**$**

**FINAL MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**31 December 2016**

**Communicated to management on: 31 March 2017**

**MANAGEMENT REPORT**

**DEPARTMENT OF PUBLIC WORKS**

**2016-12-31**

**Discussed with management on: 31 March 2017**

**CONTENT**

|  |  |
| --- | --- |
| **Introduction** | **Page no.3** |
| **Section 1: Audit Scope and Focus Areas** | **Page no.3** |
| **Section 2: Results of Data Analysis test on EPWP Quarter 3 Report** | **Page no.4** |
| **Section 3: Matters to be brought to the attention of the users** | **Page no.6** |
| **Section 4: Conclusion on Draft Annual Performance plan for 2017/18** | **Page no.6** |
| **Section 5: Investigations** | **Page no.7** |
| **Section 6: Status of implementation and recommendation from prior year findings** | **Page no.8** |
| **Section 7: Value Add work on EPWP** | **Page no.13** |
| **Section 8: Dashboard** | **Page no.14** |
| **Section 9: Conclusion** | **Page no.19** |
| **Section 10: Summary of detailed audit findings** | **Page no.20** |
| **Detailed audit findings contained in annexures A – B** | **Page no. 21** |

**MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE DEPARTMENT OF PUBLIC WORKS FOR THE YEAR ENDED 31 DECEMBER 2016**

**INTRODUCTION**

1. The purpose of the management report is to communicate audit findings to the accounting officer and does not constitute public information. This management report is provided to make it easier for the auditee to consider and correct the audit findings that have come to our attention to date. We will provide a final management report after the completion of the audit after year-end.
2. The audit work performed to date includes the following:

**Financial statements**

* Review of the interim financial statements submitted 31 December 2016.
* Compliance with DORA Act No 3 of 2016: section 10 Duties of the transferring officer.

**Reporting on predetermined objectives**

* Interim review of Annual Performance Plan for 2017/18 which focused on assessment of the measurability and relevance of the indicators and targets planned for each selected programme.

**Other matters**

* Review of the general information systems controls

1. This report aims to highlight main areas of concern identified during the performance of our audit to date.

**SECTION 1: AUDIT SCOPE AND FOCUS AREAS FOR FINANCIAL STATEMENT MATTERS**

1. In order to provide management with value added interim findings which would assist them in addressing all matters prior to submission of final annual financial statements, the interim financial statements were reviewed to ensure that the department does not have material misstatements changes in the annual financial statements.
2. The focus of the interim audit of the approved 2016-17 APPs was on the measurability and relevance of indicators and targets.
3. The interim review of the draft 2017-18 APPs focused on the following:

* The process followed for the preparation, submission and approval of strategic plans and relevant APPs for the department and its entities.
* Assessment of the measurability and relevance of the indicators and targets planned for each selected programme. The selection of programmes will be the same as applicable to the interim audit of the approved 2016-17 APP.

1. For DORA transfers, the focus was on how the department implemented measures / programmes to monitor the spending of the grants by receiving departments/ municipalities and also whether the department complied with the Duties of transferring officer as stated in the Dora Act.

**SECTION 2: RESULTS OF DATA ANALYSIS TESTS ON EPWP REPORT AS AT 31 DECEMBER 2016**

EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

1. The EPWP Programme is a key government initiative, which contributes to Governments Policy Priority in terms of decent work & sustainable livelihoods. EPWP subscribes to outcome 4 in the Medium Term Strategic Framework (MTSF) which sets out to achieve “Decent employment through inclusive economic growth.”
2. Phase III of the EPWP is being implemented over the 2014/2015 – 2018/2019 financial years with the aim of creating six million work opportunities by the end of the period.
3. EPWP Phase III is based on the following four principles:
   * Adherence to the EPWP minimum wage and employment conditions under the EPWP ministerial determination.
   * Selection of workers based on clearly defined process and defined criteria
   * Work provides or enhances public goods or community services
   * Minimum labour intensity appropriate to each sector.
4. The department is responsible for the transfer and monitoring of the following conditional grants:

a) Expanded Public Works Programme Integrated Grant for Municipalities

b) Expanded Public Works Programme Integrated Grant for Provinces

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

**Overview of system challenges**

1. This overview was prepared based on the information system in use during the 2016-17 financial year.

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

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

1. **Deceased beneficiaries** – The number of deceased workers 116 in 2016/17 (2015/16: nil). The EPWP RS is fully integrated with the Home Affairs to check on the deceased participants. All the EPWP participants are verified at the point of entry into the system and there is also a continuous verification that is established though a live link with Department of Home Affairs
2. **No identity documents (ID’s) and invalid identity documents** – We have identified 65 such instances in the current financial year which represents a regression in this area (2015/16: nil). There were no issues raised in the prior year. The department advised that EPWP RS has built in validation rules that make it impossible for the participant to be reported without a valid ID number that is also verified with the Department of Home Affairs. However the exceptions identified in the current financial year indicates that the controls implemented by management do not appear to be effective
3. **Minimum wage** – We identified 6 043 beneficiaries who were paid a wage below the minimum wage of R75,10 per day in the current year (2015/16: 27 227).

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

1. **Employees on PERSAL** - Beneficiaries who are included on PERSAL amounted to 74 161 in the current year (2015/16: 77 588). It should be noted that the primary reason for this is to ensure a more efficient payment process for these beneficiaries. We have highlighted this matter for the department to ensure that the beneficiaries paid are not permanent employees of any public bodies.
2. **Beneficiaries on multiple projects –** The number of instances of beneficiaries on multiple projects was 95 027 for the current financial year. Beneficiaries are permitted to be on multiple projects which are not running simultaneously, however we have identified instances where some beneficiaries have been included on multiple projects when they have only worked on one project.

**SECTION 3: MATTERS TO BE BROUGHT TO THE ATTENTION OF THE USERS**

**EMPHASIS OF MATTER PARAGRAPHS**

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

**Restatement of corresponding figures**

1. As disclosed in note 44 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of errors discovered during the financial year 30 December 2016 in the financial statements of the Department of Public Works at, and for the year ended, 31 March 2016.

**Material impairments**

1. As disclosed in note 15.7 to the financial statements, material impairments to the amount of R57 928 000 were provided for as a result of irrecoverable receivables.

**SECTION 4: CONCLUSIONS ON DRAFT ANNUAL PERFOMANCE PLAN FOR 2017/18**

**Introduction**

1. As required by sections 4 and 20 of the Public Audit Act of South Africa, 2004 (Act No.25 of 2004)(PAA), read with *General Notice 839 of 2011 issued in Government Gazette 34783 of 28 November 2011*, my responsibility is to express a conclusion on the annual performance report. The conclusion will be expressed at the culmination of the final audit.
2. For purposes of this report we have performed an assessment of the usefulness criteria.
3. No findings were raised pertaining to the usefulness criteria for the approved 2016/17 annual performance plan (whether performance indicators and targets are measurable (i.e well defined, verifiable, specific, measurable and time bond) and relevant, as required by the National *Treasury Framework for managing programme performance information*)
4. I have audited the usefulness of the draft annual performance plan 2017/18 and strategic plan for the department for year ending 31 March 2017 and no material findings were raised in the strategic planning and performance management process.
5. The annual performance plan for 2017/18 is not aligned to the MTSF as the indicator for the “Percentage of EPWP participation amongst designated groups (women, youth and persons with disabilities) aligned to EPWP Phase III-“ was not included in the department annual performance plan, however the APP for 2017/18 was subsequently adjusted

