarters | Infrastructure | 15 |
| 74 | Florida police complex: repair and renovation of all buildings | Infrastructure | 18 |
| 75 | Doornkop millitary base | Infrastructure | 28 |
| 76 | Heidelberg prison:construction of classroom and technical training centre | Infrastructure | 23 |
| 77 | Mondeor police complex:repairs and renovations of all buildings | Infrastructure | 14 |
| 78 | Jhb,noorwood married quarters | Infrastructure | 28 |
| 79 | Benoni saps:roof repair | Infrastructure | 18 |
| 80 | Brakpan saps:repairs and renovations to barracks at police station:finishing contract | Infrastructure | 8 |
| 81 | Sandf:heidelberg gymnasium:head quarters:repairs and renovations | Infrastructure | 14 |
| 82 | Pretoria West SAPS Dog schl | Infrastructure | 26 |
| 83 | Ekhombe SAPS | Infrastructure | 91 |
| 84 | Phuthaditjhaba department of home affairs: construction of new office accommodation | Infrastructure | 37 |
| 85 | Allanridge SAPS: Repairs and Renovations to polic | Infrastructure | 32 |
| 86 | BFN Repair and Maintensnce to lift Installations | Infrastructure | 30 |
| 87 | Bloemspruit air fours base r | Infrastructure | 23 |
| 88 | Camden military base | Infrastructure | 6 |
| 89 | Nelspruit high court | Infrastructure | 197 |
| 90 | Barberton prison | Infrastructure | 81 |
| 91 | Ermelo prison | Infrastructure | 39 |
| 92 | Barberton prison-nys | Infrastructure | 26 |
| 93 | Standerton prison | Infrastructure | 54 |
| 94 | Standerton prinon - nys | Infrastructure | 30 |
| 95 | Kirkwood prison | Infrastructure | 86 |
| 96 | Kimberley: R | Infrastructure | 9 |
| 97 | Jan kemp r | Infrastructure | 7 |

1. The following Proof of payments were submitted but we were unable to determine whether the supervisor authorised the payment:

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Project description on database** | **Sector** | **Reported work opportunities created** |
| 1 | Florida police complex: repair and renovation of all buildings | Infrastructure | 18 |
| 2 | Diepsloot saps | Infrastructure | 100 |

1. Proof of payments could not be provided for the following projects to enable us to verify whether reported beneficiaries were paid minimum wage:

| **No** | **Project description on database** | **Sector** | **Reported work opportunities created** |
| --- | --- | --- | --- |
| 1 | Traffic site Ikhayalethemba | Social | 26 |
| 2 | HIV and Aids Community Outreach Programme ( Volunteers ) | Social | 28 093 |
| 3 | Guernsey farmer | Non-State | 1 818 |
| 4 | Gardening services project | Non-State | 100 |
| 5 | Mokopane circuit | Social | 3 570 |
| 6 | Youth development sdecd/sd/14/326 | Social | 1 882 |
| 7 | Nsnp cape winelands food handelers | Social | 17 520 |
| 8 | Nsnp west coast food handlers | Social | 12 420 |
| 9 | Mokwallo Construction of Sewer Connections for 1625 stands | Infrastructure | 40 |
| 10 | Tshepong disable centre | Social | 9 |
| 11 | Construction of 62 Rdp houses | Infrastructure | 3 |
| 12 | Siyaphilisa home based care | Social | 23 |
| 13 | National certificate landscaping learnreship project | Environmental & Culture | 179 |
| 14 | Tarring of Gravel Roads Cluster C Motherwell | Infrastructure | 37 |
| 15 | Kagung / West Derby Water supply | Infrastructure | 276 |
| 16 | Pothole Repair and Slurry of Internal Roads In Roodepan,Floors and Colville | Infrastructure | 1 355 |
| 17 | Lekwa teemane epwp cleaning project | Environmental & Culture | 167 |
| 18 | Kgetleng mayoral letsema cleaning project | Environmental & Culture | 207 |
| 19 | Ward based cleaning programme | Environmental & Culture | 1 536 |
| 20 | Installation of Civil Engineering Infrastructure Khayamnandi A&B Phase 4A | Infrastructure | 36 |
| 21 | Tri Annual Ward 52 Installation of Civil Services to Khaymnandi A&B | Infrastructure | 19 |
| 22 | 7th Floor Brister House(Libraries) | Infrastructure | 11 |
| 23 | Massive environmental project | Environmental & Culture | 792 |
| 24 | Qaqawuli community hall | Infrastructure | 12 |
| 25 | Ntingantakandini | Environmental & Culture | 24 |
| 26 | Arcadia north | Infrastructure | 8 |
| 27 | SRAC Grass cutting | Environmental & Culture | 12 |
| 28 | Informal Settlements - Water and Sanitation Maintainence | Infrastructure | 1 143 |
| 29 | Tshwane bus rapid transport | Infrastructure | 1 088 |
| 30 | Tshwane public lighting programme (external funds) | Infrastructure | 202 |
| 31 | Tshwane metro | Community Work | 1 513 |
| 32 | Mamelodi rondavels renovation | Infrastructure | 32 |
| 33 | Existing Cemetery Maintenance and Grave digging | Environmental & Culture | 51 |
| 34 | Provision of Chemical Toilets. | Infrastructure | 79 |
| 35 | Early childhood development | Social | 385 |
| 36 | Street cleaning | Environmental & Culture | 113 |
| 37 | Siyazenzela road maintanance | Infrastructure | 641 |
| 38 | Kalahari Desert festival 2014 | Environmental & Culture | 108 |
| 39 | Vaalharts revitalization | Environmental & Culture | 64 |
| 40 | Mod central karoo | Social | 22 |
| 41 | Mod capewinelands | Social | 44 |
| 42 | Routine Cleaning of Streets and Waste Management | Environmental & Culture | 218 |
| 43 | Hankey Primary School | Infrastructure | 5 |
| 44 | Tokologo | Community Works (DCoG) | 72 |
| 45 | Welkom | Community Works (DCoG) | 72 |
| 46 | Setsoto ward committe programme | Social | 63 |
| 47 | Ward 1 water supply | Infrastructure | 189 |
| 48 | Mapela circuit | Social | 85 |
| 49 | Ventersdorp CWP | Community Work | 1 268 |
| 50 | Bojanala road maintenance (rm1) | Infrastructure | 126 |
| 51 | Cemetry naledi | Infrastructure | 179 |
| 52 | General school maintenance | Infrastructure | 901 |
| 53 | Fezile dabi nsnp | Social | 72 |
| 54 | Bolata aids project | Social | 9 |
| 55 | Libode water supply | Infrastructure | 29 |
| 56 | Kwantu bus station | Infrastructure | 13 |
| 57 | Meerlust F | Environmental and Culture | 19 |
| 58 | Clearing road reserves | Infrastructure | 63 |
| 59 | Klerksdorp pc pelcer building/justice | Infrastructure | 15 |
| 60 | Rusternburg Prison,Rehabilitation of Sewerage plant | Infrastructure | 9 |
| 61 | Rustenburg prison | Infrastructure | 8 |
| 62 | Group 20 military veterans group 20mess | Infrastructure | 13 |
| 63 | Thohoyandou prison: construction of entrance control facility | Infrastructure | 1 |
| 64 | Phalala magistrate court | Infrastructure | 5 |
| 65 | Saps tin mine | Infrastructure | 7 |
| 66 | SAPS Ohrigstad: Facilities for People with Disabilities | Infrastructure | 7 |
| 67 | Malipsdrift saps project | Infrastructure | 29 |
| 68 | Thabazimbi Magistrate Office: Repair and Renovations | Infrastructure | 11 |
| 69 | Makhado Airforce Base - Repair to Electrical System | Infrastructure | 21 |
| 70 | Ellisras SAPS: Facilities for people with disabilties | Infrastructure | 12 |
| 71 | Hlogotlou police station nys project | Infrastructure | 28 |
| 72 | Pinaarsriver saps | Infrastructure | 5 |
| 73 | Bela bela saps disability project | Infrastructure | 7 |
| 74 | South gauteng high court | Infrastructure | 37 |
| 75 | Jhb south gauteng high court: additional accomodation | Infrastructure | 47 |
| 76 | Npa: jhb innes chambers | Infrastructure | 376 |
| 77 | Roodepoort magistrate court: upgrade and maintanance | Infrastructure | 25 |
| 78 | Kempton park police station: repairs and renovations | Infrastructure | 41 |
| 79 | Diepsloot saps | Infrastructure | 100 |
| 80 | South gauteng high court:upgrading of public and staff ablutions | Infrastructure | 26 |
| 81 | Jeppe saps: renovations and repairs to single quarters | Infrastructure | 15 |
| 83 | Florida police complex: repair and renovation of all buildings | Infrastructure | 18 |
| 84 | Doornkop millitary base | Infrastructure | 28 |
| 85 | Heidelberg prison:construction of classroom and technical training centre | Infrastructure | 23 |
| 86 | Mondeor police complex:repairs and renovations of all buildings | Infrastructure | 14 |
| 87 | Jhb,noorwood married quarters | Infrastructure | 28 |
| 88 | Jhb brixton:vehicle and robbery unit:caroline street repair and renovations of all buildings:finishing contract | Infrastructure | 18 |
| 89 | Pretoria West SAPS Dog schl | Infrastructure | 26 |
| 90 | (Civil)paarl drankenstein | Infrastructure | 16 |
| 91 | Ekhombe SAPS | Infrastructure | 91 |
| 92 | Phuthaditjhaba SAPA: Stock Theft and Dog Unit Rep | Infrastructure | 9 |
| 93 | BFN Repair and Maintensnce to lift Installations | Infrastructure | 30 |
| 94 | Lindley DCS:Repair and Renovation | Infrastructure | 22 |
| 95 | Bloemspruit air fours base r | Infrastructure | 23 |
| 96 | Camden military base | Infrastructure | 6 |
| 97 | Nelspruit high court | Infrastructure | 197 |
| 98 | Barberton prison | Infrastructure | 81 |
| 99 | Ermelo prison | Infrastructure | 39 |
| 100 | Barberton prison-nys | Infrastructure | 26 |
| 101 | Standerton prison | Infrastructure | 54 |
| 102 | Standerton prinon - nys | Infrastructure | 30 |
| 103 | Bisho academy | Infrastructure | 121 |
| 104 | Kirkwood Prison | Infrastructure | 86 |
| 105 | SANDF: Renovations to single quarte | Infrastructure | 21 |
| 106 | Vosburg Police Station Repairs | Infrastructure | 29 |
| 107 | Kimberley: R | Infrastructure | 9 |
| 108 | Jan Kemp R | Infrastructure | 7 |

As a result of the abovementioned findings the reported above we were unable to satisfy ourselves as to the reliability of performance results reported in respect of the following performance indicators:

* Number of work opportunities created through the EPWP labour intensive approach aligned to the EPWP business plan (Phase 3)
* Number of work opportunities created in rural municipalities aligned to the EPWP business plan.
* Number of EPWP work opportunities created by DPW.

Furthermore, it constitutes non-compliance with the New Ministerial Determination dated 4 May 2012.

The matter was reported in the prior year and also during the interim audit and it is included in the department’s action plan. The action plan stated that the EPWP unit will perform validity testing on IRS to ensure that the reported information is valid and accurate. Furthermore site visits would be conducted to verify active projects and beneficiaries on the project.

**Internal control deficiency**

The finding occurred as a result of the following:

* Failure by the department to monitor and review information captured on the EPWP systems for accuracy and validity.
* The department does not adequately monitor the public bodies to ensure that the EPWP project files are properly filed and easily retrievable for audit purposes.
* Absence of adequate controls on the information systems to facilitate accurate, complete and valid reporting on predetermined objectives, for example validation testing on identity documents.
* Lack of involvement from internal audit to verify actual results reported throughout the year.

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

*Leadership - The Accounting Officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.*

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

**Recommendation**

* The department should ensure that the information recorded in the annual performance report is agreed to the supporting portfolio of evidence before it is submitted for auditing purposes.
* 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. No work was performed by internal audit on EPWP in the year under review. Note is taken that an audit commenced towards the end of the last quarter, however this was too late to identify and rectify shortcomings in the process. The report was not finalised prior to year-end.
* Matters reported on during the AGSA interim audit should receive the necessary attention to avoid re-occurrence at year-end.

**Management’s response**

Management have agreed with most of the findings which were raised. There has however also been disagreement on some of the findings however no evidence was submitted supporting the disagreements.

**Auditor’s conclusion**

Matter unresolved as there is still documentation on projects indicated above which has not been received, thus resulting in a qualified conclusion in the management report and a material finding in the audit report.

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

**Audit Finding**

Laws, rules and regulations:

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

We noted that the department has 41 variances for programme 2 and that two of those variances were not explained.

A total of 5% of variances between planned and actual achievements were not explained in the annual performance report for the year under review as per the National Treasury annual report preparation guide.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme** | **Performance measure/indicator** | **Target** | **Actual achievement** | **Reason provided** |
| Programme 2 | Percentage of current projects with approved project scopes | 50% (271 projects) current projects with approved project scopes | 320 projects (more than 50%) had approved projects scopes | Not included |
| Programme 2 | Percentage budget variance on each completed project | Less than 15% budget variance on each completed project | 124 (more than 15%) projects completed within 15% budget variance | Not included |

Similar findings were raised in the prior year. However as this finding has recurred in the current year, the matter has not been successfully addressed by management.

Impact of the finding:

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

**Internal control deficiency**

Reason for the deviation:

1. There is a general understanding that only when there is under achievement, the reasons are required. Furthermore there is a reporting challenge that those who report (responsibility) to head office often do not provide the reasons, by the time the report is due, head office is still in the process of sourcing out information.
2. There is a common challenge that those who report often are not involved in the processes of planning and understanding the reporting template (standards for reporting) and tend to report according to their knowledge.

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

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

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

**Recommendation**

1. The department should implement the standards and procedures as indicated in the approved policy for monitoring, reporting and evaluation of performance information at the branch level in order to facilitate the reporting of performance information.
2. The departments should ensure that staff from all affected units is provided with the necessary training to eliminate any uncertainties with respect to the development of the reasons for the variances between the planned targets and the actual achievements.
3. The annual performance report should be reviewed by management before being submitted for audit purposes to ensure that the requirements of the National Treasury Guide for the Preparation of the Annual Report have been adhered to.

**Management response**

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

1. Percentage of current projects with approved project scopes

The reason for over achievement is that there was concerted effort with the regional office, to ensure that the target was achieved and several engagements were held.

The institutionalisation of Infrastructure Delivery Management System (IDMS) with DPW

1. Percentage budget variance on each completed project

The reason for over achievement is the close monitoring of the programme, through engagements with regions and project managers.

One on one discussion with regional office, including site visits.

*Name:* Nkosi Vilakazi

*Position:* Acting Deputy Director General

*Date:* 2015-06-25

**Auditor’s conclusion**

Management agrees with the finding and therefore the finding remains unresolved. The non-compliance with the National Treasury Guide for the preparation of the annual report will be reported until the amendments are made to the annual report.

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

**Audit Finding**

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

The following deviations were noted:

Programme 2 - the department has 41 variances. Adequate and reliable corroborating evidence was not provided for 100 % (all variances) as disclosed in the annual performance report.

Programme 3 - the department has 5 variances. Adequate and reliable corroborating evidence was not provided for 100 % (all variances) as disclosed in the annual performance report.

Programme 4 - the department has 5 variances. Adequate and reliable corroborating evidence was not provided for 100 % (all variances) as disclosed in the annual performance report.