**SECTION 5: INVESTIGATIONS**

1. Numerous allegations, mainly relating to transgressions with respect to supply chain management, potential fraud and financial misconduct, are still being investigated on an ongoing basis by the SIU and the Governance, Risk and Compliance unit of the department
2. The primary responsibility for preventing and detecting fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and to issue an auditor’s report that includes our opinion. Due to the inherent limitations of an audit, there is a risk that some material misstatements, including fraud, may not be detected.
3. The statistics in the table below indicate the effectiveness of the department’s measures for responding to allegations of financial misconduct, fraud and other improper conduct in SCM.

|  |  |  |
| --- | --- | --- |
|  | **Allegations reported in the prior year** | **Allegations reported in the current year** |
| Number of cases of fraud/corruption reported through the auditee's internal mechanism | 41 | 21 |
| Number of cases investigated (in relation to number of cases reported) | 28 | 14 |
| Number of cases not yet investigated (in relation to number of cases reported.) | 0 | 0 |
| Number of investigations finalised i.e. report issued | 6 | 7 |
| Number of cases that resulted in disciplinary actions, civil recoveries or criminal charges being laid | 0 | 17 |
| Number of cases that have been referred to the law enforcement/investigation agencies *e.g. the SAPS, the Public Protector, the Competition Commission, or the SIU* | 13 | 2 |

**SECTION 6: STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS**

Status of implementing commitments and recommendations

1. Below is our assessment of the progress in implementing the commitments made by senior management, the accounting officer and the audit committee to address prior and current year audit findings.

| **No.** | **Commitment** | **Made by** | **Date** | **Status** |
| --- | --- | --- | --- | --- |
| 1 | Review of the Litigation report to ensure compliance with Contingent Assets disclosure note | DDG: Finance | 31 March 2017 | Implemented, Quarterly monitoring of the litigation report. |
| 2 | Review of the transactions report prior to submission of the inputs for the annual report - Restatement of the corresponding figures | DDG: Finance | 31 March 2017 | Reviews of the transactions is implemented on an ongoing basis |
| 3 | Inspectorate and Compliance Unit to certify all transactions prior to approval - Procurement deviations approved for not obtaining at least three written price quotations | DDG: Finance | 01 Apr 2016 | Implemented |
| 4 | Inspectorate and Compliance Unit to certify all transactions prior to approval - Implementation of milestone monitoring tool in all offices | DDG: Finance | 31 Jan 2017 | Work in progress |
| 5 | Inspectorate and Compliance Unit to certify all transactions prior to approval - Bids not advertised for the minimum required number of days | DDG: Finance | 01 Apr 2016 | Implemented |
| 6 | Disciplinary measures will be taken against officials failing to adhere to Circular 08 of 2014 - Unsuccessful bidders not submitted for NVT communications | DDG: SCM | 01 April 2016 | No similar case reported to date. |
| 7 | Disciplinary measures taken against official failing to adhere to reporting requirements - Deviations not reported within 10 working days to NT and AGSA | DDG: SCM | 01 April 2016 | Warning letters issued to defaulting officials |
| 8 | CSD utilized to verify if bidders are employed by the state. All bidders are verified against the CSD prior to approval / appointment - Supplier did not declare interest | DDG: SCM | 01 April 2016 | Ongoing for every transaction. |
| 9 | Disposal of the Ministerial vehicle - Movable Assets- Ministerial vehicle not in use | DDG: SCM AND FINANCE | 30 Sep 2016 | Proper record management of all movable assets has been implemented. |
| 10 | Already implemented for the past three PMDS Cycles (including the current Cycle) Continue to send reminders to be sent to all SMS  Members and supervisors | DDG: Corporate Services | 31 May 2016 | The human resource section did exercise oversight responsibility in ensuring that  performance Agreements are submitted and Continue to send reminders to be sent to all SMS  Members and supervisors  Members who failed to comply with the due date of 31 May 2016 were given written warning and excluded from performance related incentive |
| 11 | Implementation of the new organizational structure will result in advertisement and the filling of funded posts - High vacancy rate | DDG: Corporate Services | 01 April 2017 | Organizational structure reviewed and approved for implementation in April 2017  Process of matching and placing is currently under way and will be completed by the end of March 2017  Funded posts will be advertised and filled |
| 12 | Implementation of the new organizational structure to result in the activation of only funded positions on the establishment - Posts vacant for more than 12 months | DDG: Corporate Services | 01 April 2017 | Organizational structure reviewed and approved for implementation  The processes of the implementation of the new structures have commenced with the matching and placing currently under way and will be completed by the end of March 2017.  The implementation of the new structures will result in the activation of funded positions only and will ease the advertising and filling of funded vacancies within the prescribed timeframes |
| 13 | Ensure that the Payroll reconciliation register is implemented.  Spot checks on the registers  Ensure that the Payroll reconciliation register is implemented  Regular communication with Head of finance and implementation of the Register as well as spot checks quarterly.  Disciplinary action to taken against managers not complying | DDG: Corporate Services | 31 March 01 2017 | Submission compiled to be circulated after approval |
| 14 | Develop a Circular to sensitize Units on submission of leave timeously.  Non-compliance by Units to be reported to DDG: CS - Employee Benefits – Overstatement of employee benefits as result of leave no captured timeously. | DDG: Corporate Services | 31 March 01 2017 | Circular drafted to be forwarded on route for approval. |
| 15 | Long term contracts for critical posts such as CIO and other consultants  Other consultants working on Proprietary solutions such as WCS and PMIS cannot be insourced because the proprietor requires these systems to be maintained by accredited service providers - Over reliance on consultants to perform key IT functions. | DDG CS | Completed | Most consultants have been absorbed into the department through contracts |
| 16 | Update the DRP document. | CD ICT | 31 March 2017 | SITA has been contracted to develop a new DRP document. They are expected to complete the work by 31 March 2017 |
| 17 | On annual basis, the DPW formally notifies coordinating departments of the annual wage adjustment - Non- implementation of EPWP wage increase | DDG: EPWP | 1 November 2016 | The last communication notifying public bodies was done in October 2016 before the 1 November wage increase. |
| 18 | The EPWP DPW conduct quality checks on the EPWP-RS on ID copies uploaded by reporting public bodies. If the ID copy is clear and with a valid certification, the system administrator approves it. | DDG: EPWP | 31 March 2017 | System Administrators conduct regular verification on the ID copies uploaded by the reporting public bodies. |
| 19 | Sampled site visits to include verification of project files of implementing public bodies. | DDG: EPWP | 31 March 2017 | As of 10 March 2017, 624 project site visits have been conducted by the EPWP |
| 20 | Engage Provincial departments of public works to provide EPWP M&E with their quarterly Data Quality Assessment (DQA) reports as per their Customised Indictor in the APP. | DDG: EPWP | 31 March 2017 | A Data Quality Assessment Report, in which the major quality issues pertaining to reported data was assessed, was published in Q2.  A second report is due in Q4.  Two data quality forums (Q1 and Q2) were held in which Provincial departments participated.  At these forums, a data quality assessment framework was developed and adopted.  Training in skills relevant to data quality control and the use of the standard EPWP RS reports for this purpose was given |
| 21 | Communication on the findings in terms of lack of record keeping to be sent to the affected public bodies. | DDG: EPWP | 30 November 2016  31 March 2018 | 3 provinces have been sent letters signed by the DDG: EPWP on the feedback findings of the audit.  EPWP has adapted the EPWP Learning Programme to include audit processes and the need for proper record management. Official from public bodies are trained on the EPWP Learning Programme. |
| 22 | EPWP to conduct pre-audit site visits on a sample basis to audit project files of reporting public bodies. | DDG: EPWP | 31 March 2017 | Pre-audits were conducted on 150 projects to verify the Participants and Project files in 9 provinces from 15 February to 03 March 2017.. |
| 23 | Audit outcomes reports presented to make public bodies aware of the findings as EPWP does not keep records of work opportunities reported. | DDG: EPWP | Quarterly | Report presented to MinMec, NCC, EAC M&R committee and PEP-IMC meetings in September 2016 |
| 24 | It has been made a condition that all projects in the project lists submitted with the signed incentive agreements, must be registered in the system and the project identity (ID) number generated to written next to each projects before the transfer is made. | DDG: EPWP | April 2016 | All grant funded projects are registered on the EPWPRS.  First tranche payments were made only after proof of project registration on the EPWP RS was provided |
| 25 | Incentive grant projects reported on the system are now been monitored | DDG: EPWP | Ongoing | Projects are monitored using the project id numbers verifying them against the validated report. |
| 26 | The MTSF KPI for Outcome 4 to be included in the 2017/18 APP. | DDG: GRC | 10 March 2017 | The Department has had intensive engagements with The Presidency (DPME) regarding the MTSF KPIs last year. These KPIs do not reflect the role of DPW and Public Bodies in implementing the EPWP. The matter has not been finalized with the DPME however the KPIs were included in the 2017/18 APP for compliance. Either way the Department will face challenges (if not during the planning then during the reporting) |
| 27 | Inconsistency noted between the approved APP of 2015/16 and the APR of 2015/16 - This will be corrected in the 2016/17 | DDG: GRC | 31 July 2017 | This will be corrected in the 2016/17 |