| **Programme 2** | | | | |
| --- | --- | --- | --- | --- |
| **No.** | **Sub-programme** | **Performance indicator** | **Planned target** | **Actual achievement** |
| 1 | Strategic Asset Investment Analysis | Number of properties in the immovable asset register populated with information fields that are GRAP compliant | 56 871 properties in the immovable asset register populated with information fields that are compliant to GRAP | 32 677 Properties in the immovable asset register populated with information fields that are compliant to GRAP |
| 2 | Strategic Asset Investment Analysis | Number of land parcels vested | 11 000 Land parcels confirm ownership (Vesting)  Port Elizabeth & Umtata -  1 000 Bloemfontein - 200 Johannesburg & Pretoria -  1 000  Durban - 3 000 Polokwane - 2000  Nelspruit - 1 000 Kimberley - 500 Mmabatho - 1 000 Cape Town - 1 300 | 761 land parcels vested (confirmed ownership)  Port Elizabeth & Umtata – 29 • Bloemfontein – 109 • Johannesburg & Pretoria– 249 • Durban – 34 • Polokwane – 48 • Nelspruit – 107 • Kimberley – 20 • Mmabatho – 49 Cape Town – 65 |
| 3 | Strategic Asset Investment Analysis | Number of immovable assets valued to determine deemed carrying amounts | 113 742 Immovable assets valued to determine deemed carrying amounts Bloemfontein - 9 006 Cape Town - 17 902 Durban - 18 384 Johannesburg - 8 546 Kimberley - 7 515  Mmabatho - 10 368 Nelspruit - 7 913 Polokwane - 12 221 Port Elizabeth - 7 089 Pretoria - 11858 Umtata - 2940 | 45 907 immovable assets valued to determine deemed carrying amounts. |
| 4 | Strategic Asset Investment Analysis | Approved Immovable Asset Management Framework | Asset Management Framework approved by the Accounting Officer by  30 September 2014 | Target not achieved |
| 5 | Strategic Asset Investment Analysis | Approved property performance standards (PPS) for all categories of Immovable Asset | Property Performance Standards approved by the Accounting Officer by  30 September 2014 | Target not achieved |
| 6 | Strategic Asset Investment Analysis | Approved Construction Implementation Programmes for 2015/16 | 1 DPW CWIP for 2015/16 approved by Infrastructure Budget Committee by  30 June 2014.  1 PMIP for 2015/16 approved by Infrastructure Budget Committee by 30 June 2014. | Construction Implementation Programmes for 2015/16 approved in Q3 |
| 7 | Strategic Asset Investment Analysis | Approved Construction Implementation Programmes | 1 DPW CWIP for 2016/17 approved by the Infrastructure Budget Committee   1 PMIP for 2016/17 approved by the Infrastructure Budget Commitee | Target not achieved |
| 8 | Strategic Asset Investment Analysis | Approved National Infrastructure Maintenance Strategy | National Infrastructure Maintenance Strategy approved by the Minister | Programme Management structure (WC1) established to ensure development of NIMS work components  Maintenance Management Standard (WC2) completed  Maintenance Planning Guidelines (WC 3) completed  Draft Maintenance Accounting Framework (WC 4) developed |
| 9 | Strategic Asset Investment Analysis | Number of properties released for Land Reform | 40 properties approved by Minister released for Land Reform as identified by DRDLR Cape Town - 29 Nelspruit - 1 Polokwane - 10 | 1 Property approved for release for land reform purposes.  • Pretoria - 1 |
| 10 | Strategic Asset Investment Analysis | Number of properties released for Human Settlements | 22 properties approved by Minister for human settlement as identified by the Department of Human Settlements and Human Settlements Agency Pretoria - 2 Johannesburg - 5 Durban - 5 Nelspruit - 5 Cape Town - 5 | 2 Properties approved for release for human settlements  Cape Town – 1 Mmabatho - 1 |
| 11 | Inner City Regeneration | Approved government boulevard within the Tshwane Inner City Development Framework | Redefine government estate footprint within the identified boulevard  Salvokop Spatial Development Framework approved by Deputy Minister of COT and DDG ICR   Salvokop Township Proclaimed | Government Estate footprint redefined   Spatial Development Framework Approved  Salvokop Township not proclaimed |
| 12 | Inner City Regeneration | Number of accomodation solutions produced for project implementation in Tshwane | 5 Accomodation solutions produced for (DSD, DHS, DHET, DoJ & CD, DHA) for project implementation in Tshwane | 10 Accommodation solutions produced (DHET, DCS, DSD, SASSA, DoJ, DAC, NT, DAFF, SAPS ,DoC) |
| 13 | Inner City Regeneration | Number of accomodation solutions produced for project implementation in other metro and district municipalities (outside Tshwane) | 3 (DPW, SAPS and DoJ&CD) accomodation solutions produced for project implementantion in Polokwane | Accommodation solutions produced for DPW & SAPS |
| 14 | Key Account Management | Number of Service Level Agreements approved by identified user departments | 30 Service Level Agreements approved by user departments. | Approved signed off SLA's not received from all User Departments awaiting legal opinion |
| 15 | Key Account Management | Number of user departments UAMP templates completed to assist user departments compile long service delivery infrastructure plans | 42 User departments' UAMP templates (1-12) for FY 2016/17 completed by  31 December 2014 | The user departments UAMP templates for 2016-17 could not be completed and submitted as User depts. reviewing their strategic infrastructure requirements. |
| 16 | Key Account Management | Approved 2015/16 Capital Works Implementation Programes (CWIP) for identified user departments | 9 CWIP's approved by user departments for financial year 2015/16 by  30 June 2014 | Only SAPS signed off the approved CWIP for 2015/2016. The other Client departments were reluctant to allocate funds on projects when cash flows are not updated. The System Information (i.e. WCS) was not updated. A new updated was forwarded schedules for sign off during  April 2015. |
| 17 | Key Account Management | Approved Capital Works Implementation Programmes (CWIP) for identified user departments | 9 CWIP's approved by user departments for financial year 2016/17 by  30 June 2014 | Only SAPS signed off the approved CWIP for 2016/2017. The other Client departments were reluctant to allocate funds on projects when cash flows are not updated. The System Information (i.e. WCS) was not updated. A new updated was forwarded schedules for sign off during  April 2015. |
| 18 | Key Account Management | Percentage of PIs issued as per approved 2015/16 Construction Implementation Programmes | 100% PI's issued for funded Projects (excluding status 3A - town planning) as per approved Implementation Programmes (CWIP/PMIP) for 2015/16 by  31 July 2014 | No procurement Instructions were issued as there were no signed off CWIPs received from the User Departments. |
| 19 | Key Account Management | Percentage of PIs isued as per approved Construction Implementation Programmes | 100% PI's issued for funded Projects (excluding status 3A - town planning) as per approved Implementation Programmes (CWIP/PMIP) for 2016/17 by  31 July 2014 | No procurement Instructions were issued as there were no signed off CWIPs received from the User Departments |
| 20 | Special Intervention Projects | Number of schools constructed | 36 schools constructed as prioritised by the Department of Basic Education | 0 Schools constructed as prioritised by the Department of Basic Education |
| 21 | Special Intervention Projects | Number of schools beautified | 125 schools beautified as prioritised by the Department of Basic Education | 0 Schools beautified as prioritised by the Department of Basic Education |
| 22 | Special Intervention Projects | Number of Low Cost Bridges constructed | 10 Low Cost (bailey) Bridges constructed as prioritised by DPW | 0 Low cost (bailey) bridges constructed as prioritised by DPW |
| 23 | Projects and Professional Services | Number of planned construction projects completed as per approved Construction Implementation Programme | 542 projects completed nationally (Status 6A) Bloemfontein - 130 Cape Town - 80 Durban - 41 Johanneburg - 28 Head Office - 19 Kimberley - 43 Mmbatho - 21 Nelspruit - 39 Polokwane - 10 Port Elizabeth - 64 Pretoria -24 Umtata - 43 | 180 Construction projects completed |
| 24 | Projects and Professional Services | Number of State-owned buildings made accessible for persons with disabilities as per the CWIP | 51 Buildings made accessible as per the CWIP Bloemfontein - 2 Cape Town - 2 Durban - 2 Johannesburg - 5 Kimberley - 2 Mmabatho - 11 Nelspruit - 8 Polokwane - 5 Port Elizabeth - 5 Pretoria - 8 Umtata - 2 | 33 Buildings made accessible as per the CWIP |
| 25 | Projects and Professional Services | Completed masterplans for one stop land ports of entry | 2 Master plans completed for Beit Bridge and Maseru Bridge | 1 Master Plan completed (Beit Bridge) |
| 26 | Projects and Professional Services | Number of user departments with approved Infrastructure Programme Implementation Plans (IPIPs) | 11 user departments with IPIPs (DoA, DAC, DCS, DoD, DoH, DHET, DHA, DoJ&CD, DoL, DRDLR, SAPS) | 2 User Departments with approved IPIP’s (DOD and SAPS) |
| 27 | Projects and Professional Services | Percentage of current projects with approved project scopes | 50% of current projects with approved project scopes | 320 projects (more than 50%) had approved projects scopes |
| 28 | Projects and Professional Services | Ratio of Project Managers to projects | 1:10 Ratio of Project Managers to projects | 1:45 Ratio of Project Managers to projects |
| 29 | Projects and Professional Services | Percentage budget variance on each completed project | Less than 15% budget variance on each completed project | 124 (more than 15%) projects completed within 15% budget variance |
| 30 | Projects and Professional Services | Implementation of the approved 2015/16 Construction Implementation Programmes | Complete Contract Documentation of 2015/16 Implementation Programmes (CWIP/PMIP) for projects in status 4 to 4B) | 26 projects handed over for construction |
| 31 | Projects and Professional Services | Implementation of the approved Construction Implementation Programmes | Complete Contract Documentation of 2016/17 Implementation Programmes (CWIP/PMIP) for projects in status 4 to 4B | 26 projects handed over for construction |
| 32 | Regional Coordination | Number of expired leases for lease accommodation | 0 expired leases for leased accommodation | 268 (expired and month to month leases) – 35 = 233 |
| 33 | Regional Coordination | Percentage of lease agreements signed within 30 days after finalisation of the open bid process | 100% of leases for 2014/15 signed within 30 days after finalisation of the open bid process. | 27% (86 of 323) of leases for 2014/15 signed within 30 days after finalization of the open bid process |
| 34 | Regional Coordination | Percentage of day-to-day maintenance breakdowns addressed (calls closed) within agreed time frames after logging of complaint | 100% breakdown completed within agreed timeframes after logging of complaints | 12% (1 992 closed against 16 423 open calls ) Breakdowns completed within agreed timeframe after logging of complaint |
| 35 | Regional Coordination | Number of buildings retrofitted in terms of green building principles | 300 Buildings retrofitted with energy efficiency installations in: ·  Johannesburg: 10 · Polokwane: 30 ·  Mmabatho: 40 ·  Cape Town: 100 ·  Durban: 100 ·  Bloemfontein: 20 | 961 Buildings retrofitted with Energy efficiency installations |
| 36 | Regional Coordination | Number of buildings retrofitted in terms of green building principles | 19 buildings retrofitted with water savings installations in:  Cape Town - 2 Durban - 2 Johannesburg - 1 Kimberley - 2  Mmabatho - 2 Umtata - 2 Nelspruit - 2 Polokwane - 2 Pretoria - 4 | 11 Buildings retrofitted with water savings installations generating an income of R1 914 973,78 |
| 37 | Regional Coordination | Number of buildings retrofitted in terms of green building principles | 22 Buildings retrofitted with waste management installations in: Johannesburg - 4 Polokwane - 2 Mmabatho - 2  Cape Town - 2 Durban - 2 Umtata - 2 Kimberley - 2 Pretoria - 4  Nelspruit - 2 | 91 Buildings in Cape Town retrofitted with Waste Management separation of Waste source |
| 38 | Regional Coordination | Number of outcomes based Facilities Management contracts signed for state owned buildings | 12 pilot outcomes-based Facilities Management contracts signed by the Project Manager Pretoria - 2 Cape Town - 2  Durban - 1 Bloemfontein - 1 Mmabatho - 1 Kimberley - 1 Nelspruit - 1  Polokwane - 1 Johannesburg - 1 Umtata -1 | No Outcome-based Facilities Management contracts were signed by the Project Manager |
| 39 | Prestige Management | Response times for the provision of office and residential movable assets to Prestige Clients (in line with the Ministerial Handbook) from date of receipt of request | Office and residential movable assets provided to Prestige Clients (in line with the Ministerial Handbook) within 60 days from receipt of request | 54 items delivered within 60 days in the year under review |
| 40 | Prestige Management | Response times for resolution of Prestige maintenance issues after logging of complaint (within the mandate of DPW) | Maintenance issues (electrical and plumbing) resolved within 5 days after logging of complaint | 1 841 maintenance issues (electric and plumbing) resolved within 5 days after logging a complaint |
| 41 | Prestige Management | Response times for resolution of Prestige maintenance issues after logging of complaint (within the mandate of DPW) | Maintenance issues (excluding plumbing and electrical) resolved within 30 days after logging of complaint | 2 485 maintenance issues (excluding electricity and plumbing) resolved within 30 days after logging a complaint |

| **Programme 3** | | | | |
| --- | --- | --- | --- | --- |
| **No** | **Programme** | **Performance indicator** | **Planned target** | **Actual achievement** |
| 1 | Programme3 | Number of work opportunities created through the EPWP labour intensive approach aligned to the EPWP business plan (Phase 3) | 1 045 000 Work opportunities created through EPWP Phase 3 | 1 103 983 work opportunities created through the EPWP. |
| 2 | Programme3 | Percentage of disbursed performance based incentive allocations to eligible Public Bodies across all sectors | 90% of performance based incentive allocations disbursed to eligible public bodies across all sectors. | 100% of incentive allocations disbursed to eligible public bodies across all sectors. |
| 3 | Programme3 | Number of youth participating in the National Youth Service programme within DPW. | 3 500 Youth participating in the National Youth Service programme. | 1 210 Youth participating in the National Youth Service programme. |
| 4 | Programme3 | Number of work opportunities created in rural municipalities aligned to the EPWP business plan. | 600 000 Work opportunities created in rural municipalities. | 780 033 Work opportunities created in rural municipalities. |
| 5 | Programme3 | Number of EPWP work opportunities created by DPW | 20 000 Work opportunities created by DPW. | 4 343 Work Opportunities created by DPW. |

| **Programme 4** | | | | |
| --- | --- | --- | --- | --- |
| **No** | **Programme** | **Performance indicator** | **Planned target** | **actual achievement** |
| 1 | Programme 4 | Draft amendments to legislative framework for the Built Environment Professions (BEPs) developed | Draft amendments to BEP legislation submitted to Cabinet for approval to gazette for public comment by  31 March 2015 | Draft amendments to BEP legislation not yet developed for submission to Cabinet for approval to gazette for public comment. |
| 2 | Programme 4 | Revised draft Independent Development Trust (IDT) Bill developed. | Revised draft IDT Bill developed by  31 March 2015 | Revised draft IDT Bill not developed. |
| 3 | Programme 4 | Draft revised DPW White Papers developed. | Draft 1 of White Papers on: (1) the Public Works function; and (2) the Construction Industry developed by 31 March 2015 | Draft 1 of revised White Papers on: (1) the Public Works function; and (2) the Construction Industry not yet developed. |
| 4 | Programme 4 | Construction and Property Sector Codes aligned to the revised BBBEE Codes of Good Practice (2013). | Final revised Construction and Property Charter Codes submitted to the dti for gazetting in terms of Section 9(1) of the BBBEE Act 2003 by  December 2014 | Revised Construction Sector Codes not submitted to the dti to gazette in terms of Section 9(1) of the BBBEE Act, 2003.Constituencies still negotiating within Charter Council. Draft Property Sector Codes submitted to the dti in January 2015 to gazette for public comment. |
| 5 | Programme 4 | Draft Immovable Asset Investment Policy developed. | Final draft of Immovable Asset Investment Policy submitted to Minister for approval. | Final Draft of Immovable Asset Management Policy not submitted to Minister for approval. |

Similar findings were raised in the prior year and as this finding has recurred in the current year the matter has not been successfully addressed by management.

The impact of the finding:

a) The reasons for major variances disclosed might not be valid and thus misleading to the user of the annual report.

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

**Internal control deficiency**

1. The branches often experience challenges with sourcing information from the regional offices.
2. A general lack of understanding by officials which usually results in a disjuncture between the indicator and the output where the portfolio of evidence is developed against the indicator instead of the target or output.
3. Challenges of recording information within the required time for reporting as different role players were involved at different times in the reporting phase and often all role players have not reached consensus in terms of the reporting requirements.

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

*Leadership:*

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

*Financial and Performance Management:*

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

**Recommendation**

1. The department should implement the standards and procedures as indicated in the approved policy for monitoring, reporting and evaluation of performance information at the branch level in order to facilitate the reporting of performance information.
2. The departments should ensure that staff from all affected units is provided with the necessary training to eliminate any uncertainties with respect to the development of adequate evidence for the reasons of the variances between the planned targets and the actual achievements.
3. Head office should reinforce the reporting deadlines of the portfolio of evidence and reports to all regional offices and follow up actions must be taken against those regions who do not submit the required information.
4. The annual performance report should be reviewed by management and internal audit before being submitted for audit purposes to ensure that the requirements of the National Treasury Guide for the Preparation of the Annual Report have been adhered to.

**Management response**

AIM (Asset Investment Management)

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

The AIM branch did not submit Portfolio of Evidence (POE) for variances. The branch hereby submits Portfolio of Evidence (POE) for variances for the following indicators:

1. Approved Immovable Asset Management Framework
2. Approved Property Performance Standards (PPS) for all categories of immovable assets
3. Approved Construction Implementation Programmes for 2015/16
4. Approved Construction Implementation Programmes
5. Approved National Infrastructure Maintenance Strategy
6. Number of properties released for Land Reform
7. Number of properties released for Human Settlements

*Name:* Magdeline Tshabalala

*Position:* Acting Chief Director

*Name:* Vinodh Bedesi

*Position:* Acting Chief Director

*Date:* 30 June 2015

**Auditor’s conclusion**

Management comments noted. AIM, Projects, Prestige Management, ICR, Operations Management, EPWP and the Policy unit has subsequently provided supporting documentation for the reasons for variances. Therefore this aspect of the finding is resolved.

However we have not received documentation from KAM and Special Intervention Projects and therefore this aspect of the finding remains unresolved.

* 1. **Predetermined objectives: Actual achievements not valid and accurate**

**Audit Finding**

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

The following deviations were noted:

The portfolio of evidence provided for the below targets for programme 2 were not valid and accurate. A total of 11 out of 47 reported targets relevant to programme 2 were not valid when compared to the source information for the Annual performance report. The misstatements identified below have not been extrapolated over the population.

| **Programme 2** | | | | | |
| --- | --- | --- | --- | --- | --- |
| **Performance indicators** | | **Planned target** | | **Actual performance** | **Auditor's comment** |
| **Projects and Professional Services** | | | | | |
| Ratio of Project Managers to projects. | 1:10 Ratio of Project Managers to projects. | | 1:45 Ratio of Project Managers to Projects | | WBS report provided including all projects and related project managers however it is not evident as to how the ratio was calculated based on the evidence submitted. |
| Percentage of current projects with approved project scopes. | 50%  (271 projects) current projects with approved project scopes | | 320 projects (more than 50%) had approved projects scopes | | Evidence provided is inadequate and a finding (Coff 4) had been raised for quarter 1 and 2 to reflect this. The information provided by the departments was project scopes whereas the finding which was raised as well as this finding relates to the inability to tie up the evidence provided to the percentage as indicated on the annual performance report. |

| **Programme 2** | | | | | |
| --- | --- | --- | --- | --- | --- |
| **Performance indicators** | | **Planned target** | | **Actual performance** | **Auditor's comment** |
| **Operations management** | | | | | |
| Number of expired leases for leased accommodation. | 0 expired leases for leased accommodation | | 268 (expired and month to month leases) – 35 = 233 | | Evidence provided inadequate as unable to agree the evidence to the information reported |
| Percentage of lease agreements signed within 30 days after finalisation of the open bid process | 100% of leases for 2014/15 signed within 30 days after finalization of the open bid process | | 27% (86 of 323) of leases for 2014/15 signed within 30 days after finalization of the open bid process | | Evidence provided inadequate as unable to agree the evidence to the information reported |
| Percentage of day-to-day maintenance breakdowns addressed (calls closed) within agreed timeframes after logging of complaint | 100% Breakdowns completed within agreed timeframe after logging of complaint | | 12% (1 992 closed against 16 423 open calls ) Breakdowns completed within agreed timeframe after logging of complaint | | Evidence provided inadequate as unable to agree the evidence to the information reported |
| Number of buildings retrofitted in terms of green building principles | 300 Buildings retrofitted with Energy efficiency installations: | | 961 Buildings retrofitted with Energy efficiency installations | | Evidence provided inadequate as unable to agree the evidence to the information reported |
| Number of buildings retrofitted in terms of green building principles | 19 Buildings retrofitted with water savings installations | | 11 Buildings retrofitted with water savings installations generating an income of R1 914 973.78 | | Evidence provided inadequate as unable to agree the evidence to the information reported |
| Number of buildings retrofitted in terms of green building principles | 22 Buildings retrofitted with waste management installations | | 91 Buildings in Cape Town retrofitted with Waste Management separation of Waste source | | Evidence provided inadequate as unable to agree the evidence to the information reported |

| **Programme 2** | | | | | |
| --- | --- | --- | --- | --- | --- |
| **Performance indicators** | | **Planned target** | | **Actual performance** | **Auditor's comment** |
| **Prestige Management** | | | | | |
| Response times for the provisioning of office and residential movable assets to Prestige Clients (in line with the Ministerial Handbook) from date of receipt of request. | Office and residential movable assets to Prestige clients (in line with the Ministerial Handbook) within 60 days from date of receipt of request | | 54 items delivered within 60 days in the year under review | | Evidence provided inadequate as unable to agree the evidence to the information reported |
| Response times for resolution of Prestige maintenance issues after logging of complaint (within the mandate of DPW). | Maintenance issues (electrical and plumbing) resolved within 5 days after logging of complaint. | | 1 841 maintenance issues (electric and plumbing) resolved within 5 days after logging a complaint | | Evidence provided inadequate as unable to agree the evidence to the information reported |
| Response times for resolution of Prestige maintenance issues after logging of complaint (within the mandate of DPW). | Maintenance issues (excluding plumbing and electrical) resolved within 30 days after logging of complaint. | | 2 485 maintenance issues (excluding electricity and plumbing) resolved within 30 days after logging a complaint | | Evidence provided inadequate as unable to agree the evidence to the information reported |

Impact of the finding:

1. Non-compliance with the National Treasury Framework for managing programme performance information
2. The reported information as contained in the annual performance report may not be valid and accurate therefore the actual achievements may be overstated and inaccurate.
3. This could result in material misstatements which could lead to a qualification of the relevant programme.

**Internal control deficiency**

Reason for the deviation:

a) The department does not have controls in place to ensure that actual achievements reported on the annual performance reports are supported by adequate portfolio of evidence.

b) This is due to the non-submission of valid and accurate portfolio of evidence from the various units to the Monitoring and Evaluation (M&E) unit.

c) The lack of clarity by staff in terms of developing a portfolio of evidence to reflect the activities completed.

d) A lack of adequate review of the portfolio of evidence by management and therefore the inability to timeously advise on any corrections if necessary. This is exacerbated by a lack of urgency with the compilation of the required evidence.

Similar findings were raised in the prior year audit and the interim period (DPW MG Coff 4-issued 19 February 2015) relating to the same issue which was identified on the quarterly reports for quarter 1 and 2 where no management response was received except for a response from the operations management branch. Therefore since the matter has reoccurred, management has not appropriately addressed the matter

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

*Leadership*

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

*Financial and Performance Management*

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

**Recommendation**

1. The department should implement processes to ensure that actual achievements reported on the quarterly reports and ultimately the annual report is supported by adequate portfolio of evidence.
2. The departments should ensure that staff from all affected units is provided with the necessary training to eliminate any uncertainties with respect to the development of the portfolio of evidence.
3. Managers responsible for their respective sub-programme reporting should be held accountable for the reporting requirements against the relevant target.
4. Management responsible for their respective sub-programme reporting should review the portfolio of evidence against the reported information before submitting the information to Monitoring and Evaluation branch.

**Management response**

No formal management response however some documentation had been received.

**Auditors Response**

No formal management response has been received; however supporting documentation had been received from Projects (percentage of current projects with approved project scopes). Therefore this aspect of the finding is resolved, however for the remainder of matters raised we have not received adequate documentation to enable the auditor to trace the information to the actual achievement reported and therefore the finding remains unresolved.

1. **Non-compliance: Strategic planning and performance management**

**Audit Finding**

In terms of section 38(1)(a)(i) of the PFMA the accounting officer for a department must ensure that that department has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.

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

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

1. *enable the executing authority to monitor the progress made towards achieving those goals, targets and core objectives;*
2. *support compliance with the reporting requirements in regulation III J and the National Minimum Information Requirements, referred to in regulation VII H;”.*

The following deviations were noted:

During the audit of performance information it was confirmed that the department has a system in place for monitoring the progress made towards achieving the set goals, targets and core objectives. However it was noted that the system in place is not effectively implemented by all officials which affects the validity, accuracy and completeness of the portfolio of evidence which supports the quarterly reports and ultimately the annual performance report. This has been evident in the findings raised on the non-submission and inadequate portfolio of evidence provided to substantiate the quarterly reports. It was also noted that the portfolio of evidence supporting the quarterly reports were not prepared and reviewed timeously as inconsistencies were identified between the quarterly reports and the annual performance plan. Furthermore the data assurance procedures (data collection, processing and monitoring of data) have not been effectively monitored by management.

Impact of the finding:

1. Non-compliance with the Public Service Regulations
2. Non-compliance with Public Finance Management Act section 38
3. The reported information as contained in the quarterly and ultimately the annual performance reports may not be valid, accurate or complete.

**Internal control deficiency**

Reason for the deviation:

a) The manual system in place to monitor the progress made towards achieving these goals, targets and core objectives is not being adequately implemented by all users.

b) The department did not ensure that there was an effective, efficient and transparent system of internal control regarding performance management, which described and represented how the department's processes of performance planning, monitoring, measurement, review and reporting were conducted, organised and managed as required by section 38(1)(a) and (b) of the PFMA. Although certain internal requirements/controls exist, these are not being implemented by all role-players thus rendering the system ineffective and inefficient.

Similar findings were raised in the prior year audit. However as this finding has recurred in the current year the matter has not been successfully addressed by management.

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

## Leadership:

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

**Recommendation**

1. The department should ensure the effective implementation of the policy for monitoring, reporting and evaluation of performance information at the branch level in order to facilitate the reporting of performance information.
2. The departments should ensure that staff from all units is provided with the necessary training to eliminate any uncertainties with respect to what is required in terms of monitoring the progress made towards achieving goals, targets and core objectives. There needs to be consensus as to exactly what constitutes the achievement of targets and the reporting requirements thereof.
3. The department should ensure that the submission of the quarterly reports and portfolio of evidence is monitored on a regular basis. Furthermore management should monitor the data assurance procedures in place such as the data collection, processing and monitoring procedures.

**Management response**

I am in agreement with the finding.

*Name:* Lwazi Mahlangu

*Position* M&E

*Date:* 23/02/2015

**Auditor’s Response**

Management agrees with the finding**,** therefore the matter remains unresolved.Thenon-compliance with the Public Finance Management Act and the Public Service Regulations will be reported.