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

**SECTION 7: VALUE ADD ON EPWP**

We have undertaken an integration initiative with performance audit and ISA in relation to the focus area of creation of decent and sustainable jobs.

At the end of this project we aim to be able to have a clear value chain and assist the department into looking at partnerships with the Department of Basic Education, SETAs and Social Development to increase the effectiveness of the programme.

The initial engagements and research have highlighted risk areas which require further engagements with the relevant authorities. From the data received on the beneficiaries of the programme we have identified focus areas where some recommendations that will assist the department to increase the effectiveness of the programme will be provided.

We are also working with the auditors of Department of Labour where the beneficiary data will also be compared with the UIF data to assess whether beneficiaries were later able to find employment. We are currently waiting to receive the UIF data that will be used for this analysis.

We will be meeting with the EPWP unit and the Director General at the Department of Public Works to share with him our value add approach and consider their inputs.

**SECTION 8: INTERNAL CONTROL**

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

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

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

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

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

LEADERSHIP

**Effective leadership**

1. The department acknowledged that there were internal constraints within the governance, risk and compliance unit, which impacted their ability to conduct their own internal investigations. We have noted that the majority of investigations are initiated within the required time; however investigations take extremely long to finalise.
2. Some investigations are thus referred to Special Investigations Unit or to SAPS where criminal activities are suspected. Where follow up actions are required from the department as a result of findings from investigations (e.g. disciplinary hearings, etc.), these are not taking place on time.
3. Some senior management positions are still vacant or filled by acting incumbents. Some of the critical positions that are currently vacant are:
   * DDG: Finance and Supply Chain Management
   * DDG: Construction and Property Policy Regulation

In addition, there are 23 senior management (SMS) positions that are currently vacant in terms of the old organisational structure.

**Oversight responsibility**

1. Compliance matters, particularly with regards to supply chain management, have received considerable attention from the department. It has been noted that the department confirmed that all awards are subject to a pre-audit by Inspectorate and Compliance unit across the department since September 2014 in order to prevent any potential irregular and fruitless and wasteful expenditure. To date it has been partially effective given that instances of non-compliance are still being identified by management and through the audit process.
2. There should be an increased level of oversight in the upcoming year over performance reporting against predetermined objectives. This includes the interrogation of reasons why particular targets are not being achieved.

**Human resource management**

1. The department has finalised updating organisational structure in line with the radical restructuring that took place between the department and PMTE, which amongst others includes the approval of the new programme budget structure. A migration framework was also developed and it will be implemented from 01 April 2017.
2. The department has high overall vacancy rate at the end of 31 December 2016 in the senior management positions. This could have a negative impact on the core business of the department as there might not be sufficient human resources to fulfil the mandate of the department.

**Policies and procedures**

1. Management has completed the process of approving and communicating policies during the year under review, to ensure the sustainability of this process it is suggested that an annual policy review is undertaken going forward. The process of documenting standard operating procedures throughout the business has also commenced. This includes a review of internal controls where relevant to ensure that business processes are imbued with the necessary checks and balances and internal controls, however we noted that several policies and procedures were not regularly updated by the department.

**Action plans to address internal control deficiencies**

1. Implementation of the audit actions plan has not transpired in all instances. It is a concern that the issues relating to assets under construction and capital commitments identified in the   
   2015-16 year have not yet been adequately addressed.

**Information technology governance framework**

1. Without an approved and adequately tested Disaster Recovery Plan the department may be unable to recover critical business functions within an acceptable timeframe in the event of a disruption. This may result in lengthy disruptions which could affect the department’s delivery on its core mandate.
2. The lack of an effective training plan to ensure that internal stuff is capacitated to perform their job functions resulted in consultants/contractors performing key IT functions.

FINANCIAL AND PERFORMANCE MANAGEMENT

**Proper record keeping**

1. The department does not have a proper system of record management that provides for the maintenance of information that supports the reported performance contained in the annual performance report. This includes information that relates to the collection, collation, verification, storage and reporting of actual performance information. This matter should receive priority in the fourth quarter of 2016-17 financial year.

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

1. Challenges were still being experienced with integrity of the data from EPWP reporting system, as we have noted during the audit that the information on the EPWP reporting was not adequately validated due to the errors noted.
2. We have noted from our review of the work of internal audit that management has in some instances, been slow to respond to the findings of internal audit. Addressing these findings will strengthen the control environment in the department, and embed a culture of compliance within all officials.

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

1. The review of the interim financial statements submitted for auditing has shown significant improvement over the past number of years.

**Compliance monitoring**

1. Compliance monitoring has improved evidenced by the reduction of non-compliance reported but is not successfully preventing non-compliance from occurring yet. The detection controls surrounding irregular as well as fruitless and wasteful expenditure have improved.

**Implement formal controls over Information technology systems**

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

GOVERNANCE

**Risk management activities and risk strategy**

1. Although a risk assessment was concluded the entity needs to do a significant amount of work to embed a culture of effective risk management. The size of the risk management department is still too small for what they need to do. Increasing the capacity of this department will enable to increase focus on regional offices where many of the risks reside.

**Internal audit**

1. Discussions have been held with internal audit around whether the work performed by them can be utilised by the external audit. However we note that internal audit unit did not fully conform to the Institute of Internal Auditors Standards as per the results of the self-assessment conducted by internal audit conducted during the current financial year.
2. With respect to normal internal audits, some valuable reports have been issued; however it remains a concern that high risk audits are only scheduled for completion close to the end of the financial period as this does not afford management with the opportunity to implement the recommendations prior to year-end

**Audit committee**

1. The audit committee functions throughout the year, the committee approved the internal audit plan and also considered the internal reports, monitored the implementation of recommendations by the department.
2. The audit committee is currently effectively involved from a governance perspective in the department and entity’s turnaround process, which is an on-going project.