1. **Non-compliance: Internal audit**

**4.1 Internal Audit – Non-compliance with TR3.2.8**

**Audit Finding**

Treasury Regulation 3.2.8 states the following:

*“An internal audit function must assess the operational procedure and monitoring mechanisms over all transfers made and received, including transfers in terms of the annual Division of Revenue Act.”*

In terms of 2012 EPWP Social Sector Grant Manual Paragraph 6.4.3 Control:

“*The department’s Internal Audit must:*

*a) Evaluate the adequacy and effectiveness of controls regarding the reliability and integrity of their EPWP project information and compliance with the DORA requirements, the Incentive Grant Agreement, the Social Sector EPWP Incentive Grant Manual and any other relevant documentation issued by the National Department of Public Works in terms of the Social Sector EPWP Incentive Grant.*

*b) Ensure that adequate controls are in place; and must consider the findings and recommendations of their Internal Audit unit, their Audit Committee and NDPW to improve such controls.”*

The following deviation was noted:

Despite the finding having been raised in the audit report since the 2012-13 financial year, the internal audit division did not assess the operational procedure and monitoring mechanisms over all transfers made, including transfers in terms of the annual Division of Revenue Act.

According to the internal audit activity plan for 2014-15 there are two planned audits pertaining to transfer payments that had to be performed:

1. The audit of EPWP DoRA Transfers:

During the interim phase of the audit it was indicated that the audit will be outsourced and that the planned date for this audit is May – Dec 2014. In the progress report of internal audit for the audit committee meeting of 24 November 2014 it was indicated that NBAC has approved the appointment of Service Provider, Service Provider to start as soon as appointment letter has been issued. However at year-end, despite having commenced the audit was not concluded.

1. Transfers to public entities

During the interim phase of the audit it was indicated that this audit will be performed by internal audit and the planned date is October to November 2014. In the progress report of internal audit of 29 September 2014 it was indicated that this audit has not yet started and that it is planned for the third quarter. This audit was concluded in the 4th quarter and reported on by Internal Audit.

The DoRA Transfer audit that was not completed results in non-compliance with the requirements of Treasury Regulation 3.2.8.

The finding occurred as a result of the fact that there were delays in the appointment of the Service Provider which was appointed to complete the abovementioned audits.

This matter has been reported in the previous two years.

As only the audit action plans listed below were received and none of them contained actions pertaining to the aforementioned matter it is concluded that the audit action plans to address the matters reported in the 2013-2014 financial year does not address the matter raised above:

1. Action Plan Adequacy Review AGSA Management Letter AIM
2. Action Plan Adequacy Review AGSA Management Letter Cooperate Services
3. Information technology
4. Action Plan Adequacy Review AGSA Management Letter EPWP
5. Action Plan Adequacy Review AGSA Management Letter Finance and SCM
6. Financial Acc. & Management
7. Supply Chain Management
8. Inspectorate & Compliance
9. Action Plan Adequacy Review AGSA Management Letter GRC
10. Service Delivery Improvement Plan
11. Action Plan Adequacy Review AGSA Management Letter Projects and Professional Services
12. Action Plan Adequacy Review AGSA Management Letter Regional Coordination

The audit action plans were also requested with request for information number 16. The only action plan submitted in a response to the RFI was that of SCM and Finance.

**Internal control deficiency**

*Financial and performance management:*

*Compliance with applicable laws and regulations are not adequately reviewed and monitored.*

**Recommendation**

The Internal Audit unit must prioritise all the requirements listed in Treasury Regulation 3.2, including those relating to transfers made, in order to assist the accounting officer in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. Given the strategic priority of EPWP this audit should be conducted and reported on within a timeframe that allows management to implement corrective action prior to the submission of the annual performance report.

**Management response**

DoRA transfer audit – the EPWP audit was underway as at 31 March 2015. The pilot phase for three (3) public bodies had been completed and individual reports issued. Phase 1 of this review is scheduled to be completed by 31 July 2015 and consolidated progress report will be presented to Management and Audit Committee. The remaining Phase2 will be completed before end of financial year and again a consolidated report for the whole project will be issued. The audit covers two financial years; namely, 2014/15 and 2015/16.

Transfer to Public Entities – this audit was completed during the 4th Quarter. The report was subsequently presented to Management and Audit Committee.

*Name:* Tebogo Tukisi

*Position:* Chief Audit Executive

*Date:* 14 July 2015

**Auditor’s conclusion**

Internal audit did not complete the scheduled audit for EPWP during the 2014-15 financial year, thus resulting in non-compliance with Treasury Regulation 3.2.8. This will be reported accordingly in the audit report.

**4.2 Internal Audit – No external review performed on internal audit division**

**Laws, rules and regulations**

1. The International Standard for Professional Practice of Internal Auditing (IIA) 1312 requires that *“external assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation. The chief audit executive must discuss with the board:*
2. *The need for more frequent external assessments; and*

*ii) The qualifications and independence of the external reviewer or review team, including any potential conflict of interest*.”

b) Treasury Regulation 3.2.6 - Internal controls and internal audit requires that:

*“Internal audit must be conducted in accordance with the standards set by the Institute of Internal Auditors.”*

The following deviation was noted during the audit:

An external review was not conducted as required by IIA 1312.

On 12 November 2014 it was confirmed by Internal Audit that the last external review conducted was in 2007. They have also confirmed that the review has not yet been conducted as internal audit was updating their methodology to be compliant with the IIA standards. As the last review was in 2007 the next external review should have been in 2012. The external review is therefore overdue with two years

Although management indicated that they plan to have this review performed imminently and have started making the arrangements, at this stage internal audit is not adhering to the requirements of IIA 1312.

The impact of the finding:

1. The work performed by internal audit may not adhere to the Standards for the Professional Practice of Internal Audit.
2. Non-compliance with Treasury Regulation 3.2.6.

The finding occurred as a result of the fact that internal audit was updating their methodology to be compliant with the IIA standards.

It should be noted that this matter has been reported in the previous two years.

As only the audit action plans listed below were received, and none of them contained actions pertaining to the aforementioned matter, it is concluded that the audit action plans to address the matters reported in the 2013-2014 financial year does not address the matter raised above;

1. Action Plan Adequacy Review AGSA Management Letter AIM
2. Action Plan Adequacy Review AGSA Management Letter Cooperate Services
3. Information technology
4. Action Plan Adequacy Review AGSA Management Letter EPWP
5. Action Plan Adequacy Review AGSA Management Letter Finance and SCM
6. Financial Acc. & Management
7. Supply Chain Management
8. Inspectorate & Compliance
9. Action Plan Adequacy Review AGSA Management Letter GRC
10. Service Delivery Improvement Plan
11. Action Plan Adequacy Review AGSA Management Letter Projects and Professional Services
12. Action Plan Adequacy Review AGSA Management Letter Regional Coordination

The audit action plans were also requested with request for information number 16. The only action plan submitted in a response to the RFI was that of SCM and Finance.

**Internal control deficiency**

*Leadership*

*Management did not effectively develop and monitor the implementation of action plans to address certain matters raised in the prior year.*

**Recommendation**

Internal audit should finalise the arrangements and the external review must be conducted without further delay. The audit committee must ensure that this is done and in future should monitor that external reviews are conducted within the required timeframes and the reports be presented to the audit committee and accounting officer.

**Management response**

The external quality assurance review was not done as at 31 March 2015. The process is currently underway and expected to be completed by end August 2015.

*Name:* Tebogo Tukisi

*Position:* Chief Audit Executive

*Date:* 14 July 2015

**Auditor’s conclusion**

Management agrees with the finding. The resolution of this matter must continue to receive priority attention.

1. **Human Resource Management**
   1. **Human Resource Management: Posts not advertised within six months of being vacant and posts vacant for a period in excess of 12 months**

Laws, Rules and Regulations:

Section C.1A of the Public Service Regulations contains the following provisions:

a) Section C.1A.2

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

b) Section C.1A.3

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

The following deviations were noted:

a) The following senior management posts have been vacant for more than 12 months:

| **No.** | **Post number** | **Component description** | **Job title** | **Vacancy commencement date** |
| --- | --- | --- | --- | --- |
| 1 | 38520 | HO DIR: Security Management | Director: Security Services | 17/02/2011 |
| 2 | 38447 | HO DIR: Computer Audits & Special Assignments | Director: Computer Audits & Special Assignments | 24/03/2011 |
| 3 | 38580 | HO CD: Information Services | Chief Director: Information Services | 13/01/2012 |
| 4 | 35281 | HO DIR: Media & Stakeholder Management | Director: Media & Stakeholder Management | 01/04/2010 |
| 5 | 38622 | HO DIR: Industry Research | Director: Industry Research | 17/09/2006 |
| 6 | 38623 | HO DIR: Valuation Services 2 | Director: Valuation Services | 01/07/2011 |
| 7 | 38261 | HO DIR: Foreign Affairs Portfolio Perform & Monitor | Director: PP & M (Foreign Affairs) | 01/12/2008 |
| 8 | 39108 | HO DIR: Mechanical Engineering Services | Director: Mechanical Engineering Services | 31/10/2010 |
| 9 | 39110 | HO DIR: Electrical Engineering | Director: Electrical Engineering Services | 28/02/2007 |
| 10 | 39082 | HO DIR: Precinct Design & Management | Director Precinct and design Management | 01/04/2008 |
| 11 | 39069 | KIM Regional Manager | Director: Regional Operations Kimberley | 05/01/2009 |
| 12 | 39070 | NSP Regional Manager | Director: Regional Operations Nelspruit | 01/04/2008 |
| 13 | 39221 | HO DIR: Office of the Director General | Director: Office of the Director-General | 01/10/2012 |
| 14 | 38564 | HO: DIR: Development Economist | Director: Development Economist | 01/08/2004 |
| 15 | 38708 | HO DIR: Budgets & Planning | Director: Budget & Planning | 01/10/2013 |
| 16 | 38489 | HO DIR: Environment (EPWP) | Director: Environment & Culture Sector (EPWP) | 01/09/2012 |
| 17 | 35850 | HO DIR: Tshwane Inner City Programme Project Planning | Director | 01/05/2012 |
| 18 | 28514 | KIM EPWP Programme Manager: Northern Cape | Director: EPWP: Programme Manager: Northern Cape | 30/06/2012 |
| 19 | 35895 | HO DDG: Asset Investment Management | DDG: Asset Investment Management | 01/09/2003 |
| 20 | 39051 | JHB Property MNAGEMENT | Director Property Management (Regional) | 01/03/2013 |
| 21 | 39051 | PTA DIV Property Management | Director Property Management (Regional) | 27/01/2014 |
| 22 | 35927 | HO DDG: Construction & Property Policy Regulation | DDG: Construction & Property Policy Regulation | 01/02/2013 |
| 23 | 38510 | HO CD: Chief Property Policy Development | Chief Director: Property Policy Development | 30/06/2013 |
| 24 | 35899 | HO DDG: Projects and Professional Services | Deputy Director General: Special Projects | 01/02/2013 |
| 25 | 35926 | HO DDG: Finance & Supply Chain Management | Deputy Director General: Finance & Supply Chain | 30/0402012 |
| 26 | 38107 | HO DIR: Financial Accounting | Director: Financial Accounting | 01/11/2013 |
| 27 | 38330 | HO DIR: Demand & Acquisition Management | Director: Demand & Acquisition Management | 30/11/2013 |
| 28 | 38449 | HO DIR: Building Maintenance & National Youth S | Director: Building Maintenance & National Youth Service | 31/08/2013 |
| 29 | 38601 | HO CD: Legal Services & Contract Administration | Chief Director: Legal Services | 30/11/2012 |
| 30 | 41437 | HO DIR: Legislative Drafting & Contract Admin | Director: Legislative Drafting & Contract Administr | 09/09/2013 |
| 31 | 38700 | HO DIR: Office of The Director-General | Director: Office of The Director-General | 30/09/2013 |
| 32 | 39061 | Pretoria Regional Office (PTA) | Regional Head: Pretoria | 30/11/2013 |
| 33 | 38700 | HO Chief Director: Regional Coordination | HO Chief Director: Regional Coordination | 30/09/2013 |
| 34 | 38134 | HO Dir: Movable Asset Management | Director Movable Asset Management | 31/03/2014 |

b) The following positions within the Finance Directorate have been vacant for more than 12 months:

| **No.** | **Post number** | **Component description** | **Job title** | **Vacancy commencement date** |
| --- | --- | --- | --- | --- |
| 1 | 35809 | HO DIR: Budgets & Planning | Senior State Accountant | 01/07/2010 |
| 2 | 38105 | HO Dir: Budgets & Planning | Deputy Director: Customer Billing/Costing | 01/04/2014 |
| 3 | 36354 | HO SUB DIR: Financial Reporting & Reconciliation | Accounting Clerk | 01/02/2008 |
| 4 | 36356 | HO SUB DIR: Financial Reporting & Reconciliation | Senior Accounting Clerk | 07/07/2011 |
| 5 | 36222 | HO DIR: Financial Accounting | Secretary | 01/10/2013 |
| 6 | 35812 | DBN Final Accounting & Budgets | Assistant Director: Budgets | 01/08/2012 |
| 7 | 35812 | BFN Final Accounting & Budgets | Assistant Director: Budgets | 01/08/2012 |
| 8 | 35809 | JHB Financial Accounting & Budgets | Senior State Accountant | 01/05/2013 |
| 9 | 35809 | JHB Financial Accounting & Budgets | Senior State Accountant | 14/10/2013 |
| 10 | 35809 | JHB Financial Accounting & Budgets | Senior State Accountant | 14/09/2012 |
| 11 | 35807 | JHB Financial Accounting & Budgets | State Accountant | 07/03/2014 |
| 12 | 35809 | NSP Financial Accounting & Budgets | Senior State Accountant | 01/06/2012 |
| 13 | 35809 | UTA Financial Accounting & Budgets | Senior State Accountant | 01/04/2013 |
| 14 | 35811 | UTA Financial Accounting & Budgets | Assistant Director: Finance | 01/08/2012 |
| 15 | 35812 | KIM Fin Accounting & Budgets | Assistant Director: Budgets | 01/08/2012 |
| 16 | 35807 | BFN Financial Accounting & Budgets | State Accountant | 30/04/2012 |
| 17 | 25808 | MFK Financial Accounting | State Accountant Batch Controller | 01/04/2012 |

c) The following positions within Supply Chain Management Directorate have been vacant for more than 12 months:

| **No.** | **Post number** | **Component description** | **Job title** | **Vacancy commencement date** |
| --- | --- | --- | --- | --- |
| 1 | 38117 | DBN Provisioning | Assistant Admin Officer: Provisioning | 01/06/2012 |
| 2 | 38320 | JHB SUB Registry | Administrative Officer: Registry | 18/12/2012 |
| 3 | 37579 | JHB SUB Registry | Secondary Driver | 17/10/2011 |
| 4 | 38313 | MFK Registry | Senior Registry Clerk: Registry | 30/06/2012 |
| 5 | 35109 | MFK Procurement | Senior Administrative Officer: System Admin: Logis | 01/09/2003 |
| 6 | 38140 | NSP Procurement | Assistant Director: Procurement | 01/07/2010 |
| 7 | 35794 | HO SUB DIV: Transport | Administration Officer: Transport | 01/09/2013 |
| 8 | 38312 | HO SUB DIV: Registry | Senior Registry Clerk: Registry | 01/09/2003 |
| 9 | 37159 | BFN Registry | Photocopier Operator | 01/07/2010 |
| 10 | 37579 | BFN Registry | Secondary Driver | 31/10/2010 |
| 11 | 37336 | DBN Switchboard | Switchboard Operator/Attendant | 01/11/2012 |
| 12 | 38334 | HO Sub Dir: Supplier Register | Administration Officer: Supplier Register | 01/07/2010 |
| 13 | 37579 | HO Sub Div: Transport | Secondary Driver | 01/04/2013 |
| 14 | 37579 | HO Sub Div: Transport | Secondary Driver | 01/04/2013 |
| 15 | 36362 | JHB Provisioning | Senior Provisioning Administration Clerk | 02/07/2012 |
| 16 | 38348 | JHB Tender Administration | Administration Officer: Bid Administration | 01/03/2012 |
| 17 | 35105 | JHB: Movable Asset Management | Assistant Administrative Officer | 01/01/2014 |
| 18 | 37001 | JHB: Movable Asset Management | Assistant Director: Movable Asset Management | 09/11/2011 |
| 19 | 38310 | MFK Switchboard | Telecommunications Operator | 01/04/2013 |
| 20 | 35795 | MFK Transport | Senior Administration Officer: Transport | 01/10/2013 |
| 21 | 38112 | NSP Logistics | Assistant Director: Logistics & Supply Chain Man. | 01/08/2012 |
| 22 | 36222 | PE Dir : Finance & Supply Chain Management | Secretary | 01/09/2009 |
| 23 | 38316 | PTA Transport | Admin Officer: Transport & Subsidised Vehicles | 01/03/2010 |
| 24 | 38167 | PTA: Sub Dir: Movable Asset Management | Assistant Admin Officer : Movable Asset Management | 01/11/2013 |
| 25 | 38167 | PTA: Sub Dir: Movable Asset Management | Assistant Admin Officer : Movable Asset Management | 01/11/2013 |
| 26 | 38167 | PTA: Sub Dir: Movable Asset Management | Assistant Admin Officer : Movable Asset Management | 01/11/2013 |
| 27 | 38167 | PTA: Sub Dir: Movable Asset Management | Assistant Admin Officer : Movable Asset Management | 01/11/2013 |
| 28 | 38167 | PTA: Sub Dir: Movable Asset Management | Assistant Admin Officer : Movable Asset Management | 01/11/2013 |
| 29 | 35796 | PTA: Sub Dir: Movable Asset Management | Senior Provisioning Administrative Officer | 05/11/2013 |
| 30 | 38112 | UTA Logistics | Assistant Director: Logistics & Supply Chain Man. | 01/08/2012 |
| 31 | 38140 | UTA Logistics and Procurement | Assistant Director: Procurement | 01/08/2012 |
| 32 | 37579 | UTA Registry | Secondary Driver | 01/07/2010 |
| 33 | 37331 | UTA Switchboard | Telecom-Operator | 01/04/2013 |
| 34 | 38316 | UTA Transport | Admin Officer: Transport & Subsidised Vehicles | 01/03/2008 |

d) The following positions within the Internal Audit Directorate have been vacant for more than 12 months:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Post number** | **Component description** | **Job title** | **Vacancy commencement date** |
| 1 | 36222 | HO DIR: Fraud Awareness & Investigations | Secretary | 01/09/2003 |
| 2 | 35771 | CT SUB DIR: Internal Audit | ASD: Regional Audit: Audit Supervisors: Region | 01/04/2010 |

e) The following Architects and Town Planners positions have been vacant for more than 12 months:

| **No.** | **Post number** | **Component description** | **Job title** | **Vacancy commencement date** |
| --- | --- | --- | --- | --- |
| 1 | 82683 | HO DIR: Investment Analysis | Architect Chief Grade A | 01/07/2010 |
| 2 | 82695 | HO DIR: Town Planning Services | Town and Regional Planner Chief Grade A | 01/07/2010 |
| 3 | 82719 | PE Professional Services | Architectural Technologist Production Grade C | 01/07/2010 |
| 4 | 82683 | PE Professional Services | Architect Chief Grade A | 01/07/2010 |
| 5 | 82683 | PE Professional Services | Architect Chief Grade A | 01/07/2010 |
| 6 | 82683 | PE Professional Services | Architect Chief Grade A | 01/07/2010 |
| 7 | 82683 | PE Professional Services | Architect Chief Grade A | 01/07/2010 |
| 8 | 82664 | BFN Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 9 | 82664 | BFN Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 10 | 82664 | CT: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 11 | 82664 | CT: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 12 | 82664 | CT: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 13 | 82664 | CT: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 14 | 82664 | CT: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 15 | 82664 | DBN: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 16 | 82664 | DBN: Professional Services | Engineer Chief Grade A | 31/03/2013 |
| 17 | 82664 | HO Dir: Electrical Engineering | Engineer Chief Grade A | 01/07/2010 |
| 18 | 82664 | HO Dir: Electrical Engineering | Engineer Chief Grade A | 01/07/2010 |
| 19 | 82664 | HO Dir: Mechanical Engineering Services | Engineer Chief Grade A | 01/07/2010 |
| 20 | 82664 | HO Dir: Mechanical Engineering Services | Engineer Chief Grade A | 01/07/2010 |
| 21 | 82664 | HO Dir: Mechanical Engineering Services | Engineer Chief Grade A | 01/07/2010 |
| 22 | 82664 | HO Dir: Mechanical Engineering Services | Engineer Chief Grade A | 01/07/2010 |
| 23 | 82664 | HO Div: Geo-Lab | Engineer Chief Grade A | 01/07/2010 |
| 24 | 82695 | HO Sub D:Prencict Conceptualisation & Market Plan | Town And Regional Planner Chief Grade A | 01/07/2010 |
| 25 | 82664 | HO Sub Dir: Civil Engineering Services | Engineer Chief Grade A | 01/07/2010 |
| 26 | 82664 | HO Sub Dir: Civil Engineering Services | Engineer Chief Grade A | 01/07/2010 |
| 27 | 82664 | HO Sub Dir: Civil Engineering Services | Engineer Chief Grade A | 01/07/2010 |
| 28 | 82680 | HO Sub Dir: Precinct Development | Architect Production Grade A | 01/07/2010 |
| 29 | 82683 | JHB: Professional Services | Architect Chief Grade A | 01/07/2010 |
| 30 | 82664 | JHB: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 31 | 82664 | JHB: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 32 | 82664 | JHB: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 33 | 82664 | MFK Capital Maintenance Technical Team | Architect Chief Grade B | 01/07/2010 |
| 34 | 82664 | MFK Capital Maintenance Technical Team | Architect Chief Grade A | 01/07/2010 |
| 35 | 82664 | MFK Capital Maintenance Technical Team | Architect Chief Grade A | 01/07/2010 |
| 36 | 82664 | PTA Professional Services | Engineer Chief Grade A | 01/07/2010 |

f) The following engineer positions have been vacant for more than 12 months:

| **No.** | **Post number** | **Component description** | **Job title** | **Vacancy commencement date** |
| --- | --- | --- | --- | --- |
| 1 | 82664 | HO SUB DIR: Civil Engineering Services | Architect Chief Grade A | 01/07/2010 |
| 2 | 82664 | HO SUB DIR: Civil Engineering Services | Architect Chief Grade A | 01/07/2010 |
| 3 | 82664 | HO SUB DIR: Civil Engineering Services | Architect Chief Grade A | 01/07/2010 |
| 4 | 82714 | HO SUB DIR: Structural Engineering Services | Engineering Technologist Control Grade A | 01/07/2010 |
| 5 | 82664 | HO DIV: Geo-Lab | Engineer Chief Grad A | 01/07/2010 |
| 6 | 82735 | HO DIV: Geo-Lab | Engineering Technician Control Grade A | 01/02/2008 |
| 7 | 82735 | HO DIV: Geo-Lab | Engineering Technician Control Grade A | 11/03/2009 |
| 8 | 82738 | HO DIV: Geo-Lab | Engineering Technician Control Grade A | 01/07/2010 |
| 9 | 82738 | HO SUB DIR: Plan Registration | Engineering Technician Control Grade A | 01/07/2010 |
| 10 | 82738 | HO SUB DIR: Water Management Office | Engineering Technician Control Grade A | 01/07/2010 |
| 11 | 82738 | HO SUB DIR: Water Management Office | Engineering Technician Control Grade A | 01/07/2010 |
| 12 | 82664 | HO DIR: Mechanical Engineering Services | Engineering Chief Grade A | 01/07/2010 |
| 13 | 82664 | HO DIR: Mechanical Engineering Services | Engineering Chief Grade A | 01/07/2010 |
| 14 | 82664 | HO DIR: Mechanical Engineering Services | Engineering Chief Grade A | 01/07/2010 |
| 15 | 82664 | HO DIR: Mechanical Engineering Services | Engineering Chief Grade A | 01/07/2010 |
| 16 | 82739 | HO DIR: Investment Analysis | Engineering Technician Control Grade B | 01/07/2010 |
| 17 | 82739 | HO DIR: Mechanical Engineering Services | Engineering Technician Control Grade B | 01/07/2010 |
| 18 | 82664 | HO DIR: Electrical Engineering | Engineer Chief Grade A | 01/07/2010 |
| 19 | 82664 | HO DIR: Electrical Engineering | Engineer Chief Grade A | 01/07/2010 |
| 20 | 38227 | HO Dir: Correctional Services Key Account Management | Assistant Director: Key Account Management (DCS) | 01/08/2012 |
| 21 | 82664 | HO Dir: Investment Analysis | Engineer Chief Grade A | 01/07/2010 |
| 22 | 82668 | HO Dir: Special and Major Projects | Construction Project Manager Production Grade A | 01/07/2010 |
| 23 | 38623 | HO Dir: Valuation Services 2 | Director: Valuation Services | 01/07/2011 |
| 24 | 82671 | HO:DG: Turnaround & Business Improvement Unit | Construction Project Manager Chief Grade A | 01/07/2010 |
| 25 | 82671 | HO:DG: Turnaround & Business Improvement Unit | Construction Project Manager Chief Grade A | 01/07/2010 |
| 26 | 82668 | HO:DG: Turnaround & Business Improvement Unit | Construction Project Manager Production Grade A | 01/07/2010 |
| 27 | 82668 | HO:DG: Turnaround & Business Improvement Unit | Construction Project Manager Production Grade A | 01/07/2010 |
| 28 | 82668 | HO:DG: Turnaround & Business Improvement Unit | Construction Project Manager Production Grade A | 01/07/2010 |
| 29 | 82668 | HO:DG: Turnaround & Business Improvement Unit | Construction Project Manager Production Grade A | 01/07/2010 |
| 30 | 82668 | HO:DG: Turnaround & Business Improvement Unit | Construction Project Manager Production Grade A | 01/07/2010 |
| 31 | 82668 | HO:DG: Turnaround & Business Improvement Unit | Construction Project Manager Production Grade A | 01/07/2010 |
| 32 | 82669 | HO:DG: Turnaround & Business Improvement Unit | Construction Project Manager Production Grade B | 01/07/2010 |
| 33 | 82664 | CT: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 34 | 82664 | CT: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 35 | 82664 | CT: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 36 | 82664 | CT: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 37 | 82664 | CT: Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 38 | 82714 | CT: Professional Services | Engineering Technologist Control Grade A | 01/07/2010 |
| 39 | 82735 | CT: Professional Services | Engineering Technician Production Grade A | 01/07/2010 |
| 40 | 82735 | CT: Professional Services | Engineering Technician Production Grade A | 01/07/2010 |
| 41 | 82735 | CT: Professional Services | Engineering Technician Production Grade A | 01/07/2010 |
| 42 | 41200 | CT Sub Dir: Works Management | Chief Works Manager | 20/01/2012 |
| 43 | 41200 | CT Sub Dir: Works Management | Chief Works Manager | 05/10/2009 |
| 44 | 41200 | CT Sub Dir: Works Management | Chief Works Manager | 01/01/2009 |
| 45 | 82671 | CT: Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/04/2010 |
| 46 | 82669 | CT: Capital & Technical Maintenance Team | Construction Project Manager Production Grade B | 01/07/2010 |
| 47 | 82669 | CT: Capital & Technical Maintenance Team | Construction Project Manager Production Grade B | 01/07/2010 |
| 48 | 82669 | CT: Capital & Technical Maintenance Team | Construction Project Manager Production Grade B | 01/07/2010 |
| 49 | 82669 | CT: Capital & Technical Maintenance Team | Construction Project Manager Production Grade B | 01/07/2010 |
| 50 | 82669 | CT: Capital & Technical Maintenance Team | Construction Project Manager Production Grade B | 01/07/2010 |
| 51 | 82669 | CT: Capital & Technical Maintenance Team | Construction Project Manager Production Grade B | 01/07/2010 |
| 52 | 82669 | CT: Other Islands | Construction Project Manager Production Grade B | 01/07/2010 |
| 53 | 82669 | CT: Prestige | Construction Project Manager Production Grade B | 01/07/2010 |
| 54 | 82735 | DBN Professional Services | Engineering Technician Production Grade A | 01/07/2010 |
| 55 | 82735 | DBN Professional Services | Engineering Technician Production Grade A | 01/07/2010 |
| 56 | 82735 | DBN Professional Services | Engineering Technician Production Grade A | 01/07/2010 |
| 57 | 82664 | JHB Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 58 | 82664 | JHB Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 59 | 82664 | JHB Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 60 | 82738 | JHB Professional Services | Engineering Technician Control Grade A | 01/07/2010 |
| 61 | 41300 | JHB Works Management | Control Works Manager | 01/08/2012 |
| 62 | 82664 | BFN Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 63 | 82664 | BFN Professional Services | Engineer Chief Grade A | 01/07/2010 |
| 64 | 82736 | BFN Professional Services | Engineering Technician Production Grade B | 01/07/2010 |
| 65 | 82671 | BFN Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 66 | 82671 | BFN Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 67 | 82671 | BFN Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 68 | 82668 | BFN Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 69 | 82668 | BFN Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 70 | 82668 | BFN Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 71 | 82668 | BFN Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 72 | 82668 | BFN Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 73 | 82668 | BFN Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 74 | 82668 | BFN Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 75 | 82668 | BFN Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 76 | 82668 | BFN Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 77 | 41200 | BFN Works Management | Chief Works Manager | 01/08/2012 |
| 78 | 41300 | BFN Works Management | Control Works Manager | 01/01/2008 |
| 79 | 82664 | PE Profession Services | Engineer Chief Grade A | 01/07/2010 |
| 80 | 82664 | PE Profession Services | Engineer Chief Grade A | 01/07/2010 |
| 81 | 82714 | PE Profession Services | Engineering Technologist Control Grade A | 01/07/2010 |
| 82 | 82735 | PE Profession Services | Engineering Technician Production Grade A | 01/11/2007 |
| 83 | 82671 | PE Capital & Technical Maintenance Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 84 | 82668 | PE Capital & Technical Maintenance Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 85 | 82669 | PE Professional Services | Construction Project Manager Production Grade B | 01/07/2010 |
| 86 | 82667 | PE Projects and Maintenance: Management Trainees | Project Manager Candidate | 01/07/2010 |
| 87 | 82667 | PE Projects and Maintenance: Management Trainees | Project Manager Candidate | 01/07/2010 |
| 88 | 82667 | PE Projects and Maintenance: Management Trainees | Project Manager Candidate | 01/07/2010 |
| 89 | 41200 | PE Works Management | Chief Works Manager | 22/01/2013 |
| 90 | 41302 | PE Works Management | Control Works Manager: Mechanical | 01/08/2012 |
| 91 | 82738 | POL Internal Production Unit | Engineering Technician Control Grade A | 01/07/2010 |
| 92 | 82735 | POL Internal Production Unit | Engineering Technician Production Grade A | 01/07/2010 |
| 93 | 82735 | POL Internal Production Unit | Engineering Technician Production Grade A | 01/07/2010 |
| 94 | 82735 | POL Internal Production Unit | Engineering Technician Production Grade A | 01/07/2010 |
| 95 | 82669 | POL Sub Dir: Project Management | Construction Project Manager Production Grade B | 01/07/2010 |
| 96 | 82671 | POL: Projects | Construction Project Manager Chief Grade A | 01/07/2010 |
| 97 | 82664 | MFK Capital Maintenance Technical Team | Engineer Chief Grade A | 01/07/2010 |
| 98 | 82664 | MFK Capital Maintenance Technical Team | Engineer Chief Grade A | 01/07/2010 |
| 99 | 82735 | MFK Internal Production Unit | Engineering Technician Production Grade A | 02/10/2008 |
| 100 | 82735 | MFK Internal Production Unit | Engineering Technician Production Grade A | 01/10/2009 |
| 101 | 41200 | MFK Works Management | Engineering Technician Production Grade A | 01/08/2012 |
| 102 | 41300 | MFK Works Management | Engineering Technician Production Grade A | 01/01/2008 |
| 103 | 82671 | MFK Capital Maintenance Technical Team | Construction Project Manager Chief Grade A | 03/10/2012 |
| 104 | 82671 | MFK Capital Maintenance Technical Team | Construction Project Manager Chief Grade A | 03/10/2012 |
| 105 | 82668 | MFK Capital Maintenance Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 106 | 82668 | MFK Capital Maintenance Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 107 | 82668 | MFK Capital Maintenance Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 108 | 82668 | MFK Capital Maintenance Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 109 | 82668 | MFK Capital Maintenance Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 110 | 82668 | MFK Capital Maintenance Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 111 | 82668 | MFK Capital Maintenance Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 112 | 82668 | MFK Capital Maintenance Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 113 | 82668 | MFK Capital Maintenance Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 114 | 82667 | MFK Capital Maintenance Technical Team | Project Manager Candidate | 01/07/2010 |
| 115 | 82735 | MFK Works Management | Engineering Technician Production Grade A | 08/09/2008 |
| 116 | 82735 | MFK Works Management | Engineering Technician Production Grade A | 08/09/2008 |
| 117 | 82735 | NSP Internal Production Unit | Engineering Technician Production Grade A | 01/02/2008 |
| 118 | 82735 | NSP Internal Production Unit | Engineering Technician Production Grade A | 05/11/2008 |
| 119 | 82738 | NSP Internal Production Unit | Engineering Technician Control Grade A | 01/07/2010 |
| 120 | 82671 | NSP Capital Maintenance & Technical Team | Construction Project Manager Chief Grade A | 01/07/2010 |
| 121 | 82668 | NSP Capital Maintenance & Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 122 | 82668 | NSP Capital Maintenance & Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 123 | 82668 | NSP Capital Maintenance & Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 124 | 82668 | NSP Capital Maintenance & Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 125 | 82668 | NSP Capital Maintenance & Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 126 | 82668 | NSP Capital Maintenance & Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 127 | 82668 | NSP Capital Maintenance & Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 128 | 82668 | NSP Capital Maintenance & Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 129 | 82668 | NSP Capital Maintenance & Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 130 | 82668 | NSP Capital Maintenance & Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 131 | 82668 | NSP Capital Maintenance & Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 132 | 82668 | NSP Capital Maintenance & Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 133 | 82668 | NSP Correctional Services/SAPS/Justice | Assistant Director: Key Account Mngt (Justice/Oth) | 01/08/2012 |
| 134 | 41200 | NSP Works Management | Chief Works Manager | 01/09/2011 |
| 135 | 41200 | NSP Works Management | Chief Works Manager | 01/10/2007 |
| 136 | 41200 | NSP Works Management | Chief Works Manager | 01/10/2007 |
| 137 | 41300 | NSP Works Management | Control Works Manager | 01/08/2012 |
| 138 | 82671 | NSP: Projects | Construction Project Manager Chief Grade A | 01/10/2007 |
| 139 | 82664 | DBN Professional Services | Engineering Chief Grade A | 31/03/2013 |
| 140 | 82664 | DBN Professional Services | Engineering Chief Grade A | 01/07/2010 |
| 141 | 41200 | DBN Works Management | Chief Works Manager | 01/07/2010 |
| 142 | 41200 | DBN Works Management | Chief Works Manager | 01/07/2013 |
| 143 | 41200 | DBN Works Management | Chief Works Manager | 31/08/2013 |
| 144 | 82735 | KIM Division: IP Unit | Engineering Technician Production Grade A | 01/11/2013 |
| 145 | 82668 | KIM Capital Maint Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 146 | 82668 | KIM Capital Maint Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 147 | 82668 | KIM Capital Maint Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 148 | 82668 | KIM Capital Maint Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 149 | 82668 | KIM Capital Maint Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 150 | 82668 | KIM Capital Maint Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 151 | 82668 | KIM Capital Maint Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 152 | 82668 | KIM Capital Maint Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 153 | 82668 | KIM Capital Maint Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 154 | 82668 | KIM Capital Maint Technical Team | Construction Project Manager Production Grade A | 01/07/2010 |
| 155 | 41300 | KIM Works Management | Control Works Manager | 01/11/2013 |
| 156 | 82719 | PE Professional Services | Architectural Technologist Production Grade C | 01/07/2010 |
| 157 | 82738 | PE Professional Services | Architectural Technologist Production Grade A | 01/07/2010 |
| 158 | 82664 | PTA Professional Services | Engineering Chief Grade A | 01/07/2010 |
| 159 | 83736 | PTA Professional Services | Engineering Technician Production B | 01/07/2010 |
| 160 | 41200 | PTA Constr (Cap Projects)/Refurb & Renov | Chief Works Manager | 13/03/2012 |
| 161 | 82671 | PTA Constr (Cap Projects)/Refurb & Renov | Construction Project Manager Chief Grade A | 01/07/2010 |
| 162 | 82671 | PTA Constr (Cap Projects)/Refurb & Renov | Construction Project Manager Chief Grade A | 01/07/2010 |
| 163 | 82671 | PTA Constr (Cap Projects)/Refurb & Renov | Construction Project Manager Chief Grade A | 01/07/2010 |
| 164 | 82671 | PTA Constr (Cap Projects)/Refurb & Renov | Construction Project Manager Chief Grade A | 01/07/2010 |
| 165 | 82668 | PTA Constr (Cap Projects)/Refurb & Renov | Construction Project Manager Production Grade A | 31/01/2013 |
| 166 | 82669 | PTA Constr (Cap Projects)/Refurb & Renov | Construction Project Manager Production Grade B | 01/07/2010 |
| 167 | 82669 | PTA Constr (Cap Projects)/Refurb & Renov | Construction Project Manager Production Grade B | 01/07/2010 |
| 168 | 82669 | PTA Constr (Cap Projects)/Refurb & Renov | Construction Project Manager Production Grade B | 01/07/2010 |
| 169 | 82669 | PTA Day to Day/ Technical Maintenance | Construction Project Manager Production Grade B | 01/07/2010 |
| 170 | 82669 | PTA Day to Day/ Technical Maintenance | Construction Project Manager Production Grade B | 01/07/2010 |
| 171 | 41200 | PTA Sub Div Prestige Support | Chief Works Manager | 30/09/2013 |
| 172 | 41200 | PTA Works Management | Chief Works Manager | 15/02/2012 |
| 173 | 82671 | UTA Project Management | Construction Project Manager Chief Grade A | 01/07/2010 |
| 174 | 82668 | UTA Project Management | Construction Project Manager Production Grade A | 20/02/2012 |
| 175 | 82668 | UTA Project Management | Construction Project Manager Production Grade A | 01/07/2010 |
| 178 | 82668 | UTA Project Management | Construction Project Manager Production Grade A | 15/03/2013 |
| 179 | 82668 | UTA Project Management | Construction Project Manager Production Grade A | 01/07/2010 |
| 180 | 82668 | UTA Project Management | Construction Project Manager Production Grade A | 01/07/2010 |
| 181 | 82668 | UTA Project Management | Construction Project Manager Production Grade A | 01/07/2010 |
| 182 | 82668 | UTA Project Management | Construction Project Manager Production Grade A | 01/07/2010 |
| 183 | 82669 | UTA Project Management | Construction Project Manager Production Grade B | 01/07/2010 |
| 184 | 82671 | UTA: Projects | Construction Project Manager Chief Grade A | 01/07/2010 |

g) The following quantity surveyor positions have been vacant for more than 12 months:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Post number** | **Component description** | **Job title** | **Vacancy commencement date** |
| 1 | 82689 | HO SUB DIR: QS Standard Documentation | Quantity Surveyor Chief Grade A | 01/07/2010 |
| 2 | 82689 | CT: Professional Services | Quantity Surveyor Chief Grade A | 01/07/2010 |
| 3 | 82689 | JHB Professional Service | Quantity Surveyor Chief Grade A | 01/07/2010 |
| 4 | 82689 | MFK Estimating Unit | Quantity Surveyor Chief Grade A | 01/07/2010 |
| 5 | 82689 | NSP Estimating Unit | Quantity Surveyor Chief Grade A | 01/07/2010 |
| 6 | 82686 | NSP Estimating Unit | Quantity Surveyor Production Grade A | 01/07/2010 |
| 7 | 82689 | POL Estimating Unit | Quantity Surveyor Chief Grade A | 01/07/2010 |
| 8 | 82689 | PTA: Professional Services | Quantity Surveyor Chief Grade A | 01/07/2010 |
| 9 | 82689 | KIM Estimating Unit | Quantity Surveyor Chief Grade A | 01/07/2010 |
| 10 | 82689 | PTA: Professional Services | Quantity Surveyor Chief Grade A | 01/07/2010 |

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.
* Funded vacant post were not filled within 12 months after becoming vacant as prescribed by Public Service Regulation 1/VII/C.1A.2.

**Internal control deficiency**

The finding occurred as result of the fact that the total employee cost budget allocated to the department is not sufficient to fill all vacant posts. Several unfunded posts additional to the establishment are currently in place which places a strain on the budget resulting in the department not having a sufficient budget to fill funded positions.

When the same audit finding was raised 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**

Recent discussions with management revealed that a new organisational structure has been proposed which at the time of preparation of this letter is pending approval by the Executive Authority. This new structure was developed in line with the transfer of more functions to PMTE which took effect on 1 April 2105.

It is critical that this new organisational structure is approved and the relevant funding secured with National Treasury to enable the department to fill posts considered essential (in line with the new structure) within the 12 month timeframe required by the Public Service Regulations. Failure to do so could compromise the delivery of critical functions by both DPW and PMTE.

**Management response**

I am in agreement with the finding. The filling of vacancies in the Department is dependent on the availability of funds within the compensation of employees’ budget. The allocation for compensation of employees’ budget is not sufficient for the filling of all vacancies within the Department. Over R500 million is required for the filling of all vacancies within the Department. The Department had reviewed and approved the functional organizational structure and had anticipated implementing the structure on 01 April 2015; however as part of the operationalization of the Property Management Trading Entity and the approval of the new programme budget structure by the National Treasury for the Department resulted in the non-implementation of the approved organizational structure. The Department is currently reviewing the organizational structure to ensure alignment with the new programme budget structure for the main vote and PMTE. The abolishment of the unfunded vacancies on the staff establishment was incorporated into the earlier review of the organizational structure. This process was to result in the activation of positions which would be affordable in terms of the allocation under the compensation of employees’ budget. The implementation of the recruitment plan alone would not result in the filling of all vacancies and within the prescribed timelines as its implementation is also dependent on the availability of funds.

At this stage the Corporate Services Branch has since decided to embark on a separate process to identify and abolish from the staff establishment unfunded positions that have been vacant for extended periods.

*Name:* Hlatshwayo TB

*Position:* Chief Director: HRM

*Date:* 02 July 2015

**Auditor’s conclusion**

Management’s response is acknowledged, filling of vacancies within required timeframes are critical. The new organisational structure must be approved and funding secured without further delay.