**SECTION 7: CONCLUSION**

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

Yours faithfully

Dipallo Shea

Senior Manager: National A(05)

1. March 2017

Enquiries: Kenny Mothlala

Telephone: 012 422 9770

Fax: 012 422 9619

Email: [kmothlala@agsa.co.za](mailto:kmothlala@agsa.co.za)

**Distribution:**

Accounting Officer

CFO

Audit committee

Head of internal audit unit

**: 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 regulation** | **Internal control deficiency** | **Service delivery** | **Matters affecting the auditor’s report** | **Other important matters** | **Administrative matters** |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Predetermined objectives** | | | | | | | | | | | |
|  | Predetermined objectives (2017/18): Not all the targets in the MTSF were included in APP. |  |  |  | **✓** | **✓** | **✓** |  |  | None | In progress |
|  | Predetermined objectives: EPWP beneficiaries were not reported on the EPWP fourth quarter data. |  |  |  | **✓** | **✓** | **✓** |  |  | None | In progress |
|  | Predetermined objectives: Errors on beneficiary reported on EPWP systems for quarter 3 – ending 31 December 2016. |  |  |  | **✓** | **✓** | **✓** |  |  | None | In progress |
|  | Predetermined objectives: Beneficiaries duplicated on the EPWP reporting system |  |  |  | **✓** | **✓** | **✓** |  |  | None | In progress |
|  | Predetermined objectives: Non submission of ID copies, attendance register and proof of payments |  |  |  | **✓** | **✓** | **✓** |  |  | None | In progress |
|  | Predetermined objectives: Beneficiaries listed on the EPWP reporting system list not employed on the project |  |  |  | **✓** | **✓** | **✓** |  |  | None | In progress |
| **Human Resource Management** | | | | | | | | | | | |
|  | Pretoria Regional Office - Non submission of information (Scope Limitation) |  |  |  | **✓** | **✓** | **✓** |  |  | None | In progress |
|  | Human Resource Management: Post vacant for more than 12 months |  |  |  | **✓** | **✓** | **✓** |  |  | None | In progress |
|  | Human Resource Management: Payroll certificates not certificate and returned timeously. |  |  |  | **✓** | **✓** | **✓** |  |  | None | In progress |
|  | Human Resource Expenditure – S&W: Basic salaries are overstated due to account misallocation. |  |  |  | **✓** | **✓** | **✓** |  |  | None | In progress |
| **Goods and Services** | | | | | | | | | | | |
|  | Goods and Services: Payments made after 30 days |  |  |  | **✓** |  |  | **✓** |  | 3 | In progress |
| **Information systems audit** | | | | | | | | | | | |
|  | Information Technology Governance: Over reliance on consultants to perform key IT functions |  |  |  | **✓** |  |  | **✓** |  | 3 | In progress |
|  | Information Technology Service Continuity: Disaster Recovery Plan not approved |  |  |  | **✓** |  |  | **✓** |  | 3 | In progress |

**DETAILED AUDIT FINDINGS**

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

Laws, rules and regulations

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

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

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

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

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

1. In terms of the MTSF paragraph 7

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

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

*The indicators for measuring progress, targets and timeframes.”*

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

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

The following deviation was noted:

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

Impact of the finding:

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

**Internal control deficiency**:

## Financial and performance management

The department did not review and monitor compliance with applicable legislation

**Recommendation**

1. Management should develop a policy to be implemented during strategic planning which will enforce thorough review of the annual performance plan; this will also ensure designing of indicators and targets that only meet the criteria required by the National Treasury’s Framework for managing programme performance information (FMPPI).

1. The department must ensure that the annual performance plan is aligned to the MTSF.

**Management response**

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | x |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | The DPME as the responsible custodians of the MTSF do not consult with sector departments when amending the MTSF. Furthermore, this KPI is a repetition of KPI 1 which is reporting the same WO in a different form.  Although the Department does not agree that this should be an additional KPI, it has been included into the APP for compliance. | |

*Name: Anbigay Naicker*

*Position: Director/ Strategic Planning*

*Date: 23 February 2017*

**Auditor’s conclusion**

It has been noted that management is in agreement with the finding and has adjusted the 2017/18 Annual Performance Plan. Therefore this finding is resolved

1. **EPWP – Kouga Municipality - The projects were not reported on the EPWP reporting system**

Laws, rules and regulations

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

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

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

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

During the audit of EPWP projects at Kouga Municipality, the St Francis Bay project 40515 and St Francis Bay project 40511 were not reported by the department. However the ID copies, attendance register and proof of payment were obtained for the beneficiaries listed under the projects.

Impact of the finding:

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

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

**Internal control deficiency**

Reason for the deviation:

Beneficiary lists and project lists are not regularly reviewed to ensure that all participants are captured on EPWP reporting system.

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

*Financial and Performance Management*

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

**Recommendation**

Frequent reviews of project lists and beneficiary lists to ensure that all projects and participants are captured on EPWP reporting system.

**Management response**

I am agreement with the finding for the following reasons:

1. The Department of Roads and Public Works (DRPW) that is providing capturing assistance has been facing challenges of submission of data and portfolio of evidence (PoE) by the Kouga Local Municipality on its project implemented in 2016.
2. However, the LM only submitted the data for the IG/ St Francis Bay Infrastructure 2016 (40515) and IG/St Francis Bay Environmental 2016 to be captured during the pre-audit visits conducted by the Department of Public Works (DPW) and the DRPW, on the 2 and 3rd of March 2017.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | 1. The two projects have been reported on the EPWP-RS with the information received from the LM by the DRPW. 2. The DDG:EPWP will be communicating to the MM: Kouga about the findings and requesting their intervention to ensure that data is submitted within the respective quarters for capturing. | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
| N/A | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | | |
| Position of official responsible to take corrective actions | Municipal Manager: Kouga LM | | |
| Estimated completion date for corrective action | 30 June 2017. | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | The Kouga LM failed to submit the project information and source documents to the provincial Department to ensure that their projects are in the EPWP-RS by end of Q3 reporting. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Management disagrees on the basis that the issue is not the lack of a proper record management system. The DRPW and Technical Support has made numerous engagement with the LM which has being a challenge to get data due to its lack of monitoring of contractors in place. | |

Name: Mr S.W. Henderson

Deputy Director-General (DDG): EPWP

Date: 30 March 2017

**Auditor’s conclusion**

Management response is acknowledged, the finding remains unresolved and it will be followed during the final audit whether it has been included.

1. **Predetermined objectives: EPWP beneficiaries were not reported on the EPWP third quarter data.**