* 1. **Human Resource Management: High number of posts additional to the establishment**

Laws, Rules and Regulations:

Public Service Regulations, 2001 (Government Notice No. R. 1 of 5 January 2001) section G:

*‘An executing authority may, within the relevant budget, employ persons additional to the approved establishment where-*

*(a) The incumbent of a post is expected to be absent for such a period that her or his duties cannot be performed by other personnel; or*

*(b) a temporary increase in work occurs; or*

*(c) it is necessary for any other reason to temporarily increase the staff of the department.’*

The following deviation was noted:

The department has the following number of posts additional to the approved establishment.

|  |  |  |
| --- | --- | --- |
| **Salary Band** | **Number of Posts Filled Additional to the Establishment (Current Year)** | **Number of Posts Filled Additional to the Establishment (Prior Year)** |
| Lower skilled (Levels 1-2), Contract | 800 | 514 |
| Skilled (Levels 3-5), Contract | 63 | 20 |
| Highly skilled production (Levels 6-8), Contract | 132 | 128 |
| Highly skilled supervision (Levels 9-12), Contract | 76 | 62 |
| Senior Management (Levels 13-16), Contract | 40 | 17 |
| **Total** | **1 111** | **741** |

The impact of the finding:

a) This may result in overspending of the compensation of employees’ budget and vacancies in funded posts may not be advertised and filled timeously.

b) The audit action plan stated that the department will identify and possibly convert positions additional to the establishment (fixed term contracts) for which permanent positions are created in terms of the new structure and determine funding status of all appointments additional to the establishment and the need for continued existence. This action is only anticipated to be completed with the onset of the new financial year as a new organisational structure will become effective then (pending the approval thereof), the matter will therefore remain unresolved for the financial year under review.

**Internal control deficiency**

The finding occurred as result of the fact that the department is appointing officials in positions which are not funded on the approved establishment. The fixed term contracts were in more instances than not created to bring required skills into the environment which are required to effect the turnaround project in the department (including PMTE).

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

*Leadership:*

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

**Recommendation**

The department must ensure that their amended organisational structure, once approved and implemented will remove the need for posts additional to the establishment, thus resolving the current non-compliance matter.

**Management response**

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

The majority of posts are for HCI programmes (Interns) i.e. salary band 1 – 2 and for these the Department will recover funds from CETA.

Due to the shortage of critical skills in the department, the department had to source external capacity to strive the implementation of the turn around and the operationalization of the PMTE.

The Conclusion of the organizational structure and approval thereof, funded and implemented and this reduce/eliminate, additional post from the establishment since other posts will be advertised and filled.

*Name:* Thembi Hlatshwayo

*Position:* Chief Director

*Date:* 2015/02/13

**Auditor’s conclusion**

Management’s response is noted. Given that the implementation of the new organisational structure is still pending, the following non-compliance finding will be included in the audit report: Appointments were not only made in posts that were approved and funded as required by Public Service Regulation 1/III/F.1(a) and (d).

1. **Non-compliance: Expenditure management**
   1. **Expenditure management: Limitation on the audit**

**Audit finding**

Applicable laws, rules and regulations

Treasury Regulations 17.2.1 states:

*“Accounting officers of institutions must, subject to the provisions of the relevant national or provincial legislation, retain all financial information in its original form, as follows-*

*a) information relating to one financial year for one year after the audit report for the financial year in question has been tabled in Parliament or the provincial legislature; or*

*b) information relating to more than one financial year – for one after the date of the audit report for the last of the financial years.*

The following limitations were encountered:

Sufficient appropriate audit evidence could not be provided that two of the selected contracts awarded and that one of the selected quotations accepted (hereinafter referred to as “awards”) to the value of R1 812 008,75 were made in accordance with the requirements of the SCM legislation. No alternative audit procedures could be performed to obtain reasonable assurance that the expenditure incurred on these awards was not irregular.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Supplier name** | **Tender Number** | **Awarded amount R** | **Actual expenditure R** | **Information not provided** |
| Posch Curtains (Pty) Ltd | CPT1007/14 | 4 416 869,00 | 407 700,00 | Unsuccessful l bidders documentation |
| Tafelberg Furniture stores (PTY) LTD | CPT1004/14 | 1 941 192,00 | 1 027 026,00 | Unsuccessful l bidders documentation |
| Ampmaster Electrical Wholesaler | FANO: 1370084 | 377  282,75 | 377 282,75 | PA 20 (Scoring Model) to the method used to evaluate quotations.  PA-16 to determine if the bid documentation specified the evaluation and adjudication criteria to be used. |
| **Total** |  |  | **1812 008,75** |  |

**Internal control deficiency**

*Financial and performance management - The department did not effectively 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*

*Financial and performance management - The department did not effectively review and monitor compliance with applicable legislation.*

**Recommendation**

* The department must implement appropriate procedures with regards to records management and retention to prevent re-occurrence of the inability to retrieve documentation and the resultant limitation of scope.
* Tender documentation must include all documentation including the tender documentation of the unsuccessful bidders.

**Management’s response**

1. Pertaining to the contracts: The information is being located as it cannot be found where it was filed.
2. Pertaining to the quotations: No response received yet.

**Auditor’s conclusion**

As the documentation has not been provided, it could not be confirmed if the awards were made in accordance with the requirements of SCM legislation and therefore whether procurement was in accordance with legislation or whether it was irregular.

* 1. **Expenditure management: Procurement deviations approved for not obtaining at least three written price quotations from prospective suppliers even through it was possible to obtain three quotations**

**Audit finding**

Applicable laws, rules and regulations:

a)         PFMA section 38(1)(c)(ii) states:

*“(1)* *the accounting officer for a department, trading entity or constitutional institution-*

*c)* *must take effective and appropriate steps to*-

*(ii)* *prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct*;”

b)         Practice note 8 of 2007/2008 paragraph 3.3.1, 3.3.2 and 3.3.3 pertaining to transactions with a value above R10 000 but not exceeding R500 000 (including VAT):

*“3.3.1 Accounting officers / authorities should invite and accept written price quotations for requirements up to an estimated value of R500 000 from as many suppliers as possible, that are registered on the list of prospective suppliers.*

*3.3.2 Where no suitable suppliers are available from the list of prospective suppliers, written price quotations may be obtained from other possible suppliers.*

*3.3.3 If it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the accounting officer / authority or his / her delegate.”*

c)      Treasury Regulation 16A6.1:

“*16A3.1(a) The accounting officer or accounting authority of an institution to which these regulations apply must develop and implement an effective and efficient supply chain manager system in his or her institution for the acquisition of goods and services;*

*16A3.2 A(a) supply chain management system referred to in paragraph must be fair, equitable, transparent, competitive and cost effective”*

The following procurement deviations were noted upon performing audit work on procurement below R500 000:

The table below reflects nine awards with a total value of R2 456 516 where written price quotations were not obtained from at least three different prospective suppliers for procurement with a transaction value of between R10 000 and R500 000. Valid reasons were not recorded and approved by a delegated official, or the reasons for not obtaining three quotations were not considered to be justifiable.

| **No** | **Service provider** | **Audit finding reference** | **Actual expenditure 2014-15**  **R** | **Understatement of irregular expenditure**  **R** | **Nature of items procured** | **Comment** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | Mother of the Rain Trading Project | HN - COFF 30  Ex 41 | 10 228,70 | 10 228,70 | Stationery | According to the internal memorandum it was indicated that only one supplier responded to the quotation invite. There was no other motivation as to why it is acceptable that only one quotation was obtained was provided.  As there are numerous service providers who can provide stationery it does not appear to be impossible of impractical to obtain three written quotations. The expenditure is therefore regarded as being irregular. |
| 2 | Griffiths & Griffiths | PTA COFF 10  Ex 193 | 390 595,00 | 390 595,00 | Furniture | Four service providers were requested to submit quotations however only two responded.  Given the nature of the items procured it is not considered to have been impossible or impractical to obtain three quotations. |
| 3 | Louise Mulholland Interiors | PC COFF3  Ex 2 | 209 300,00 | 0,00 | Furniture | From the five service providers invited only two responded.  Given the nature of the items procured it is not considered to have been impossible or impractical to obtain three quotations.  The transaction was already classified as irregular expenditure due to non-compliance with designated sector requirements. |
| 4 | Interiors | PC COFF 18  Ex 25 | 205 632,00 | 205 632,00 | Furniture | Even though approval was supplied with internal memorandum which indicated that the deviation was approved due to the non-response by three of the five suppliers who were invited to submit quotations this is still non-compliance with PN 8 of 2007/08 par 3.3 which states that a deviation is allowed if it is impossible to obtain at least three written quotations. However as there are numerous service providers who can provide furniture it does not appear to have been impossible or impractical to obtain three written quotations. |
| 5 | KBN Technologies | COFF 6  Ex 43 | 83 655,00 | 83 655,00 | Autodesk Building Design Premium 2014 software | The department used the SITA285/1 list of service providers to request quotations to procure Autodesk Building Design Premium 2014 software. The SITA 285/1 contract pertains to the procurement of computer hardware and not software. Therefore the suppliers listed will not necessarily also supply software. Only one of the service providers responded. |
| 6 | Interior | COFF 18  Ex 25 | 203 960,00 | 203 960,00 | Furniture | Even though approval was supplied with internal memorandum which indicated that the deviation was approved due to the non-response by three of the five suppliers who were invited to submit quotations this is still non-compliance with PN 8 of 2007/08 par 3.3 which states that a deviation is allowed if it is impossible to obtain at least three written quotations. However as there are numerous service providers who can provide furniture it does not appear to have been impossible or impractical to obtain three written quotations. |
| 7 | Glorina General Trading | PTA COFF 7 -  Ex 93 | 492 900,00 | 492 900,00 | Furniture | Per the internal memorandum request for quotations were issued to six suppliers and on the closing date only one supplier submitted a quotation.  No other motivation was provided for accepting only one quotation other than the fact that only one quotation was submitted.  Given the nature of the items procured it is not considered to have been impossible or impractical to obtain three quotations. |
| 8 | IFA Construction and Project CC | COFF 4 PTA  Ex 89 | 456 559,74 | 456 559,74 | Overalls and safety shoes | Out of the ten service providers invited to provide quotations only two responded.  The amount was disclosed as irregular based on the fact that they did not adhered to local content |
| 9 | J Kekana Interiors CC | COFF 5 PTA  Ex 90 | 487 300,00 | 487 300,00 | Persian carpets for the President's official residence | Only two service providers responded.  Given the nature of the items procured it is not considered to have been impossible or impractical to obtain three quotations. |
| **Total** | | | **2 456 515,74** | **2 247 215,74** |  |  |

**Internal control deficiency**

Reason for the deviation:

* Deviations approved for not obtaining quotations are not in all instances thoroughly interrogated for validity and reasonability thereof prior to approval.
* Reasons for requests for approval are not comprehensively documented.
* Inadequate number of suppliers on prestige database with appropriate security clearance resulting in an inability to obtain the required minimum number of quotations and lack of proper rotation of service providers – for procurement below R500 000 this mainly relates to the supply of furniture and other interior decorating items for prestige properties.

The matters raised were therefore occurred due to the following internal control deficiencies.

*Leadership - The department did not effectively exercise its oversight responsibility regarding financial and performance reporting and compliance and related internal controls.*

*Financial and performance management - The department did not effectively review and monitor compliance with applicable laws and regulations.*

**Recommendation**

* The department must ensure that they adhere to all SCM processes and policies.
* Deviations from official procurement processes must only be approved in cases where it is impractical or impossible to follow the official procurement process.
* The department must obtain at least three quotations from the possible supplier, if the departmental database has limited suppliers who can provide the service, the department should opt to use other possible sources.
* Officials who do not comply with SCM process must be held accountable and disciplinary actions should be taken.
* The non-responsiveness of suppliers should be followed up. If they no longer exist or are not interested in doing business with the department anymore they should be considered before an appropriately delegated committee to be removed from the database.
* Information of suppliers needs to be updated to ensure that the information recorded on the supplier database is accurate to enable the department to request and obtain quotations from service providers.
* For services for which there is a trend of not obtaining three quotations, there must be an independent investigation to determine the appropriate action to prevent continuous recurrence considering the root cause of non-compliance identified during the investigation.
* The department must embark on a process to ensure that there are sufficient suppliers available on the database that can provide the services required by the department.

**Management’s response**

Individual responses have been received for each finding, management however to provide overarching response to include here.

**Auditor’s conclusion**

Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, this material non-compliance with Treasury Regulation 16A6.1 will be reported in the audit report. The latter resulted in irregular expenditure being understated with R2 247 215,74.

* 1. **Expenditure management: Procurement without following a competitive bidding process**

**Audit finding**

Applicable laws, rules and regulations:

1. Constitution of the Republic of South Africa – paragraph 217(1)

*“When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective.”*

1. Practice Note 8 of 2007/08 par 3.4 requires the following pertaining to transactions with a value above R500 000:

*“3.4.1 Accounting officers / authorities should invite competitive bids for all procurement above R 500 000.*

*3.4.2 Competitive bids should be advertised in at least the Government Tender Bulletin and in other appropriate media should an accounting officer / authority deem it necessary to ensure greater exposure to potential bidders. The responsibility for advertisement costs will be that of the relevant accounting officer / authority.*

*3.4.3 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 / authority 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 / authority or his / her delegate. Accounting officers /authorities are required to report within ten (10) working days to the relevant treasury and the Auditor-General all cases where goods and services above the value of 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.”*

c)       Treasury Regulation 16A6.1requires that:

*“Procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury”*

c) SCM guide for accounting officers and authorities paragraph 4.7.5 states:

*“4.7.5.1 In urgent and emergency cases, an institution may dispense with the invitation of bids and may obtain the required goods, works or services by means of quotations by preferably making use of the database of prospective suppliers, or otherwise in any manner to the best interest of the State.*

*4.7.5.2 Urgent cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical. (However, a lack of proper planning should not constitute as an urgent case.)*

*4.7.5.3 Emergency cases are cases where immediate action is necessary in order to avoid a dangerous or risky situation or misery.*

*4.7.5.4 The reasons for the urgency/ emergency and for dispensing of competitive bids, should be clearly recorded and approved by the accounting officer/authority or his/ her delegate.”*

The following procurement deviations were noted upon performing audit work on procurement for which a competitive bidding process is required:

For six contracts with the total value of R9 167 495 a competitive bidding process was not followed, and the deviations were approved even though it was practical to invite competitive bids.

| **No** | **Service provider** | **Audit finding reference** | **Actual expenditure 2014-15**  **R** | **Understatement of irregular expenditure**  **R** | **Nature of items procured** | **Comment** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | Crocia Trading | Coff 10  Ex 10 | 2 997 722,34 | 2 997 722,34 | National Orders event | As is evident from the information reported under the background; this event is an annual event and there should therefore be sufficient time for effective and timeous communication between DPW and the Presidency to ensure that the prescribed SCM processes are followed.  The SCM guide for accounting officers and authorities defines urgent cases as cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical. It emphasises that a lack of proper planning should not constitute an urgent case. |
| 2 | Crocia Trading | Coff 52  Ex 37 | 1 466 040,00 | 1 466 040,00 | Extended cabinet meeting (Lekgotla) for 2014 | As is evident from the information reported under the background; this event was approved in 13 August 2013. There was therefore sufficient time for effective and timeous communication between DPW and the Presidency to ensure that the prescribed SCM processes are followed. As per the SCM guide for accounting officers and authorities urgent cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical. It emphasises that a lack of proper planning should not constitute an urgent case. |
| 3 | Broll Property Group | Coff 24  Ex 20 | 3 276 122 | 3 276 122 | State of the Nation Address | It was confirmed with The Presidency that the State of the Nation Address was on the 2014/15 domestic residential programme. In the programme it was indicated that the date of 12 to 19 February had to be confirmed. This programme was approved by the deputy director general in the private office of the President on 14 January 2014  The letter from the President of Republic of South Africa dated 17 October 2014 wherein the President of Republic of South Africa has called for a joint sitting of the national assembly and the National Council of provinces on was received on 12 February 2015.  This reasonably gave the department time to follow a competitive bidding process. |
| 4 | AGRISETA | Coff 45  Ex 197 | 714 421 | 714 421 | Appointed as procurement agent to get service providers to provide training | If the agent is paid a fee for implementing a project, and then the relationship of the department and the agent is that of a purchaser and a service provider, in that the agent is providing project management services.  In procuring these services, the department must comply with their SCM policy, section 217 of the Constitution, section 38(1)(a) of the PFMA and TR 16A, in that the process of appointing an agent must be fair, competitive, equitable, transparent and cost effective.  Since there are possibly other public and private enterprises that can render the same project management services for training that are rendered by AGRISETA a competitive bidding process should have been followed in appointing the AGRISETA. |
| 5 | JGL Forensic Services | Coff 8  Ex 4 | 469 752,50 | 469 752,50 | The department procured forensic services. | The quotations received was above R500 000, department did not cancel and follow a competitive bidding process, but only contacted ones service provider and the amount was reduced to below R469 752,50. |
| 6 | Media House Media Consulting CC | Coff 22  Ex 25 | 957 858,71 | 957 858,71 | Infrastructure for the Cabinet Lekgotla | It was confirmed with The Presidency that the Cabinet Lekgotla was on the 2014/15 domestic residential programme. In the programme it was indicated that the date of February 2015 had to be confirmed. This programme was approved by the deputy director general in the private office of the President on 14 January 2014.  The department indicated that the aforementioned was not communicated to them until 26 October 2014.  They also indicated that when the request was received it did not have the specification which is important for determining the price value of the event so that we can be able to go on tender. The specification was finalized and signed off by Presidency on the 11 December 2014.  Since Presidency requested that the arrangements be finalized on the first week of January 2015 because the Cabinet Lekgotla could be moved forward.  The department was therefore not able to follow a competitive bidding process. |
| **Total** | | | **9 167 495,16** | **9 167 495,16** |  |  |

**Internal control deficiency**

Reason for the deviation:

* It is often indicated that the department are not timeously informed about the event specification by the Presidency.
* The specification for these events is dependent on the format, venue and the number of people. In the case of the National Awards the format and the venue has been changing over the years making it difficult to predict the specifications. Consequently, the Department cannot activate the procurement process without receiving Presidency’s procurement instruction. Invitation for bids without a procurement instruction which informs the specification may result in fruitless and wasteful expenditure. Inviting bids without the specification will also require the Department to insert a tender condition “that the quantities and requirement are subject to change”; which may result in bidders inflating their prices to accommodate the risk in relation to this clause.
* The Department deemed it fair and appropriate to invite service providers who were on the database and already security cleared due to time constraints in the interest of successful delivery of events. Security clearance is a mandatory requirement for companies to access and render services during Prestige events. The normal security clearance process takes a minimum of 6 weeks for service providers that haven’t been cleared previously. Specifying the security clearance requirement in the open tender will undoubtedly yield the same result and the Department did not have the luxury of time.

The matters raised were therefore occurred due to the following internal control deficiencies.

*Leadership - The department did not effectively exercise its oversight responsibility regarding financial and performance reporting and compliance and related internal controls.*

*Financial and performance management - The department did not effectively review and monitor compliance with applicable laws and regulations.*

**Recommendation**

* The department must ensure that they adhere to all SCM processes and policies.
* Deviations from official procurement processes must only be approved in cases where it is impractical or impossible (urgent and emergency) to follow the official procurement process.
* The department need to enter into a service level agreement with the Presidency where critical delivery milestones for scheduled annual events are agreed to. The consequences for non-adherence need to be clearly stipulated in the agreement.
* The delay in obtaining security clearance for suppliers must be addressed at Executive level.
* Once deviation has been approved by the delegated official, the deviation register should be updated with such information.
* Deviations should be analysed and where frequent deviations pertaining to certain service providers are reported, the latter should be investigated to identify possible fraudulent transactions.
* Management needs to indicate the actual cost incurred to date pertaining to this contract as part of the management comment.
* Management must prepare a schedule to indicate the time required to successfully conclude on a tender. This plan should consider the matters listed below. Then it needs to determine for every scheduled event when they need to start with the process.
* Date of the event.
* Date when the venue needs to be provided to the service provider to put the infrastructure up.
* Time required obtaining security clearance. It was indicated in meetings that this takes approximately six weeks.
* Time required for the bid committees to award tender.
* Time required to advertised the bid – therefore minimum of 21 days
* Time to compile and get the bid specifications approved.
* Time to finalise requirements with client department for whom the infrastructure for the event is provided.

**Management’s response**

Individual responses have been received for each finding, management however to provide overarching response to include here.

**Auditor’s conclusion**

Goods and services with a transaction value above R500 000 were procured without following a competitive bidding process, this material non-compliance with Treasury Regulation 16A6.1 will be reported in the audit report. The aforementioned resulted in irregular expenditure being understated with R9 167 495,16.

* 1. **Expenditure management: Contracts not advertised for the minimum required number of days**

**Audit finding**

Applicable laws, rules and regulations:

1. Treasury Regulation 16A6.3 (c) states that:

*“ bids are advertised in at least the Government Tender Bulletin for a minimum period of 21 days before closure, except in urgent cases when bids may be advertised for such shorter period as the accounting officer or accounting authority may determine;”*

1. SCM guide for accounting officers and authorities paragraph 4.7.5 states:

*4.7.5.1 In urgent and emergency cases, an institution may dispense with the invitation of bids and may obtain the required goods, works or services by means of quotations by preferably making use of the database of prospective suppliers, or otherwise in any manner to the best interest of the State.*

*4.7.5.2 Urgent cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical. (However, a lack of proper planning should not constitute as an urgent case.)*

*4.7.5.3 Emergency cases are cases where immediate action is necessary in order to avoid a dangerous or risky situation or misery.*

*4.7.5.4 The reasons for the urgency/ emergency and for dispensing of competitive bids should be clearly recorded and approved by the accounting officer/ authority or his/ her delegate.”*

The invitations for competitive bids for the procurement of four contracts with a total value of R3 398 015, as listed in the table below, were not advertised for the required minimum number of 21 days.

| **No** | **Service provider** | **Audit finding reference** | **Actual expenditure 2014-15**  **R** | **Understatement of irregular expenditure**  **R** | **Nature of items procured** | **Comment** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | Rest Assured Cape (Pty) Ltd | Coff 17 | 370 126,08 | 370 126,08 | Double bed sets | Per inspection of the tender documentation it was noted that management attached a deviation request stating that two weeks will be used to advertise the tender as the double bed sets needed to be completed before the 5thParliament.  This is however still considered to be non-compliance as the dates for the 5th Parliament should have been included in an events calendar for the year. |
| 2 | Tafelberg Furnishers | PC COFF20  Ex 21 | 1 027 026,00 | 1 027 026,00 | Purchase of fridges | Per inspection of the tender documentation it was noted that management attached a deviation request stating that two weeks will be used to advertise the tender as the double bed sets needed to be completed before the 5thParliament.  This is however still considered to be non-compliance as the dates for the 5th Parliament should have been included in an events calendar for the year. |
| 3 | JHC Interiors | PC Coff 19  Ex 24 | 234 912,96 | 234 912,96 | Furniture | Per inspection of the tender documentation it was noted that management attached a deviation request stating that two weeks will be used to advertise the tender as the double bed sets needed to be completed before the 5thParliament.  This is however still considered to be non-compliance as the dates for the 5th Parliament should have been included in an events calendar for the year. |
| 4 | Upholster all (Pty) LTD | PC Coff 1 | 1 765 951,20 | 1 765 951,20 | Furniture | Per inspection of the tender documentation it was noted that management attached a deviation request stating that two weeks will be used to advertise the tender as the double bed sets needed to be completed before the 5thParliament.  This is however still considered to be non-compliance as the dates for the 5th Parliament should have been included in an events calendar for the year. |
| **Total** | | | **3 398 015,28** | **3 398 015,28** |  |  |

**Internal Control Deficiency**

Reason for the deviation

The internal memorandum indicated that the reason for only advertising for two weeks were due to the department needing to prepare the official state residences of members of parliament for the 5th Parliament. The regional manager has advised that the advertising period be reduced to two weeks in order to make sure the delivery is done timeously to 5th Parliament.

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

*Financial management:*

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

**Recommendations**

1. The department must ensure that they adhere to all SCM processes and policies.
2. Deviations from official procurement processes must only be approved in cases where it is impractical or impossible (urgent and emergency) to follow the official procurement process.
3. Deviations should be analysed and where frequent deviations pertaining service providers are reported, the latter should be investigated to identify possible fraudulent transactions.
4. Supply chain management officials must be provided with regular training to ensure that they are at all times fully informed of all legislation related to procurement.

**Management response**

Individual responses have been received for each finding, management however to provide overarching response to include here.

**Auditor’s conclusion**

Management disagrees with the finding. However Treasury Regulation 16A6.3(c) specifically states that a deviation from 21 days is only allowed in urgent cases which is not the case as the expansion of membership should have been anticipated if there was proper planning. This is not considered an urgent case and therefore the non-compliance with the Treasury Regulation 16A6.3(c) will be reported. The transaction is therefore irregular expenditure and should have been disclosed as such.

Due to the aforementioned irregular expenditure was understated with R3 398 015,28.

* 1. **Expenditure management: Contracts were not adjudicated by a properly constituted bid adjudication committee**

**Audit finding**

Applicable laws, rules and regulations:

a)         Treasury Regulations 16A.6.4 states that:

*“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 inviting competitive bids must be recorded*

*and approved by the accounting officer or accounting authority.”*

b)         Practice note 6 of 2007/2008 paragraph 2.3 states that:

*“It is, however, recognized that there will be instances when it would be impractical to invite competitive bids. In this regard, Treasury Regulation 16A6.4 provides for such instances where accounting officers or accounting authorities are allowed to dispense with competitive bidding processes to procure goods and services by other means. This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole service providers. The reasons for such action must be recorded and approved by the accounting officer or accounting authority.”*

 c) Treasury Regulations 16A.6.2(a) and (b) state that:

*“A supply chain management system must, in the case of procurement*

*through a bidding process, provide for –*

*(a) the adjudication of bids through a bid adjudication committee;*

*(b) the establishment, composition and functioning of bid specification, evaluation*

*and adjudication committees;”*

d) Code of Conduct for Bid Adjudication Committees paragraph 3.4:

Composition of Bid Adjudication Committees and the appointment of members

3.4 Quorum

*“The Bid Adjudication Committee should only consider recommendations / reports if at least sixty percent (60%) of its members are present.”*

e) Supply chain management policy approved by the director general on 18 December 2013 – paragraph 8.3.7.2 requires that 60% of the panel members must be present in any one particular meeting to adjudicate the matter referred to the respective BAC.

f) Internal memo pertaining to the replacement and reappointment of national bid adjudication members approved by the director general on 3 April 2014 the following are the members of the committee:

| **No.** | **Proposed name** | **Position in NBAC** | **Comment** |
| --- | --- | --- | --- |
| 1. | Mr. Cox Mokgoro  CFO | Chairperson | Reappointed |
| 2. | Ms. Juanita Prinsloo  Chief Director : Financial Planning & Reporting (PMTE) | Alternate  Chairperson | Ms. Prinsloo will replace Ms. Sue Mosegomi as Alternate Chairperson  Ms Sue has resigned from the NBAC sighting time limitations and  commitment to another project |
| 3. | Mr. Raymond Naidoo  Chief Director: supply chain management | Member | Reappointed |
| 4. | Mr. Papi Mekwa  Chief Director: Professional Service. | Member | Mr. Mekwa replaces Mr. Obed Molotsi |
| 5. | Mr Linda Mampuru  Chief Architect | Member | Mr. Mampuru replaces Ms. Sushma Patel who has indicated  her commitment to studies for the new year. Mr. Phillip Crafford has nominated Mr. Mampuru as the replacement. |
| 6. | Mr John Walaza  Chief Architect | Alternate member | Mr. Walaza is the alternate member  Mr. Mampuru.  Mr. Phillip Crafford has nominated  Mr. Walaza as the replacement for Mr. Mampuru. |
| 7. | Mr Vinodh Bedesi  Acting Chief Director: Portfolio  Analysis | Member | Reappointed |
| 8. | Mr Hendrick Ndlovu  Director : Valuation Services | Alternate member | Reappointed |
| 9. | Mr Wasnaar Hlabangwane  Chief Director: Construction Management (Inland Inner-city) | Member | Reappointed |
| 10. | Mr Gerard Damstra  Chief Director : Inner City Management | Member | Reappointed |
| 11. | Ms Glenda Pasley  Director : Quantity Surveyor | Member | Reappointed |
| 12. | Mr. Andries De Klerk  Director Quantity Surveyor | Alternate member | Reappointed |
| 13. | Mr Mandela Sithole  Director: Billing and Revenue | Member | Mr. Sithole is replacing Ms. Mosegomi as a member to the committee. |
| 14. | Mr Aron Mazibuko  Member Director Management Accounting | Alternate member | Mr. Mazibuko is appointed as Alternate member to Mr. Sithole. |

Two bids with a total value of R6 101 542 were not adjudicated by properly constituted bid adjudication committee. The contracts pertain to the provision for infrastructure for the reburial of Mr. M Kotane and Mr. JB Marks.

| **No** | **Service provider** | **Audit finding reference** | **Actual expenditure 2014-15**  **R** | **Irregular expenditure being understated R** | **Nature of items procured** | **Comment** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | Eurocon International Supplies CC | Coff 44  Ex 92 | 1 106 169,36 | 1 106 169,36 | To erect a marquee dome procured. | The bid adjudication committee consists of 10 officials. Therefore at least six members have to be present to form a quorum. As only three officials signed the PA-12 there was not a quorum present to award the contract. |
| 2 | Gearhouse South Africa | Coff 23  Ex 17 | 4 995 372,84 | 4 995 372,84 | To erect a marquee dome procured. | The bid adjudication committee consists of 10 officials. Therefore at least six members have to be present to form a quorum. As only three officials signed the PA-12 there was not a quorum present to award the contract. |
| **Total** | |  | **6 101 542,20** | **6 101 542,20** |  |  |

**Internal control deficiency**

Reason for the deviation:

As per discussion with the D: Inspectorate and Compliance it was noted that when the Bid Adjudication Committee meeting for approval of

PA-12 was held, most of the members of the Bid Adjudication Committee were already at the site for the reburial at Pela in North West.

The matters raised therefore occurred due to the following internal control deficiencies.

*Leadership - The department did not effectively exercise its oversight responsibility regarding financial and performance reporting and compliance and related internal controls.*

*Financial and performance management - The department did not effectively review and monitor compliance with applicable laws and regulations.*

**Recommendation**

The Department should ensure that at least sixty percent (60%) of its Bid Adjudication Committee members are present when recommendation and reports are considered.

**Management response**

Individual responses have been received for each finding, management however to provide overarching response to include here.

**Auditor’s conclusion**

Goods and services with a transaction value above R500 000 were not adjudicated by properly constituted bid adjudication committee, this material non-compliance with Treasury Regulation 16A6.4 and Practice note 6 of 2007/2008 paragraph 2.3 will be reported in the audit report. Irregular expenditure was understated with R6 101 542,20 due to the aforementioned non-compliance.

* 1. **Expenditure management: A quotation was awarded to a service provider who did not submit a declaration whether they are employed by the state or connected to any person employed by the state.**

**Audit finding**

Applicable laws, rules and regulations:

*Treasury Regulation 16A8.4 If a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must*

*(a) Disclose that interest; and*

*(b) withdraw from participating in any manner whatsoever in the process relating to that contract*

One quotation was with a value of R37 450 awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state.

| **No** | **Service provider** | **Audit finding reference** | **Actual expenditure 2014-15**  **R** | **Irregular expenditure being understated R** | **Nature of items procured** | **Comment** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | Global prospectus training centre | Jhb - Coff 2  Ex 9 | 37 450,00 | 0,00 | Training | The declaration form (SBD4) was not completed. |
| **Total** | |  | 34 450,00 | **0,00** |  |  |

The aforementioned finding may result in non-compliance with PN 7 of 2009/10 (SBD 4) due to non-submission of the declaration form (SBD4).

**Internal control deficiency**

*Financial management:*

*The department does not effectively review and monitor compliance with applicable laws and regulations.*

*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. Management should communicate to the employees the importance of complying with relevant laws and regulations. Furthermore management should review and monitor compliance with applicable laws and regulations.
2. All payments which were made without a valid tax clearance certificates should be recorded as irregular expenditure.
3. Supply chain management officials must be provided with regular training to ensure that they are at all times fully informed of all legislation related to procurement.

**Management response**

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

The completion of SBD4 form and other documentation as well as the following of other SCM processes have been exempted as per paragraph 12.5 (Exemptions from SCM Procedure), section 12.5.1 (h) of the attached DPW Supply Chain Management Policy, approved on 18 December 2013, which indicates that the exemption relates to the “attendance of courses and choice of accredited institutions as determined by the Human Resources Development Policy.”

Furthermore, the course attended, namely, “Improving The Design-Construction Interface” was a specialized course for the Built Environment, which was initiated by the said institution, Global Prospective Training Centre (Pty) Ltd. The course was attended by various companies, which are the Department of Public Works, Late Bouwer Civil & Structural Engineers, NN Architects, PRASA, R S V SA, Arup, beal, Geoflux, Mangosuthu University of Technology, Hatch Goba, I T S, Parsons Brinkerhof, S A Roads Agency and Sasol, as listed on the attached “Delegate Attendance Register”. As such, that course had an element of a seminar or conference, which was hosted with a view to solve the industry’ challenges, and the hosting institution invited the relevant companies’ delegates to attend. So, this course was not specifically tailored for our delegates’ specific needs, but the latter (DPW delegates) had to fit into the said institution’s specially tailored needs, as it also covered the needs of our (DPW) delegates.

*Name:* Nkosinathi Zondi

*Position:* DD: Human Resources

*Date*: 25 March 2015

**Auditor’s conclusion**

In terms of Practice Note of 2009/10 the SBD4 must be used as part of the bidding documentation to enable bidders or their authorised representatives to declare their position in relation to any person employed by the institution if that is the case. Therefore the non-compliance with Practice Note 7 of 2009/10 will be reported.

* 1. **Expenditure management: Quotations were split to avoid complying with the requirements of the SCM regulations.**

**6.7.1 Deviation from SCM: Glorina General Trading, J Kekana Interiors and Awenze Women in Production - Pretoria regional office**

**Audit Finding**

Laws, rules and regulations:

1. Public Finance Management Act Paragraph 38(1)(a)(i) and 38(1)(a)(iii)

*“General responsibilities of accounting officers. The accounting officer for a department, trading entity or constitutional institution must ensure that that department, trading entity or constitutional institution has and maintains*

1. *Effective, efficient and transparent systems of financial and risk management and internal control;*

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

1. Public Finance Management Act paragraph 38(1)c)(ii) states that:

*“The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct; and”*

c)  Treasury Regulation 16A6.1requires that:

*“Procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury*

d) Practice Note 8 of 2007/08 par 3.5 requires that:

*“Goods, works or services may not deliberately be split into parts or items of lesser value merely for the sake of procuring the goods, works or services otherwise than through the prescribed procurement process. When**determining transaction values, a requirement for goods, works or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.”*

Per inspection of batches the following were noted:

1. Glorina General Trading (FANO - 1365522): Invoice number 00215 dated 03 September 2014 for the procurement of curtains to the value of R475 890,00
2. J Kekana Interiors CC (FANO – 1354644): Invoice number 0382 dated 10 July 2014 procurement of carpets to the value of R487 300,00
3. Awenze Women in Production (FANO – 1370083): Invoice number 3648 dated 20 November 2014 for the procurement of furniture to the value of R494 780,24

Background:

The department procured new furniture, curtains and carpets for the house of the President at Mahlamba Ndlopfu in Bryntirion Estate.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Glorina General Trading - 1365522** | | |
| **Activity** | **Date Requested** | **Days Taken** | **Total days** |
| Internal memo to the DG for approval to purchase new furniture, curtains, bed covers, carpets and restoration of furniture for Mahlamba Ndlopfu. | 19 April 2013 | N/A | N/A |
| PA-28 (Internal request for quotes for goods and services) | 29 August 2013 | 132 days | 132 days |
| Quotation Issuing Register (Suppliers received and signed for invitation on 24 May 2013) | 04 September 2013 | 6 days | 138 days |
| PA – 02 (Quotation Register. Invitation to suppliers to submit quotes. | 09 September 2013 | 5 days | 143 days |
| PA – 02 (Quotation Register. Closing dates for receive quotations. | 11 September 2013 | 2 days | 145 days |
| Pro-Quote evaluation report. Quotes evaluated and approved by Acting DD:SCM | 13 September 2013 | 2 days | 147 days |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Awenze woman production - 1370083** | | |
| **Activity** | **Date Requested** | **Days Taken** | **Total days** |
| Internal memo to the DG for approval new additional to purchase new furniture, curtains, bed covers, carpets and restoration of furniture for Mahlamba Ndlopfu. | 28 July 2014 | N/A | N/A |
| PA-28 (Internal request for quotes for goods and services) | 05 August 2014 | 8 days | 8 days |
| Quotation Issuing Register (Suppliers received and signed for invitation ) | 25 August 2014 | 20 days | 28 days |
| PA – 02 (Quotation Register. Invitation to suppliers to submit quotes. | 26 August 2014 | 1 days | 29 days |
| PA – 02 (Quotation Register. Closing dates for receive quotations. | 01 September 2014 | 6 days | 35 days |
| Pro-Quote evaluation report. Quotes evaluated and approved by Acting DD:SCM | 09 September 2014 | 8 days | 43 days |

|  | **J Kekana – 1354644** | | |
| --- | --- | --- | --- |
| **Activity** | **Date Requested** | **Days Taken** | **Total days** |
| Internal memo to the DG for approval new additional to purchase new furniture, curtains, bed covers, carpets and restoration of furniture for Mahlamba Ndlopfu. | 30 April 2013 | N/A | N/A |
| PA-28 (Internal request for quotes for goods and services) | 14 August 2013 | 103 days | 103 days |
| Quotation Issuing Register (Suppliers received and signed for invitation ) | 30 August 2013 | 14 days | 117 days |
| PA – 02 (Quotation Register. Invitation to suppliers to submit quotes. | 30 August 2013 | 0 days | 117 days |
| PA – 02 (Quotation Register. Closing dates for receive quotations. | 03 September 2013 | 3 days | 120 days |
| Pro-Quote evaluation report. Quotes evaluated and approved by Acting DD:SCM | 03 September 2013 | 0 days | 120 days |

The following was noted:

Per inspection of the internal memo addressed to the Director General on the 19 April 2013 (request for approval to purchase new furniture, curtains, bed covers, carpets and restoration of furniture for the Mahlamba Ndlopfu in Bryntirion Estate) it was noted that the DG approved the procurement for furniture, carpets and curtains on one submission, however per inspection of the procurement batches 1365522,1370083 and 1354644 it was noted that the department procured furniture, carpets and curtains separately.

In total the above procurement is R1 457 970,24 which is above R500 000,00 therefore the department should have followed a competitive bidding process.

The following pertaining to the invitation of the quotations was noted:

| **Detail or action** | **Glorina**  **FANO – 1365522** | J Kekana  **FANO – 1354644** | **Awenze**  **FANO – 1370083** |
| --- | --- | --- | --- |
| Request for approval to purchase new furniture, curtains, bed covers, carpets and restoration of furniture for Mahlamba Ndlopfu it was noted that the DG approved procurement for furniture, carpet and curtains on one submission | 30 April 2013 | 30 April 2013 | 30 April 2013 |
| Service providers requested to submit quotations | 04 September 2013 | 28 August 2013 | 26 August 2014 |
| Senakangwedi Designers and Manufactures | Senakangwedi Designers and Manufactures | Senakangwedi Designers and Manufactures |
| Into Fabrics | Into Fabrics |  |
| Mamanopi Trading Enterprise | Mamanopi Trading Enterprise | Mamanopi Trading Enterprise |
| Metro Home Center | Metro Home Center |  |
| Awenze Women in Production | Awenze Women in Production | Awenze Women in Production |
| J Kekana Interiors | J Kekana Interiors | J Kekana Interiors |
| Maphale Motuba Creations | Maphale Motuba Creations | Maphale Motuba Creation CC |
| Glorina General Trading | Glorina General Trading | Glorina General Trading |
|  |  | Sunset Projects |
| Quotation awarded to | Glorina General Trading – R475 890, 00 | J Kekana Interiors –  R487 300,00 | Awenze Women in Production  R494 780,24 |

From the table above it is evident that that the same suppliers were used for the procurement of the furniture, carpets and the curtains. If the department wanted to give more service providers the opportunity to submit quotations, it is not evident why exactly the same and service providers were requested to submit quotations.

It therefore appears as if the procurement was split to avoid going out on a tender process.

Potential impact of the findings raised above:

1. Irregular Expenditure was understated with R1 457 970,24 due to the procurement of goods and services being deliberately split into parts to avoid complying with the requirements of the SCM policy and SCM regulations by Practice Notes 8 of 2007/08 paragraph 3.5 and Treasury Regulation 16A6.1
2. Non-compliance with the laws and regulations:
3. Public Finance Management Act Section 38(1)(a)(i)(iii)
4. Practice Note 8 of 2007/08 paragraph 3.5
5. Treasury Regulation 16A6.1
6. Public Finance Management Act Section 38(1)(a)(i) and (iii)

This matter has been reported in the prior year. As only the audit action plans listed below were received and none of them contained actions pertaining to the aforementioned matter it is concluded that the audit action plans to address the matters reported in the 2013-2014 financial year does not address the matter raised above.

Action plans submitted:

1. Action Plan Adequacy Review AGSA Management Letter AIM
2. Action Plan Adequacy Review AGSA Management Letter Cooperate Services
3. Information technology
4. Action Plan Adequacy Review AGSA Management Letter EPWP
5. Action Plan Adequacy Review AGSA Management Letter Finance and SCM
6. Financial Acc. & Management
7. Supply Chain Management
8. Inspectorate & Compliance
9. Action Plan Adequacy Review AGSA Management Letter GRC
10. Service Delivery Improvement Plan
11. Action Plan Adequacy Review AGSA Management Letter Projects and Professional Services
12. Action Plan Adequacy Review AGSA Management Letter Regional Coordination

**Internal control deficiency**

Reason for the deviation:

Per discussion with the department it was noted that different PA-28 (Requests for quotations) were submitted to the quotation unit at different times - therefore the quotation unit would not have been able to identify potential splitting of orders.

The aforementioned were therefore as a result of the following internal control deficiencies:

*Leadership - The department did not effectively exercise its oversight responsibility regarding financial and performance reporting and compliance and related internal controls.*

*Financial and performance management - The department did not effectively review and monitor compliance with applicable laws and regulations*

**Recommendation**

1. The project manager responsible for the request for goods and services either by quotation or tender must ensure that all goods and services are requested / procured simultaneously, to avoid the splitting of orders. If based on the estimations the total price exceeds R500 000, tender processes must be followed.
2. The preventative controls need to be applied without exception.
3. Deviations need to be analysed and trends investigated.
4. Supply chain management officials must be provided with regular training to ensure that they are at all times fully informed of all legislation related to procurement.
5. The irregular expenditure need to be included in the amounts disclosed in the financial statements.