Laws, rules and regulations

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

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

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

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

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

| **No.** | **Name of Public Bodies** | **Project name** | **Interim - Number of beneficiaries not included in the project list** |
| --- | --- | --- | --- |
| 1. | NYS – Bloemfontein Regional Office | Tempe 1 Parachute Battalion - Group 1 | 12 |
| 2. | NYS – Bloemfontein Regional Office | Tempe 1 Parachute Battalion - Group 2 | 03 |
| 3. | NYS – Bloemfontein Regional Office | Tseki | 01 |
| 4. | NYS – Bloemfontein Regional Office | Odendaalsrus | 04 |
| 5. | NYS – Bloemfontein Regional Office | Groenpunt - Group 1 | 07 |
| 6. | NYS – Bloemfontein Regional Office | Groenpunt - Group 2 | 15 |
| 7. | Letsemeng Local Municipality - Bloemfontein | Letsemeng ECD Project | 72 |
| 8. | Berger Rivier Municipality – Cape Town | Roads and Stormwater Construction | 02 |
| 9. | Berger Rivier Municipality – Cape Town | Berger Rivier Waste Management | 31 |
| 10. | NYS – Cape Town Regional Office | Faure SAPS Complex | 05 |
| 11. | NYS – Cape Town Regional Office | Paarl Allandale Correctional Centre | 22 |
| 12. | NYS – Cape Town Regional Office | Epping and Ndabeni Service Products | 55 |
| 13. | NYS – Cape Town Regional Office | Wyneberg Magistrate Court | 09 |
| 14. | NYS – Cape Town Regional Office | Swans Garage Cape Town | 03 |
| 15. | NYS – Cape Town Regional Office | Justicia Building | 08 |
| 16. | NYS – Kimberly Regional Office | Koopmansfontein | 18 |
| 17. | NYS – Kimberly Regional Office | 93 Ammunition Repairs | 05 |
| 18. | NYS – Kimberly Regional Office | Colesberg SAPS | 02 |
| 19. | NYS – Polokwane Regional Office | Matashe Prison | 10 |
| 20. | NYS – Polokwane Regional Office | Mankweng Police station | 01 |
| 21 | NYS – Polokwane Regional Office | Lulekani project | 01 |
| 22. | NYS – Polokwane Regional Office | Elias Motsoaledi | 02 |
| 23. | CDM – Polokwane Regional Office | Community Waste cleaning Blouberg | 01 |
| 24. | CDM – Polokwane Regional Office | Alien Plant Eradication –Mafefe Ngwaname | 13 |
| 25. | NYS – Polokwane Regional Office | Elias Motsoaledi | 02 |
| 26. | NYS – Polokwane Regional Office | Elias Motsoaledi | 04 |
| 27 | NYS – Nelspruit regional office | Ermelo Camden Military Base | 09 |
| 28 | NYS – Nelspruit regional office | Belfast Prison | 05 |
| 29 | NYS – Nelspruit regional office | Middleburg Court | 01 |
| 30 | NYS – Nelspruit regional office | Middleburg SAPS | 01 |
| 31 | NYS – Nelspruit regional office | Nelspruit Prison | 02 |
| 32 | NYS – Nelspruit regional office | Middleburg 4SAI Military Base | 03 |
| 33 | NYS – Nelspruit regional office | Lydenburg Project | 03 |
| 34 | NYS – Nelspruit regional office | Ermelo Old Prison: Repairs and Renovation Con | 06 |
| 35 | NYS – Nelspruit regional office | Sand River Military Base | 01 |
| 36 | Mafikeng Local Municipality | Maintenance of Monthsioa Stadium | 43 |
| 37 | NYS – Mmabatho Regional office | Zeerust SAPS | 16 |
| 38 | NYS – Mmabatho Regional office | Rustenburg Prison | 07 |
| 37 | Mbashe Municipality | Rural Waste Pickers | 128 |
| 38 | NYS – Port Elizabeth regional office | Fort Jackson SAPS | 12 |
| 39 | NYS – Port Elizabeth regional office | Forest Hill Military Base | 29 |
| 40 | NYS – Port Elizabeth regional office | Gonubie Police Station | 01 |
| 41 | NYS – Port Elizabeth regional office | Kwazakhele | 04 |
| 42 | NYS – Port Elizabeth regional office | Forest Hill Wash | 04 |
| 43 | NYS – Port Elizabeth regional office | PE SANDF Building | 06 |
| 44 | NYS – Port Elizabeth regional office | PE Police Station | 09 |
| 45 | NYS – Port Elizabeth regional office | Mdatsane Magistrate Court | 04 |
| 46 | Emfuleni Municipality- Johannesburg | Horticultural Project | 20 |
| 47 | Emfuleni Municipality- Johannesburg | Rentlafatsa Sebokeng Project | 93 |
| 48 | Emfuleni Municipality- Johannesburg | Beatification of vereeniging Project | 59 |
| 49 | Emfuleni Municipality- Johannesburg | Administration and Clerical Project | 11 |
| 50 | Emfuleni Municipality- Johannesburg | Beautification of vanderbjilpark CBD | 42 |
| 51 | Emfuleni Municipality- Johannesburg | Cleaning of ELM Offices Project | 32 |
| 52 | Maphumulo Municipality - Durban | IG/River Cleaning Project | 5 |
| 53 | Kouga Municipality – Port Elizabeth | Jeffreys Bay Infrastructure | 02 |
| 54 | Kouga Municipality – Port Elizabeth | Humansdorp Infrastructure | 04 |
| 55 | Kouga Municipality – Port Elizabeth | Gamtoos Infrastructure | 15 |
| 56 | Kouga Municipality – Port Elizabeth | Humansdorp Environmental Project | 05 |
| 57 | Kouga Municipality – Port Elizabeth | Gamtoos Environmental Project | 10 |
| 58 | Kouga Municipality – Port Elizabeth | Jeffreysbay Environmental Project | 04 |
| 59 | NYS - Head Office | National Archives | 1 |
| 60 | NYS - Head Office | Library | 3 |
| 61 | NYS - Head Office | National Printing office | 2 |
| 62 | NYS - Head Office | Kgosi Mampuru CMAX | 1 |
|  | **TOTAL** |  | **304** |

Impact of the finding:

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

b) Understatement of work opportunities created.

**Internal control deficiency**

Reason for the deviation:

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

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

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

***Financial and Performance Management***

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

**Recommendation**

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

**Management response**

Bloemfontein (NYS)

I am agreement with the finding because most of the participants from the projects were captured but did not pass validation tests conducted on the Identity Documents (IDs) copies uploaded on the Expanded Public Works Programme Reporting System (EPWP-RS) and other participants were not captured by end of Q3 reporting period due to lack of valid ID copies at the time.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | The data captures are correcting the errors noted in the system on the uploaded ID copies and they will also capture those participants that have all supporting documents and clear valid ID copies. | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
| N/A | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | | |
| Position of official responsible to take corrective actions | Deputy Director: National Youth Service (NYS) FS | | |
| Estimated completion date for corrective action | 15 April 2017 | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | The root cause is the non-submission of valid ID copies, which is a EPWP-RS prerequisite by contractors to the DPW: Project Directorate in order to allow for capturing of all participants in the attendance registers and proof of payment. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Management disagrees with the internal deficiencies as identified as the finding is a result of ID copies not submitted in time by contractors from Projects directorates to the EPWP data captures to allow for capturing, | |

Letsemeng Local Municipality I No management respond was received.

Berger Rivier Municipality – No management respond was received.

Cape Town - NYS

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

The participants found to have not be part of the validated Q3 data submitted to the Audit General of South Africa (AGSA) on the six (6) projects were captured on the Expanded Public Works Programme Reporting System (EPWP-RS). However they did not pass validation due to ID copies loaded onto the EPWP-RS not clear and some of the ID copies certification stamp was unclear therefore they are in the pending list in the system.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | The Data Capturers are uploading clear ID copies with clear certification date stamps to ensure that the participants pass validations for Q4. | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
| N/A | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | | |
| Position of official responsible to take corrective actions | Programme Manager: EPWP WC | | |
| Estimated completion date for corrective action | 30 April 2017 | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | The Data Capturer did not make follow-up with the relevant Projects Unit to collect valid ID copies and ensure that the pending participants are validated by end of Q3 reporting period. | |

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

Kimberly NYS

**Management response**

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

Of the 25 participants listed above:

1. Seventeen (17) from Koopmansfontein (45721-EPWP); 5 from 93 Ammunition Repairs (48414-EPWP); and 2 from Colesberg SAPS (44707-EPWP) projects were on the pending list at the end of the Q3 as the ID copies were not loaded on the EPWP-RS. Subsequently the ID documents were uploaded on the system and is now reflected on the system. The attached Annexures confirm same **(Annexure A - C).**
2. Participant **Jose’ Tomas Guirrugo** from the **Koopmansfontein project,** was not reported on the EPWP- RS as he is not a South African citizen and does not possess a valid South African ID document. The system does not make allowance for capturing foreigners without ID numbers.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | Monthly reconciliation of project file data with the system data to ensure that all participants appearing in the source documents are approved in the EPWP-RS. | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | | |
| Position of official responsible to take corrective actions | Programme Manager: EPWP NC | | |
| Estimated completion date for corrective action | 31 March 2018 | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | The quality of the ID copies received from the contractors is mostly not in acceptable manner for the EPWP-RS, resulting in the system rejecting the uploaded document. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | The EPWP-RS has internal built-in controls in place to reduce the loading and capturing of invalid data. Therefore ID copies that are not clear, are rejected by the system as a quality control mechanism. | |

Polokwane NYS – no management respond received

CDM – Polokwane Regional Office - no management respond received

Nelspruit NYS

I am agreement with the finding for the following reasons:

1. The following can be noted on the **Ermelo Camden Military Base (32264)**:
   1. Five (5) participants were not part of the validated Q3 data because the certification date stamp on the Identity (ID) copies loaded on the Expended Public Works Programme Reporting system (EPWP-RS) had expired and were not clear. The participants are: Nomthandazo Maseko, Phethile Nkosi, Zama Khumalo, Mafika Mthethwa and Gfit Nkabinde.
   2. One (1) participant Lerato Goodness Phiri was not linked to the project location.
   3. Two (2) participants namely Sandile Kunene and Nkosinathi Mabizela’s ID copies were validated with the Department of Home Affairs (DHA) after the system closed for Q3 and will reflect on the Q4 data.
2. Three (3) participants from the **Lydenburg Project (44267**) namely Mongezi Magagula and Smangaliso Mnisi are on the pending list as ID copies that were uploaded on the system were unclear while Lerato Mlangeni did not pass validation as the certification date on the ID document was stale.
3. Twenty (20) participants from the 6 projects were not captured by end of Q3 due to the lack of clear ID copies while some did not signed the proof of payments and for the remainder the contractors did not submit contracts. They were therefore not captured on the EPWP-RS.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | 1. The region will engage with the contractors to resubmit new ID copies to allow them to capture in the system. 2. The Provincial Department of Public Works which captures for the department will be monitored to ensure that all pending participants are cleared and validated. 3. The region will be working on capturing the participants that have the pre-requisite data in the EPWP-RS. | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
| N/A | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | | |
| Position of official responsible to take corrective actions | Programme Manager: EPWP MPU | | |
| Estimated completion date for corrective action | 15 April 2017 | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | Attendance Registers and Proof of Payments are not the only source documents required for reporting on the EPWP-RS. In the absence of other documentation such as a valid certified ID copy, etc the participants will not be captured on the EPWP-RS.  Such controls were put in place to eliminate the reporting of invalid participants. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Management disagrees on the basis that the issue is not the lack of a proper record management system. There are controls put in place to ensure that compliant and valid participants are captured. | |

Mafikeng local municipality

I am agreement with the finding for the following reasons:

The forty three (43) participants were captured in the Expanded Public Works Programme Reporting System (EPWP-RS) for the project however the data capture of the local municipality (LM) did not link them to the relevant project which led to them not being validated.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | The LM data capture will link and update the participants for the relevant project to ensure that they are validated with the final data in the EPWP-RS. | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
| N/A | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | | |
| Position of official responsible to take corrective actions | EPWP Coordinator: Mafikeng LM | | |
| Estimated completion date for corrective action | 30 April 2017 | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | Due to the data capture not linking the location in the EPWP-RS to enable the participants to be reported in the relevant project, the participants failed the system validations. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Management disagrees on the basis that the issue is not the lack of a proper record management system. There are built-in controls put in place to ensure that compliant and valid participants are captured and reported. One of the important rules in the EPWP-RS to enable reporting of participants in the correct projects, they must be linked to their specific project location. Therefore failure to complete this commands will not allow the participants to be updated monthly as they are not linked to any project but kept in the Masterfile of the system until linked and reported. | |

Maphumulo municipality

**Management response**

The department of Public Works coordinates the EPWP (implemented by public bodies). All budget allocations for EPWP are made directly to implementing bodies (national, provincial and municipal levels), through their respective budget votes.

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

1. By end of quarter three system closure the five participants had not being validated by the EPWP monitoring and evaluation system administration and therefore were not able to be included in the validated data released to the AGSA.
2. All the participants have now being validated in the system are reflecting on the project.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | The EPWP Kwazulu-Natal Regional Office will assist the Maphumulo LM by liaising with the EPWP: Monitoring and Evaluation Unit at Head Office to ensure that the participants are validated before quarter four reporting closes in April | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions | Programme Manager: EPWP KZN | | |
| Estimated completion date for corrective action | 31 March 2017 | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | The public body is responsible to capture and authorize the data the captured in the EPWP-RS. In this regard the controls in place include:   1. The data collection tool, 2. Accounting officer in each public body is allocated the responsibility to authorize and validate the data captured (through verifying the POEs), and 3. There are weekly site visits to public bodies to identify areas of non-compliance is reported to the public bodies who is responsible to remedy such. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | In terms of the Ministerial Determination, the public body (employer) is to keep records of the work opportunity created and not the Department of Public Works(DPW). DPW only keeps records of Identity document which are loaded onto the EPWP –RS by the public body. The ID is used to validate participants captured by employer. Once validations are conducted, the EPWP M&E unit approves the participants and on a weekly basis circulates the variance reports to public bodies to   1. Verify that all participants have been captured correctly, and 2. Correct those that have not passed validation. | |

Name: Mr S.W Henderson

Position: DDG: EPWP

Date: 27 March 2017.

**Auditors Response**

The finding remains unresolved; the participants will be followed on quarter four to verify whether they are included and above the selected projects which are funded by National department of Public works, if the public body is not complying with the requirements for EPWP, the department should stop the funds.

1. **Predetermined objectives: Errors on beneficiary reported on EPWP systems for quarter 3 – ending 31 December 2016.**

**Audit Finding**

Laws, rules and regulations

Public Finance Management Act section 40 states the following:

Section 40(3) (a) states:

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

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

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

Impact of the finding:

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

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

**Internal control deficiency**

Reason for the deviation:

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

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

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

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

**Financial and performance management**

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

**Recommendation**

a) The department must run test on of all beneficiaries on EPWP RS regularly and also provide evidence to the auditors that the above findings were resolved.

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

c) Matters reported on during the AGSA interim audit should receive the necessary attention to avoid re-occurrence at year-end.

d) The department should introduce the field of project start and end date to ensure that the duplications which exist are eliminated.

**Management Response**

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

1. **Beneficiaries have valid ID numbers:**

The department has conducted an investigation on the matter related to invalid ID numbers reported in the EPWP reporting system. Of the 65 participants, it was noted that 9 participants ID numbers were duplicates on the Auditor General of South Africa (AGSA) data. Furthermore, it has been established that the fifty six (56) participants have new Identity Document (ID) numbers recorded at Home affairs. The ID numbers in the system are old ID numbers. This may be verified through the link with Home Affair, below (by changing in each case the ID number at the end of the sequence to the relevant number):

<http://epwprs.dpw.gov.za/9080/exist/rest/db/homeAffairs/test/homeAffairsValidationTester.xq?id=5706065814185>

Furthermore, it must be noted, that the information captured on the system (ID Number) was correct at the time of capturing.

1. **Beneficiaries wages not less than R75,00 per day:**

Most programmes in the Social Sector may come across as paying below the minimum wage as prescribed by the Ministerial Determination. However, the participants in these projects do not work for a full day (8 hours) per day. However the system does not allow for half day reporting which then reflects the wages rate lower than the minimum wage. While, the EPWP-RS does not have a threshold for minimum wage, the EPWP-RS flags participants that do not meet the minimum threshold during the compilation of annexures. The flagging highlights to the affected public bodies the discrepancies with the wage rates for better planning for future project. In conclusion participants with wages less than the minimum wage specified by Department of Labour are currently not removed from the validated data however are flagged in the annexure and variance reports presented to the Sectors and Stakeholders.

1. **Beneficiaries with the Persal number:**

The Persal data received from the AGSA will need further investigation as current observation indicates that on average the minimum wage rate paid for an unskilled labour isR83, 00. A large number of public bodies across the spheres use the Persal System to pay EPWP participants. Furthermore, the programme has also noted that a number of projects have incorrectly captured the employment details on the Persal system. Once the sectors for the projects on the list are established the programme will distribute the data to the sectors to provide their comprehensive inputs as well as to correct the employment details on the Persal via their respective salaries units.

1. **Deceased beneficiaries:**

It should be noted that the 116 participants died within the reporting period, with the bulk being deceased in December 2016. Therefore, the EPWP-RS allows for monthly payment data for a deceased participant to be included in published data up to the month that the deceased participant passed away. There will then be no movement in the person-days of employment and no further payment data captured on the EPWP-RS beyond the deceased date of a participant.

1. **Beneficiaries more than 60 years old:**

It should be noted that the EPWP does not have a maximum age threshold therefore there is not abnormality in the employment and reporting of participants that are more than 60 years old. A large number of the participants in maintenance and waste management projects are elderly women as long as they are able to implement the work, they are not excluded from participating in the programme.

1. **Beneficiaries appearing in the multiple projects in the current year:**

Participants are allowed to work in multiple projects in the EPWP programme as long as the days worked in a particular month do not exceed 23 days of work and not duplicates. By this it means that for example a Household Programme can work for 8 days per month (Mondays & Wednesdays) on the maintenance project and also work for another 8 days per month in a Waste Collection projects (Tuesdays & Thursdays). Therefore a participant can be captured in more than one project, the control measure in the system is that once 23 days of employment is reported, the system does not allow for any further work days to be captured. Moreover, each employment period must be ended for a participant in the system per project in a given financial year.

**Auditors Response**

Management response is noted and followed up will done during the final audit on the management responses to determine the validity of response and also the findings will be followed with the home affairs and relevant public bodies.

1. **Predetermined objectives - Beneficiaries duplicated on the EPWP reporting system**

Laws, rules and regulations

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

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

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

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

During the audit of EPWP projects at the Nelspruit Regional Office, the following deviations were noted:

The beneficiaries listed below duplicated in two projects and we could find one attendance register.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Beneficiary** | **ID Number** | **Project code** | **Project code** |
| 1 | Zamantungwa Prudence Khumalo | 9202260429082 | 46491-EPWP3N | 46496-EPWP3N |
| 2 | Sunnygirl Nombulelo Nkosi | 9311140264088 | 46491-EPWP3N | 46496-EPWP3N |
| 3 | Sbusiso Ndhlovu | 9109296033087 | 46491-EPWP3N | 46496-EPWP3N |
| 4 | Rebecca Nonhlanhla Melatu | 9005120539085 | 46491-EPWP3N | 46496-EPWP3N |
| 5 | Thembinkosi Cyprian Sidu | 9601235482086 | 46491-EPWP3N | 46496-EPWP3N |

Impact of the finding:

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

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

**Internal control deficiency**

Reason for the deviation:

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

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

*Financial and Performance Management*

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

**Recommendation**

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

**Management response**

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

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

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

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

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

1. **EPWP – Mbashe Municipality - Beneficiaries listed twice on the same project**

Laws, rules and regulations

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

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

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

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

During the audit of EPWP projects at Mbashe Municipality, the following deviation was noted:

The beneficiaries listed as per annexure attached for the Rural Waste Pickers project 41085 were reported as beneficiaries on the project listed below, which happens to be the same project but with a different project code.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Project Name** | **Project Code** | **Number of work opportunities duplicated** | **Annexure Reference** |
| 1 | Rural Waste | 24331-EPWP3M | 173 | Annexure A |

Impact of the finding:

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

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

**Internal control deficiency**

Reason for the deviation:

1. Beneficiary lists and project lists are not regularly reviewed to ensure that the actual reported data agrees to the information as per the EPWP reporting system.

.

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

*Financial and Performance Management*

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

**Recommendation**

Frequent reviews and monitoring of beneficiary lists and project lists by management to ensure that the projects and beneficiaries reported are accurate and valid.

**Management response**

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

1. The project Rural Waste (24331) was reported by the Mbhashe Local Municipality using their own funded budget in their 2015/2016 financial year which ended 30 June 2016. In the EPWP-RS the start date of the project was 03 August 2015 with end date 30 June 2016.
2. The project is a multi-year project, therefore in the municipal financial year it was registered IG/Rural Waste Pickers (41085) due to the new budget, including the Integrated Grant (IG) fund from the Department of Public Works, and with a new end date. The new cycle utilizing the IG fund ends 30 September 2017. This can be considered as another Phase of the project reported in the prior year.
3. In respect of the participants, their employment was ended on project filed 24331 and they were re-contracted by the LM to work in the new phase of the project reference 41085. This is not duplicate report because in EPWP a “work opportunity (WO) is paid work created for an individual on an EPWP project for any period of time. The same person can be employed on different projects and each period of employment will be counted as work opportunity”.

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | In this instance the Mbhashe LM was correct to register the IG project in the new financial year with the allocated budget to enable the department to track performance and expenditure. The programme does allow for the same participants that worked on a prior project to work on another project within the same public body at different intervals or within the same month, as long as they are not working the same days in the same month. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Management disagrees on the basis that the issue is not the lack of a proper record management system. The EPWP programme does allow for participants to be reported in more than 1 project within a financial year. | |

*Name: Mr S.W. Henderson*

*Deputy Director-General (DDG): EPWP*

*Date:30 March 2017*

**Auditor’s conclusion**

We do not agree with management response as the beneficiaries worked on the same project in the current financial year and when the project stopped in the current financial year, the public body should have continue reporting on the same project at the later date when the project resumed and not open a new project, as the action resulted in those beneficiaries counted twice.