**Management response**

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

The fact that the DG approved submission for the different commodities in one submission does not mean that the procurement should be done through a tendering process. The three different commodities are specialised in nature and cannot be manufactured by one service provider and even if that was the case, the service providers would have to be vetted for security clearance thus the department used service providers in the departmental database. The department followed a correct process in appointing the said service providers in that the qoutations were requested from service providers in terms of the SCM procedures.

The Procurement was not split as the AGSA alleges. The fact that the requests for qoutations were sent to service providers namely, Glorina on 04 Septemeber 2013, J. Kekana on 28 August 2013 and Awenze on 26 August 2014 clearly shows that the department was of the view that the required commodities were unique in nature and should be provided by specialised Service Providers thus they were procured separately.

Management complied with SCM requlations and this is clearly shown through the procurement process followed of which the AGSA did not raise a finding except for the wrong perception of a split in procurement. I make reference to the statement in the finding that says *“It therefore appears as if the procurement was split to avoid going out on a tender process”*

*Name:* Mr. M Dondashe

*Position:* Regional manager

*Date:* 08/07/2015

**Auditor’s conclusion**

Management disagree with the findings.

Management indicated the following “*The three different commodities are specialised in nature and cannot be manufactured by one service provider and even if that was the case, the service providers would have to be vetted for security clearance thus the department used service providers in the departmental database”*

As indicated in the finding paragraph, although there were different commodities as indicated by management and they knew that the service providers had their own field of expertise, the requested quotations from the same service providers as listed below.

1. Senakangwedi Designers and Manufactures
2. Into Fabrics
3. Mamanopi Trading Enterprise
4. Metro Home Center
5. Awenze Women in Production
6. J Kekana Interiors
7. Maphale Motuba Creations
8. Glorina General Trading

If one look at the listed service providers they should have all been able to provide the products and therefore a competitive bidding process should have been followed. This statement is further supported by the quotations submitted on the tree different requests. In all three instances J Kekena for example did quote. Similarly Glorina quoted in two instances.

| **Detail** | **Glorina**  **FANO – 1365522** | J Kekana  **FANO – 1354644** | **Awenze**  **FANO – 1370083** |
| --- | --- | --- | --- |
| Quotations received for procurement | J Kekana - R733 750,00  Tlaledi Trading Concept - R525 444,81  Glorina - R475 890,00 | J Kekana Interiors : R487 300,00  Glorinal General Traders : R497 000.00  [Coff 5 - PTA – Ex 90] | Sunset Project : R226 000,00  Awenze Women in Production : R494 780,24  J Kekana Interiors : R543 200,00 |

It was also noted that all the service provided listed in the above point were also included in the supplier database, therefore it indicates that the service providers were screened for security clearance.

The conclusion is therefore that the three requests were split in order to deviate from following an open tender process and the matter remains unresolved.

**6.7.2 Deviation from SCM: Senex Interiors (Pty) Ltd**

**Audit Finding**

Laws, rules and Regulations:

1. Public Finance Management Act section 38(1)(a), 38(1)(b), 38(1)(c)(ii), 45(c) and 81(1) states that:

*38(1)(c)(ii) “The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct;”*

*45(c) “An official in a department, trading entity or constitutional institution must take effective and appropriate steps to prevent, within that official’s area of responsibility, any unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure”*

1. Practice note 8 of 2007/2008 paragraphs 3.3.1 and 3.3.3 pertaining to transactions with a value above R10 000 but not exceeding R500 000(including VAT)

3.3.1 “*Accounting officers/authorities should invite and accept written quotations for requirements up to an estimated value of R500 000 from as many suppliers as possible, that are registered on the list of prospective suppliers.”*

3.3.3 *“If it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the accounting officer/authority or his/her delegate.”*

e) Practice note 8 of 2007/2008 paragraphs 3.4 for transactions with a value of above R500 000 (VAT included)

3.4.1 *“Accounting officers / authorities should invite competitive bids for all procurement above R 500 000.”*

The following matters were noted relating to the procurement of prestige furniture:

|  |  |  |
| --- | --- | --- |
| **SUPPLIER  NAME** | **Fano Number:** | **R** |
| Senex Interiors | OR-056836 | 322 241,00 |
| Senex Interiors | OR-056837 | 322 241,00 |
| Total |  | **644 482,00** |

Background:

1. From the documentation attached to the two batches the following were noted:

| **Description** | **OR-056836** | **OR-056837** |
| --- | --- | --- |
| Address of the house for which the furniture was procured | 1516 Cheeters View, Waterkloof | 101 The Wilds, Waterkloof |
| Internal memo approved by DG for the procurement of furniture and curtains for the new houses and leased houses for members based on the announcement of the President on 25 May 2014 | Approved by the DG on 3 July 2014 | |
| Request to follow a nominated procedure for the acquisition of the furniture and appliances of the newly leased houses for prestige clients | Estimated quotations will not exceed R500 000 | |
| Recommended the following | Nomination of five service providers not on departmental database   * Coricraft * Weatherly * Collaro Designs * Macro * Game Stores |
| Recommended the following | That in the event SCM does not receive any response from the service provider that Prestige Unit be allowed to invite quotations directly form service providers and submit same to SCM for final processing |
| It was indicated that the leases were already concluded and were ready for occupation from 1 September 2014. Houses leased:   * 1516 Cheeters View Waterkloof * The Wilds 101 Waterkloof * 297 Bootes Street, Waterkloof | |
| The internal memo was approved by the then acting DG: Mr. C. Mtshsa on 1 October 2014 | |
| Request for quotation | The request for quotation was created on 2 October 2014 and the closing date 3 October 2014.  On the closing date there was no response from any of the service providers, resulting in the closing date being moved to 6 October 2014. | The request for quotation was created on 2 October 2014 and the closing date 3 October 2014.  On the closing date there was no response from any of the service provider, resulting in the closing date being moved to 6 October 2014. |
| Number of items procured | 73 | 73 |
| Service providers from whom quotations were requested | * Senex Interiors * Wetherlys * Coricraft * Collaro Designs * Queens Lifestyle, | * Senex Interiors * Wetherlys * Coricraft * Collaro Designs * Queens Lifestyle, |
| Service providers not those approved when nominated process was approved from whom quotations were requested. | * Senex Interiors * Queens Lifestyle | * Senex Interiors * Queens Lifestyle |
| Service providers from whom quotations were not requested as per the approved deviation to follow a nominated process to request quotations. | * Macro * Game Stores | * Macro * Game Stores |
| Service providers who responded | - Senex Interiors | - Senex Interiors |
| Value of the quotation | R322 241 | R322 241 |
| Internal memo requesting approval to proceed with the procure with only one quotation | Approved by the then ACD:SCM dated 7 October 2014 | Approved by the then ACD:SCM dated 7 October 2014 |
| Letter to service provider to inform then that the quotation was awarded to them signed by the then acting DG. | To Senex Interiors  Signed by the then acting DG on 9 October 2014 | To Senex Interiors  Signed by the then acting DG on 9 October 2014 |
| Date of invoice | 20 November 2014 | 20 November 2014 |
| Date certified | 21 November 2014 | 21 November 2014 |
| Invoice number | 8180 | 8173 |

1. An extract was made from the irregular expenditure register submitted with the financial statements to demonstrate the irregular expenditure reported pertaining to this service provider. It should be noted that some of the matters are under investigation by SIU. Please note the information reported as it is recorded in the irregular expenditure register.

| **DATE OF DISCOVERY** | **PAYMENT DATE** | **PAYMENT NO** | **INCIDENT DESCRIPTION** | **R** |
| --- | --- | --- | --- | --- |
| 2012/03/31 | 2012/03/31 | Under investigation by SIU | Incorrect procurement process followed | 529 266,66 |
| 2012/03/31 | 2012/03/31 | FA179464 | Incorrect procurement process followed | 132 973,20 |
| 2012/03/31 | 2012/03/31 | FA168091 | Incorrect procurement process followed | 106 450,00 |
| 2012/03/31 | 2012/03/31 | Under investigation by SIU | Incorrect procurement process followed | 234 393,00 |
| 2013/10/30 | 2013/06/05 | 1306000 | 3 quotations not obtained | 10 955,40 |
| 2013/10/30 | 2013/06/05 | 1306000 | 3 quotations not obtained | 11 411,40 |
| 2013/10/30 | 2013/06/05 | 1306000 | 3 quotations not obtained | 12 996,00 |
| 2013/10/30 | 2013/06/05 | 1306000 | 3 quotations not obtained | 13 463,40 |
| 2013/10/30 | 2013/06/05 | 1306000 | 3 quotations not obtained | 15 709,20 |
| 2013/10/30 | 2013/06/05 | 1306000 | 3 quotations not obtained | 40 652,40 |
| 2013/10/30 | 2013/06/05 | 1306000 | 3 quotations not obtained | 47 880,00 |
| 2012/03/31 | 2012/03/31 | 123453 | SIU - PROCUREMENT PROCESSES NOT FOLLOWED | 237 229,75 |
| **Total** |  |  |  | **1 393 380,41** |

1. An extract of the deviation register of the current year of deviations reported for transactions with this service provider:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PA-28 RECEIVED** | **DATE APPROVED** | **COMMODITY** | **REASON** | **R** |
| 2014/10/02 | 2014/10/06 | Furniture | 1 Quote | 243 767,00 |
| 2014/10/02 | 2014/10/07 | Furniture | 1 Quote | 322 241,00 |
| 2014/10/02 | 2014/10/07 | Furniture | 1 Quote | 322 241,00 |
| 2014/10/23 | 2014/11/06 | Prestige Furniture | 2 Quote | 268 123,00 |
| 2014/10/30 | 2014/11/14 | Prestige Furniture | 1 Quote | 397 538,00 |
| 2014/10/30 | 2014/11/14 | Prestige Furniture | 1 Quote | 147 434,00 |
| 2015/06/01 | 26/01/2015 | Prestige furniture | 1 Quote | 9 950,00 |
| 2014/05/12 | 28/01/2015 | Household Air-condition | 1 Quote | 15 000,00 |
| **Total** |  |  |  | **1 726 294,00** |

Deviations pertaining to the procurement tested:

1. From the information listed in the table under the background it is clear that the orders were split to avoid following a competitive bidding process. Therefore the department did not comply with paragraph 3.4 of PB 8 of 2007/2008 which requires that for transactions with a value of above R500 000 a competitive bidding process should be followed.
2. It is a concern that a memo is drafted for approval from the DG to deviate from SCM processes in advance. If one considers the lapse of time since the cabinet shuffle, the approval that the property could be leased on 3 July, the lease being effective from 1 September 2014 and the request for quotations being issued on 2 October 2014, there was sufficient time for the department to follow a competitive bidding process.

If one takes into consideration the number of items the department requested quotations on with these requests and then noting that the requests for quotations were send to the service providers on Thursday, 2 October 2014 and they had to respond by Friday, 3 October 2014, it may be the reason why the department did not receive any response by 3 October 2014. This was why the requests were resend on Monday, 6 October 2014 and the closing date was 7 October 2014.

1. As a competitive bidding process was not followed as required by Practice note 8 of 2007/2008 paragraphs 3.4, the payments are considered to be irregular.
2. As a competitive bidding process was not followed as required by PN 8 of 2007/08 paragraph 3.4 and TR16A6.1, it could not be determined whether the goods were obtained at a reasonable price or that the procurement was economical.

The impact of the finding is as follows:

1. The impact pertaining to irregular expenditure is as follows:

Irregular expenditure was understated with R644 482 due to the non-compliance with PN 8 of 2007/08 paragraph 3.4 as a competitive bidding process was not followed.

b) Since neither a competitive bidding process nor three quotations were obtained it could not be confirmed if goods were obtained at a reasonable price.

c) Non-compliance with the following:

1. PFMA sections 38(1)(c)(ii) and 45(c).
2. Treasury Regulations 16A6.1
3. Practice Note 8 of 2007/2008 3.4

Similar matters were reported in the prior year.

According to the audit action plan of the Inspectorate and Compliance unit it was indicated that as preventative measure of irregular expenditure based on circular 17 of 2014: Certification of SCM process, a pre audit will be performed on all quotations and bids before the award thereof. The aforementioned preventative controls will be implemented with effect of 1 September 2014.

As this procurement occurred after the implementation of the circular the preventative measures are not effective to prevent irregular expenditure from occurring.

**Internal control deficiency**

Reason for the deviation:

1. Per discussion with SCM officials in the Quotation Unit, three quotations were not obtained because the other four suppliers did not respond to the quotations and they were also not aware that the quotation invitation had to stipulate the minimum threshold for local production and content. They would have expected that the service provider completes the PA-32 as this was given to them.
2. It was indicated that a bidding process was not followed as the procurement was for different houses.

The matters raised therefore occurred due to the following internal control deficiencies.

*Leadership:*

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

*Financial and performance management*

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

*Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information were not prepared.*

**Recommendation**

1. The department should act timeously to changes to allow for enough time to adhere to SCM requirements.
2. The preventative controls need to be applied without exception.
3. Deviations need to be analysed and trends investigated.
4. The frequency with regard to deviations in the current year and based on matters already under investigation by the SIU, may warrant that the department also perform an investigation with regard to transactions of the current year.
5. Supply chain management officials must be provided with regular training to ensure that they are at all times fully informed of all legislation related to procurement.
6. The irregular expenditure need to be included in the amounts disclosed in the financial statements.

**Management response**

No response received.

**Auditor’s conclusion**

As no response was provided the matters raised remained unresolved. The non-compliance which resulted in irregular expenditure will be reported in the audit report.

* 1. **Expenditure management: Local content not promoted**

**Audit Finding**

Laws, rules and regulations

Procurement Preferential Regulation Paragraph 9 states that:

*“9. Local Production and Content.*

*9.1 An organ of state must, in the case of designated sectors, where in the award of tenders local production and content is of critical importance, advertise such tenders with a specific tendering condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.*

*9.2 The National Treasury will issue instructions, circulars and guidelines to all organs of state, with specific reporting mechanisms to ensure compliance with sub-regulation (1).*

*9.3 Where there is no designated sector, an organ of state may include, as a specific tendering condition, that only locally produced services, works or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department of Trade and Industry.*

*9.4 Every tender issued in terms of regulation 9 must be measurable and audited.*

*9.5 Where necessary, for tenders referred to in sub-regulations (1) and (3), a two-stage tendering process may be followed, where the first stage involves functionality and minimum threshold for local production and content and the second stage price and B-BBEE with the possibility of price negotiations only with the short listed tenderer/s*.”

For six quotations and one contract the invitation did not specify the minimum threshold for local production and content. Preferential Procurement Regulation 9 requires the department to promote local production and content and all suppliers who are regarded as being a designated sector as stipulated by Department of Trade and Industry should complete the SBD 6.2. For the contract did not stipulate in their invitation that the suppliers will be evaluated on local product and suppliers should complete the SBD 6.2.

| **Nr** | **Service provider** | **Audit finding reference** | **Award**  **R** | **Actual 2013-14**  **R** | **Actual 2014-15**  **R** | **Irregular expenditure misstated**  **R** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | REST ASSURED (CAPE) (PTY) LTD | PC COFF 17 | 1 116 871,68 | - | 370 126.08 | 370 126.08 |
| 2 | UMZANZI ENGINEERING ENTERPRISE | Durban - COFF 1 | 128 810,88 | 69 027,84 | 59 783.04 | - |
| 3 | RAMATLATRADING ENTERPRISE C | Pretoria - COFF 9 [Ex 195 | 368 028,30 | - | 368 028.30 | - |
| 4 | TEBELLO MAKAOTA CONSTR & SERVICE | Bloemfontein –  COFF 9 | 63 307,00 |  | 63 307.00 | - |
| 5 | BELINDA S CREATIVE INTERIOR DECO | PC - COFF 5 Ex 6 | 148 296,00 |  | 148 296.00 | - |
| 6 | IFA CONSTRUCTION AND PROJECT CC | COFF 4 PTA Ex 89 | 456 599,74 |  | 456 599.74 | - |
| 7 | AWENZE WOMAN PRODUCTION ENTERPRISE | COFF 49 Ex 39 | 494 780,00 |  | 494 780.00 | 494 780.00 |
| **Total** | | | **2 776 693.60** | **69 027.84** | **1 960 920,16** | **864 906,08** |

The aforementioned findings result in the following:

Irregular expenditure was understated with R864 906,08 for the current year due to the non-compliance with the Preferential Procurement Regulation Paragraph 9 as local production was not promoted for the procurement of furniture.

**Internal control deficiency**

Reason for the deviation:

Pertaining to the contract it was indicated that the regional offices were only informed of the implementation of the local content and production requirements by the department’s head office in October 2014 and were therefore not aware of the preferential procurement regulation requirements. It was further indicated that the regional manager had advised that the advertising period be reduced to two weeks in order to make sure the delivery is done timorously to 5th Parliament.

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

*Financial management:*

*The department does not effectively review and monitor compliance with applicable laws and regulations.*

**Recommendation**

1. Supply chain management officials must be provided with regular training to ensure that they are at all times fully informed of all legislation related to procurement.
2. The department should ensure that the procurement promotes the local production and content, by specifying the methodology to be used that is in compliance with the Treasury Instruction note.

**Management response**

The department had issued SCM Guide 2 of 2014/2015 to address the past non-compliance with local content. It was also emphasised that some of the transactions may have occurred prior to the SCM guide being issued.

**Auditor’s conclusion**

For transactions with a value of R1 960 920,16 the department did not comply with Preferential Procurement Regulation 9, as they did not promote local content. The aforementioned resulted in irregular expenditure being understated with R864 906,08.

**3.9 Expenditure management: Gearhouse South Africa (Pty) Ltd – cost incurred pertaining to the dome procured**

**Audit Finding**

Laws, rules and regulations

a) PFMA Section 38(1)(a)

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

1. *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;”*

b) Treasury regulation 10.1.2

*“The accounting officer must ensure that processes (whether manual or electronic) and procedures are in place for the effective, efficient, economical and transparent use of the institution’s assets.”*

Negotiated processes were followed with the appointment of Gearhouse South Africa (Pty) Ltd for the tenders listed in the table below. This was due to the fact that the marquee dome was procured in the prior year from this service provider, for R15 937 200 for funeral of the late President. It was indicated that due to the complexity of the structure and lack of departmental capacity to manage, maintain and erect the structure they had to follow the negotiated process with this service provider. It should be noted that the payment of the dome was made on 11 April 2013.

One of the conditions of approval to purchase was that a term agreement be entered into with the service provider to offer training to a departmental team who in the future would be able to manage the assembly and demobilisation of the dome marquee. The process is yet to be concluded.

It is not evident if timelines were specified within which the term agreement had to be concluded and the training provided.

It was noted that the following contracts were entered into in the current year with Gearhouse South Africa (Pty) Ltd for the collection, supply, delivery, erection and removal of the dome.

|  |  |  |
| --- | --- | --- |
| **Tender Number:** | **Awarded amount** | **Actual expenditure incurred** |
| **R** | **R** |
| HP14/177 | 5 320 409,64 | 4 995 372,84 |
| HP14/178 | 5 891 110,74 | 5 891 110,74 |
| HP13/142 | 5 880 313,23 | 5 880 313,23 |
| **Total** |  | **16 766 796,81** |

Potential impact:

The resources of the department may not be utilised economically, resulting in the non-compliance with 38(1)(a) of the PFMA and TR1.2

**Internal control deficiency**

Reason for the deviation:

Due to the complexity of the structure and lack of departmental capacity to manage, maintain and erect the structure

The matter raised therefore occurred due to the following internal control deficiency.

*Leadership:*

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

**Recommendation**

The department should as a matter of urgency, if not yet done, ensure that the term agreement be entered into with the service provider pertaining to the training of a departmental team who in the future would be able to manage the assembly and demobilisation of the dome marquee.

**Management response**

Although the matter was reported to management on 29 June 2015, to date no response has been provided.

**Auditor’s conclusion**

As no response has been provided the matter raised remained unresolved.

**7. Non-compliance: Consequence management**

**7.1 Consequence management: Irregular and fruitless and wasteful expenditure not timeously investigated**

**Audit Finding**

a) Public Finance Management Act

(i) Section 38(1)(h)(iii) states:

*“The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who makes or permits an unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure”*

(ii) Section 81(1)(a) - Financial misconduct by officials in departments and constitutional institutions.

*“An accounting officer for a department or a constitutional institution commits an act of financial misconduct if that accounting officer wilfully or negligently fails to comply with a requirement of section 38, 39, 40, 41 or 42; or”*

b) Treasury Regulations - Investigation of alleged financial misconduct

*“4.1.1  If an official is alleged to have committed financial misconduct, the accounting officer of the institution must ensure that an investigation is conducted into the matter and if confirmed, must ensure that a disciplinary hearing is held in accordance with the relevant prescripts and agreements applicable in the public service.*

*4.1.2  The accounting officer must ensure that such an investigation is instituted within 30 days from the date of discovery of the alleged financial misconduct”*

c) Treasury regulation TR16A9.1

“*Avoiding abuse of supply chain management system*

*The accounting officer or accounting authority must—*

*(a)        take all reasonable steps to prevent abuse of the supply chain management system;*

*(b)        investigate any allegations against an official or other role player of corruption, improper conduct or failure to comply with the supply chain management system, and when justified*

*(i)         take steps against such official or other role player and inform the relevant treasury of such steps; and*

*(ii)        report any conduct that may constitute and offence to the South African Police Service;*”

d) Treasury regulation 9.1.3

“*When an accounting officer determines the appropriateness of disciplinary steps against an official in terms of section 38 (1) (g) of the Act, the accounting officer must take into account—*

1. *the circumstances of the transgression;*
2. *the extent of the expenditure involved; and*
3. *the nature and seriousness of the transgression.”*

Request for information (RFI) 161 was issued on 24 June 2015 requesting progress pertaining to the investigations of irregular expenditure and fruitless and wasteful expenditure reported in prior years.

In response to RFI 61, management indicated that no investigations have commenced for irregular expenditure and fruitless and wasteful expenditure pertaining to the matters listed below. It should be noted that some of the matters may pertain to financial misconduct and as such an investigation should have been conducted within 30 days from date of discovery thereof.

Although cognisance is taken of the tact that the Guidelines on Irregular Expenditure *“encourages the accounting officers to conclude all investigations and resolve all matters related to irregular expenditure within 90 days from the date on which the alleged irregular expenditure was discovered or as soon as practically possible.”* it does not supersede the PFMA or TR.

This matter was also reported in the interim management report. Management indicated that the investigation of irregular and fruitless and wasteful expenditure has commenced and is currently underway. The delays in instituting investigation within the required period were as a result of the quantum of the transactions and that priority was on completeness of irregular and fruitless and fruitless expenditure which was achieved in the previous financial year.

They further indicated that the next natural phase was the investigation of these identified transactions and that management investigations have commenced.

Considering the fact that as part to the turnaround strategy a large team of consultants assisted the department to rectify the completeness issue with regard to irregular expenditure in the 2013-14 financial year, one would have expected more progress pertaining to the investigation of both irregular and fruitless and wasteful expenditure.

a) The table below reflects irregular expenditure not yet investigated per request for information 161 for matters reported in prior financial years.

| **No** | **Reference number** | **Name of the service provider** | **Incident description** | **Region** | **Amount per the register R** |
| --- | --- | --- | --- | --- | --- |
| 1 | 22316 | THE BUSINESS ZONE 843 CC | Appropriate approval not obtained by the properly delegated official or committee | Pretoria | 2 608 502,40 |
| 2 | 84836- 84842 | GLORINA GENERAL TRADING | Three quotations not obtained | Pretoria | 411 150,94 |
| 3 | 84812-84828 | KAYRO'S DECORATING PLANET CC | Three quotations not obtained | Pretoria | 473 898,00 |
| 4 | 213988 | NO LINE COMMUNICATION CC | Three quotations not obtained | Head office | 493 620,00 |
| 5 | 66551 | MEYARS DEN TRADING SUPPLY | Three quotations not obtained | Pretoria | 396 086,26 |
| 6 | 14273 | AZANDE CONSULTING CC | Appropriate approval not obtained by the properly delegated official or committee | Pretoria | 1 080 945,72 |
| 7 | 37354 - 37365 | KIARAH CHEMICAL CC | Evaluation criteria used to evaluate quotation or bids does not match original criteria | Durban | 1 453 038,30 |
| 8 | 20200 | COMSEL EIGHTEEN PTY LTD T/A KANI | Incorrect procurement process followed | Head office | 182 662,84 |
| 9 | 87118 | HOTSAUCE PRODUCTIONS CC | No original valid tax clearance certificate | Pretoria | 475 125,78 |
| 10 | None indicated | OPD Construction (Pty) Ltd | INCORRECT PROCUREMENT PROCESS FOLLOWED | Head office | \*12 092 328,04 |
| 11 | None indicated | Servcon | INCORRECT PROCUREMENT PROCESS FOLLOWED | Head office | \*7 605 344,00 |
| 12 | None indicated | BUSILE INVESTMENT | INCORRECT PROCUREMENT PROCESS FOLLOWED | Head office | \*6 273 167,15 |
| 13 | None indicated | NEL MAHLANGU CONSTRUCTORS (PTY) | INCORRECT PROCUREMENT PROCESS FOLLOWED | Head office | \*5 578 859,04 |
| 14 | None indicated | LOFTSIDE TRADING CC | INCORRECT PROCUREMENT PROCESS FOLLOWED | Pretoria | \*4 444 318,87 |
| 15 | None indicated | LITTLE ROCK TRADING 127 CC | INCORRECT PROCUREMENT PROCESS FOLLOWED | Pretoria | \*3 539 052,93 |
| 16 | None indicated | AZANDE CONSULTING CC | INCORRECT PROCUREMENT PROCESS FOLLOWED | Pretoria | \*2 897 278,90 |
| 17 | None indicated | MNM MARQUEE AND HIRING PTY LTD | INCORRECT PROCUREMENT PROCESS FOLLOWED | Pretoria | \*1 132 710,84 |
| 18 | None indicated | MNM MARQUEE AND HIRING PTY LTD | INCORRECT PROCUREMENT PROCESS FOLLOWED | Pretoria | \*1 744 537,90 |
| 19 | None indicated | LESEDI CORPORATE TECHNOLOGY (PTY | INCORRECT EVALUATION PERFORMED IN THE PROCUREMENT PROCESS | Head office | \*1 845 053,74 |
| 20 | None indicated | LESEDI CORPORATE TECHNOLOGY (PTY | INCORRECT EVALUATION PERFORMED IN THE PROCUREMENT PROCESS | Head office | \*1 845 053,75 |
| 21 | None indicated | ORIENTAL CARPET GALLERY | INCORRECT PROCUREMENT PROCESS FOLLOWED | Pretoria | \*1 470 885,00 |
| 22 | None indicated | GRIFFITHS & GRIFFITHS | INCORRECT PROCUREMENT PROCESS FOLLOWED | Pretoria | \*1 481 065,00 |
| 23 | None indicated | LITTLE ROCK TRADING 127 CC | INCORRECT PROCUREMENT PROCESS FOLLOWED | Pretoria | \*3 539 052,93 |
| 24 | None indicated | LOFTSIDE TRADING CC | INCORRECT PROCUREMENT PROCESS FOLLOWED | Pretoria | \*4 444 318,87 |
| **Total** | | | |  | **67 508 057,20** |

*\* These matters were disclosed as irregular expenditure in financial years prior to 2013-14*

b) For the following irregular expenditure it was not indicated whether the matters were now investigated but only indicated that they were transferred to PMTE as they pertain to PMTE. It should be noted that the same unit is responsible for the investigation of both the irregular expenditure of DPW and PMTE.

| **No** | **Reference number** | **Name of the service provider** | **Incident description** | **Region** | **Amount per the register R** |
| --- | --- | --- | --- | --- | --- |
| 1 | None indicated | Reabetswe Projects CC | INCORRECT PROCUREMENT PROCESS FOLLOWED | Head office | \*11 174 096,83 |
| 2 | None indicated | Magwa Construction CC | INCORRECT PROCUREMENT PROCESS FOLLOWED | Head office | \*1 380 216,97 |
| 3 | None indicated | Mamli Projects CC | INCORRECT PROCUREMENT PROCESS FOLLOWED | Head office | \*6 649 678,32 |
| 4 | None indicated | Mercy Civils & Building CC | INCORRECT PROCUREMENT PROCESS FOLLOWED | Head office | \*3 237 785,51 |
| 5 | None indicated | Malekoto / Motjoadi Joint Venture | INCORRECT PROCUREMENT PROCESS FOLLOWED | Head office | \*3 234 428,49 |
| 6 | None indicated | Momacha Trading CC | INCORRECT PROCUREMENT PROCESS FOLLOWED | Head office | \*2 716 195,30 |
| **Total** | | | |  | **28 392 401,42** |

*\* These matters were disclosed as irregular expenditure in financial years prior to 2013-14*

c) Fruitless and wasteful expenditure not yet investigated per request for information 161 for matters reported in prior years.

| **No** | **Reference number** | **Name of service provider** | **Incident description** | **Region** | **Impact Amount R** |
| --- | --- | --- | --- | --- | --- |
| 1 | None indicated | GMT | Interest paid on overdue account | CAPE TOWN | \* 11 620,16 |
| 2 | None indicated | Aziz Interior Designs | Purchases not in line with Ministerial Handbook | CAPE TOWN | \*37 734,00 |
| 3 | None indicated | North Natal Tissue | ADDITIONAL EXPENDITURE OUTSIDE TRANSVERSAL CONTRACT | PRETORIA | \* 8 900,00 |
|  | Total | | | | 58 254,16 |

*\* These matters were disclosed as irregular expenditure in financial years prior to 2013-14*

d) For the following matter it was not indicated if the matter was in fact investigated but only that it was referred to internal audit for investigation.

| **No** | **Reference number** | **Name of service provider** | **Incident description** | **Region** | **Impact Amount R** |
| --- | --- | --- | --- | --- | --- |
| 1 | None indicated | Government Employment Pension Fund | Interest paid on overdue account | HEAD OFFICE | 66 245,13 |

e) Although a condonation committee was established they only met once in the current financial year and that was on 28 October 2014. From the minutes of this committee, although it was indicated that a summary of irregular expenditure was distributed as well as a draft irregular expenditure report, it is not evident which matters were specifically considered by the committee as no resolutions to this effect were recorded in the minutes.

On 30 June 2015 the minutes of this committee from 1 April 2014 to date was requested. Only the minutes of 28 October 2014 was submitted.

f) It was also indicated that irregular expenditure reported is first validated by a committee before they recorded in the irregular expenditure register. It was however determined that the committee in question, the technical advisor committee, did not meet in the current financial year as their first meeting was on 5 May 2015. On 30 June 2015 the minutes of this committee from 1 April 2014 to date was requested. Only the minutes of 5 May 2015 was submitted.

Potential impact of the findings raised above:

a) Non-compliance with Section 38(1)(h)(iii) of the PFMA and TR16A9.1 and 9.1 as the accounting officer did not ensure that irregular and fruitless and wasteful expenditure are investigated and the required disciplinary actions instigated where applicable.

b) In terms of section 81(1)(a) of the PFMA if officials do not adhere to, amongst others, section 38 of the PFMA, it constitutes financial misconduct.

c) Non-compliance with the Treasury Regulations 4.1.1 and 4.1.2 as some of the matters reported in paragraphs (a) to (c) may have constituted financial misconduct they should have been investigated within 30 days and once concluded the required disciplinary hearings should have been held.

b) Investigations that are not timeously instituted and concluded enhance the risk that, should the allegation proof to be true, irregular practices and misuse of the scarce resources of the Department of Public Works might continue in the intervening period.

c) Funds may not be recoverable from officials if timeous actions are not taken.

Similar findings were also raised in the 2013-2014 financial year. The following actions were indicated on the audit action plan for the inspectorate and compliance unit pertaining to consequence management:

| **Action** | **Due date** | **Progress** | **AGSA Comment** |
| --- | --- | --- | --- |
| Establish National Condonement (NCC) Committee at Head Office | 30 September 14 | Submission to deviate from the policy and centralise the committee submitted for approval by DG | Therefore although established not effective in the current year as they only met once. |
| Establish decentralised Technical Advisory Committees (TACs). | 30 September 14 | Submission to deviate from the policy and establish the TAC submitted for approval by DG on 18 September 2014 | Their first meeting was on 5 May 2015. Therefore the corrective measure was not implemented in the current year. |
| Appointment letters issued to Committee Members and TACs | 10 October 2014 | Submission and appointment letters submitted to DG for approval on 18 September 2014 | Indicated in minutes of TAC meeting that appointment letters will be issued once TOR was finalised. Thus not implemented in current financial year. |
| IE to be prioritised and investigated accordingly | Commencement by  1 November 2014 | Not indicated | As 26 of the 30 items selected from the irregular register pertain to prior years of which 15 pertain to financial years prior to  2013-14 were not investigated this action was not effectively implemented.  It should also be noted that for none of the 30 items selected it was indicated that the matters were in fact investigated. |
| Investigation reports to be considered by the relevant TAC and NCC | 30 Nov 2014 (first batch of reports) | Not indicated | As the NCC only met once in the current year and it is not evident from the minutes if any investigation reports were considered as the minutes only refer to the summary of irregular expenditure and the draft irregular expenditure report it is concluded that investigation reports were not considered by the NCC.  The TAC was not established in the current year.  Therefore this action was not implemented |
| Consequence management affecting responsible parties will flow from decisions taken by the NCC | Recommendations to relevant authorities by  10 Dec 2014 | Not indicated | No specific resolutions were documented in the minutes of the committee. Only changes requested pertaining to the terms of reference of the committee.  Therefore this action was not implemented. |

**Internal control deficiency**

It was indicated that the finding occurred as a result of a lack of capacity. Thus attributable to the following internal control deficiency:

*Leadership:*

*The department’s HR management was ineffective to ensure that adequate and sufficiently skilled resources are in place.*

**Recommendation**

a) Management should ensure that all outstanding matters are investigated as a matter of urgency and going forward matters should be timeously dealt with.

b) Monthly reports must be submitted to the Minister pertaining to the progress on all investigations pertaining to irregular expenditure and fruitless and wasteful expenditure.

c) The outcomes clearly need to be indicated in the report to the Minister. Thus indicating if for example the matter was referred to SAPS, disciplinary actions instigated against officials and money recovered etc.

d) The audit committee should also be informed pertaining to the status of investigations pertaining to irregular and fruitless and wasteful expenditure.

**Management comment**

1. The finding is acknowledged. The Department is currently conducting investigations on high-value reported irregular and fruitless and wasteful expenditure transactions for both the PMTE and DPW Main Account. The appointed service provider, that was part of testing prior years irregular, is assisting with conducting. Given the fact that the irregular and fruitless and wasteful expenditure reported was for a period of over five (5) years for both the DPW and the PMTE, it would not have been practical to institute investigations within 30 days. The Guidelines on irregular expenditure, which the National Treasury is empowered to issue in terms of section 76 of the PFMA, provides that the irregular expenditure must be investigated as soon as practically possible. Management has given itself a period of three (3) years within which all balances must have been dealt with and management believes that it is on track to practically meet the deadline.

Management indicated as a corrective measure that the investigations on old cases to be instituted in the 2016/17 financial year. Management reconfirmed the lack of capacity as the root cause for the investigations not being performed.

1. The finding is acknowledged. The transactions were transferred to PMTE in the current financial year as part of the transfer of function that took place in the prior year. These transactions have not been investigated under the Main Account and will be dealt with in the PMTE. Given the fact that the irregular expenditure reported was for a period of over five (5) years for the PMTE, it would not have been practical to institute investigations within 30 days. The Guidelines on irregular expenditure, which the National Treasury is empowered to issue in terms of section 76 of the PFMA, provides that the irregular expenditure must be investigated as soon as practically possible. Management has given itself a period of three (3) years within which all balances must have been dealt with and management believes that it is on track to practically meet the deadline.

Management indicated as a corrective measure that the investigations on old cases to be instituted in the 2016/17 financial year. Management reconfirmed the lack of capacity as the root cause for the investigations not being performed.

1. The finding is acknowledged, the investigations on fruitless and wasteful expenditure transactions reported in 2014/15 will finalised by year end 31 March 2016.

Management indicated as a corrective measure that the investigations on old cases to be instituted in the 2015/16 financial year. Management reconfirmed the lack of capacity as the root cause for the investigations not being performed.

1. The finding is acknowledged, the matter was referred to Internal Audit for investigation which has not begun with the investigation.

Management indicated as a corrective measure that follow ups will be performed to ensure that the investigations are finalised in 2015/16 financial year. Management reconfirmed the lack of capacity as the root cause for the investigations not being performed.

*Name:* L Toona

*Position:* Director: Inspectorate & Compliance

*Date:* 09 July 2015

**Auditor’s conclusion**

a), b) & c) Management has acknowledged the finding, although cognisance is taken of the fact that the Guidelines on Irregular Expenditure *“encourages the accounting officers to conclude all investigations and resolve all matters related to irregular expenditure within 90 days from the date on which the alleged irregular expenditure was discovered or as soon as practically possible*.”, it does not supersede the legislative requirements of the PMFA and Treasury regulations.

It remains a concern that for all the 30 items selected for testing of irregular expenditure it was indicated that the matters were not yet investigated (100% of sample).

d) The Department agrees with the audit finding and it is noted that the investigations on fruitless and wasteful expenditure transactions reported in 2014-15 will finalised by year end 31 March 2016. Progress will be followed up during the 2015-16 audit.

Therefore the matter remains unresolved

**7.2 Consequence management: Deviation from SCM - High frequency of deviations with one service provider not investigated**

**Audit Finding**

Laws, rules and regulations:

a) Public Finance Management Act

(i) Section 38(1)(h)(iii) states:

*“The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who makes or permits an unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure”*

(ii) Section 81(1)(a) - Financial misconduct by officials in departments and constitutional institutions.

*“An accounting officer for a department or a constitutional institution commits an act of financial misconduct if that accounting officer wilfully or negligently fails to comply with a requirement of section 38, 39, 40, 41 or 42; or”*

b) Treasury Regulations - Investigation of alleged financial misconduct

*“4.1.1  If an official is alleged to have committed financial misconduct, the accounting officer of the institution must ensure that an investigation is conducted into the matter and if confirmed, must ensure that a disciplinary hearing is held in accordance with the relevant prescripts and agreements applicable in the public service.*

*4.1.2  The accounting officer must ensure that such an investigation is instituted within 30 days from the date of discovery of the alleged financial misconduct”*

c) Treasury Regulation 16A9.1

“*Avoiding abuse of supply chain management system*

*The accounting officer or accounting authority must—*

*(a)        take all reasonable steps to prevent abuse of the supply chain management system;*

*(b)        investigate any allegations against an official or other role player of corruption, improper conduct or failure to comply with the supply chain management system, and when justified*

*(i)        take steps against such official or other role player and inform the relevant treasury of such steps; and*

*(ii)      report any conduct that may constitute and offence to the South African Police Service;*”

d) Treasury regulation 9.1.3

“*When an accounting officer determines the appropriateness of disciplinary steps against an official in terms of section 38 (1) (g) of the Act, the accounting officer must take into account—*

1. *the circumstances of the transgression;*
2. *the extent of the expenditure involved; and*
3. *the nature and seriousness of the transgression.”*

e) SCOPA resolution of 14 June 2012. The ninth report of the Committee on Public Account on the report of the Auditor General on the annual report and financial statements of the Department of Public Works and the Property Management trading Entity for the 2010-11 financial year dated 23 May 2012 recommended in paragraph 3 pertaining to irregular and other expenditure that:

*“The Committee recommends that the Accounting Officer ensures that:*

*a)   The completion of the deviation registers is made compulsory for all offices;*

*b) The deviations are monitored, investigated and discussed at top management level, and appropriate disciplinary action is taken against officials who are responsible for unjustifiable deviations;*

*c) Supply chain management policies are updated and circulars to this effect issued, and monitoring controls are strengthened to ensure adherence;*

*d) Capacity constraints in the internal audit unit are addressed; and*

*e) A comprehensive policy with corresponding procedures is implemented to ensure proper record-keeping.”*

Deviation noted

During the previous financial year it was reported in our management report, amongst others, that three quotations were not obtained from a specific service provider for transactions amounting to R497 585,00.

An extract was made from the deviation register provided on 6 May 2014 pertaining to instances where three quotations were not obtained and where awards were made to this specific service provider for the 2013-2014 financial year. In addition to the amount identified through the audit process it was noted that further awards totalling R3 757 021.26 were made to this service provider through the approval of deviations from obtaining three quotations.

Therefore in 21 instances where the department made awards to this service provider they were not able to obtain three quotations.

Management responded as follows to the finding:

*“The finding refers to different procurement requests. The finding is a statement and summary of events. We are therefore unsure what the finding and matter of non-compliance is.*

*However, due to the number of items, this will be investigated.”*

When it was noted that no results were reported pertaining to this matter a request for information was issued to determine whether management did in fact investigate the matter. The following response was received:

“*The Anti-Corruption Unit had not previously requested to conduct an investigation in respect of COFF 94. The Unit has however planned to conduct a forensic detection review in respect of the number of deviations effected at the Pretoria Regional Office, it is expected that the detection review will commence by the 14th of July and the assignment is expected to be concluded after a period of three weeks.”*

From the aforementioned it is evident that the matter was not referred for an investigation as per the management comment received.

In the current financial year it was noted that for eight transactions with a value of R962 103,00 of the total of fifteen transactions again revealed that the department was unable to obtain three quotations.

Potential impact of the findings raised above:

1. Non-compliance with Section 38(1)(h)(iii) of the PFMA and TR16A9.1 and 9.1 as it was not ensured that irregular and fruitless and wasteful expenditure are investigated and the required disciplinary actions instigated where applicable.
2. In terms of section 81(1)(a) of the PFMA if officials do not adhere to, amongst others, section 38 of the PFMA, it constitutes financial misconduct.
3. Investigations that are not timeously instituted and concluded enhance the risk that, should the allegation proof to be true, irregular practices and misuse of the scarce resources of the Department of Public Works might continue in the intervening period.

Funds may not be recoverable from officials if timeous actions are not taken.

**Internal control deficiency**

Reason for the deviation:

1. The completeness of deviations registers was not confirmed.
2. Proper trend analysis of the deviations per the deviations registers, for deviations below one million rand were not performed to identify potential red flags.
3. Proper processes are not in place to ensure that where it is indicated that investigations will be performed that the latter is in fact done.

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

*Leadership:*

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

*Financial and performance management:*

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

**Recommendation**

1. Proper trend analysis of the deviations per the deviations registers, for deviations below one million rand need to be performed monthly and potential risks identified referred for investigation.
2. Proper processes should be implemented and maintained to ensure that where it is indicated that investigations will be performed that the latter is in fact done.

**Management response**

Not received yet.

**Auditor’s conclusion**

Awaiting management’s response.