1. **Predetermined Objectives: Non submission of ID copies, attendance registers and No proof payment**

Laws, rules and regulations

In terms of Public Finance Management Act (PFMA)

Section 40(1) (a) states that:

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

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

Section 40(3) (a) states that:

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

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

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

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

*(b) Copy of an acceptable worker identification*

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

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

*(e) Payments made to each worker.*

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

The following deviations were noted:

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

| **No** | **Public Body** | **Project Name** | **Number of ID not provided** | **Number of work opportunities reported for the year** |
| --- | --- | --- | --- | --- |
| 1. | NYS - Durban regional Office | Port Shepstone Magistrate Court | 13 | 92 |
| 2. | NYS - Durban regional Office | Ladysmith SAPS | 12 | 69 |
| 3. | NYS - Durban regional Office | Escourt Prison | 06 | 59 |
| 4. | NYS - Durban regional Office | Colenso SAP | 11 | 41 |
| 5. | NYS - Durban regional Office | Hluhluwe Home Affairs | 03 | 22 |
| 6. | NYS - Durban regional Office | Chartsworth Magistrate Court | 02 | 75 |
| 7. | NYS - Nelspruit Regional Office | Barberton Prison | 01 | 14 |
| 8. | Mbashe Municipality | Rural Waste Pickers | 05 | 297 |
| 9. | NYS - Mmabatho Regional Office | Zeerust SAPS | 05 | 64 |
| 10. | NYS - Mmabatho Regional Office | Rustenburg Prison | 01 | 08 |
| 11. | Mafikeng local municipality | Montshoia Stadium | 01 | 15 |
| 12. | Kouga Municipality | Humansdorp Environmental | 02 | 07 |
|  | **TOTAL** |  | **122** | **669** |

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

| **No** | **Public Body** | **Project Name** | **Number of attendance register not provided** | **Number of work opportunities reported for the year** |
| --- | --- | --- | --- | --- |
| 1. | NYS – Cape Town Regional Office | SAPS Tafelberg Flats | 04 | 30 |
| 2. | NYS – Cape Town Regional Office | Epping SAPS | 09 | 34 |
| 3. | NYS – Cape Town Regional Office | Justicia Building | 15 | 34 |
| 4. | NYS – Cape Town Regional Office | Faure: SAPS Complex | 05 | 05 |
| 5. | NYS – Cape Town Regional Office | Paarl: Allandale Correctional Centre | 01 | 06 |
| 6. | NYS – Cape Town Regional Office | Wynberg Magistrate Court | 18 | 41 |
| 7. | NYS – Cape Town Regional Office | Swans Garage Cape Town | 01 | 35 |
| 8. | NYS – Cape Town Regional Office | Cape Town Parliamentary Villages | 01 | 18 |
| 9. | NYS - Durban regional Office | Port Shepstone Magistrate Court | 30 | 92 |
| 10. | NYS - Durban regional Office | Ladysmith SAPS | 04 | 69 |
| 11. | NYS - Durban regional Office | Escourt Prison | 59 | 59 |
| 12. | NYS - Durban regional Office | Colenso SAP | 11 | 41 |
| 13. | NYS - Durban regional Office | Hluhluwe Home Affairs | 03 | 22 |
| 14. | NYS - Durban regional Office | Chartsworth Magistrate Court | 02 | 75 |
| 15. | Maphumulo Municipality | River Cleaning Project | 07 | 66 |
| 17. | NYS – Johannesburg Regional Office | Springfield Department of Labour | 12 | 14 |
| 18. | NYS – Nelspruit Regional Office | Bethal SAPS | 01 | 19 |
| 19. | NYS – Nelspruit Regional Office | Belfast Prison | 05 | 10 |
| 20. | NYS – Nelspruit Regional Office | Barberton Prison | 04 | 14 |
| 21. | NYS – Nelspruit Regional Office | Middleburg Court | 01 | 12 |
| 22. | NYS – Nelspruit Regional Office | Nelspruit Prison | 01 | 17 |
| 23. | Mbashe Municipality | Rural Waste Pickers | 02 | 297 |
| 24. | Capricorn Municipality | IG/ Alien plant Eradication Lepelle –Nkumpi | 12 | 48 |
| 25. | Capricorn Municipality | Alien Plant Eradication Blouberg | 01 | 24 |
| 26. | Capricorn Municipality | Community Waste cleaning Blouberg | 03 | 28 |
| 27 | Mafikeng Local Municipality | Meter reading within Mafikeng and Mmabatho | 04 | 06 |
| 28 | Mafikeng Local Municipality | Law enforcement, fire rescue and road marking | 04 | 42 |
| 29 | NYS - Mmabatho | Zeerust SAPS | 63 | 63 |
| 30 | NYS – Mmabatho | Rustenburg Prison | 08 | 08 |
| 31 | NYS - Mmabatho | Klerkdorp PC Plecer | 12 | 12 |
| 32 | Kouga Municipality | Humansdorp Infrastructure | 01 | 05 |
| 33 | Kouga Municipality | Jeffreysbay Environmental | 01 | 05 |
| 34 | Kouga Municipality | Humansdorp Environmental | 01 | 07 |
|  | **TOTAL** |  | **224** | **1 116** |

c) No proof of payments were provided for the following beneficiaries.

| **No** | **Public Body** | **Project Name** | **Number of proof of payment not provided** | **Number of work opportunities reported for the year** |
| --- | --- | --- | --- | --- |
| 1. | NYS – CT regional office | SAPS Tafelberg Flats | 01 | 30 |
| 2. | NYS – CT regional office | Epping SAPS | 09 | 34 |
| 3. | NYS – CT regional office | Justicia Building | 07 | 34 |
| 4. | NYS – CT regional office | Faure SAPS Complex | 05 | 05 |
| 5. | NYS – CT regional office | Paarl Allandale Correctional Centre | 06 | 06 |
| 6. | NYS – CT regional office | Wynberg Magistrate Court | 20 | 41 |
| 7. | NYS – CT regional office | Epping and Ndabeni Service Products | 28 | 35 |
| 8. | NYS – CT regional office | Swans Garage Cape Town | 09 | 35 |
| 9. | NYS – CT regional office | Cape Town Parliamentary Villages | 18 | 18 |
| 10. | NYS – Durban regional Office | Port Shepstone Magistrate Court | 92 | 92 |
| 11. | NYS – Durban regional Office | Ladysmith SAPS | 16 | 69 |
| 12. | NYS – Durban regional Office | Escourt Prison | 58 | 58 |
| 13. | NYS – Durban regional Office | Colenso SAP | 20 | 41 |
| 14. | NYS – Durban regional Office | Hluhluwe Home Affairs | 06 | 22 |
| 15. | NYS – Durban regional Office | Gamalakhe SAPS | 07 | 45 |
| 16. | NYS – Durban regional Office | Chartsworth Magistrate Court | 23 | 75 |
| 17. | NYS – Johannesburg regional office | Springfield Department of Labour | 01 | 14 |
| 19. | NYS – Nelspruit Regional Office | Belfast Prison | 01 | 10 |
| 22. | NYS – Nelspruit Regional Office | Middleburg Court | 12 | 12 |
| 23. | NYS – Nelspruit Regional Office | Belfast Prison | 03 | 10 |
| 25. | NYS – Nelspruit Regional Office | Ermelo Old Prison: Repairs and Renovation Con | 01 | 19 |
| 26. | NYS – Nelspruit Regional Office | Nelspruit Prison | 02 | 17 |
| 27. | Capricon District Municipality | IG/ Alien plant eradication Lepelle –Nkumpi | 10 | 48 |
| 28. | Capricon District Municipality | Alien Plant Eradication Blouberg | 24 | 24 |
| 29 | Mafikeng Local Municipality | Meter readings | 04 | 04 |
| 30 | Mafikeng Local Municipality | Montshoia Stadium | 05 | 05 |
| 31 | Mafikeng Local Municipality | Litter picking | 23 | 23 |
| 32 | Mafikeng Local Municipality | Law Enforcement | 07 | 07 |
| 33 | Mbashe Municipality | Rural Waste Pickers | 13 | 297 |
| 34 | NYS - Mmabatho regional office | Zeerust SAPS | 35 | 35 |
| 35 | NYS - Mmabatho regional office | Rustenburg Prison | 08 | 08 |
| 36 | NYS - Mmabatho regional office | Klerksdorp PC Pelcer | 12 | 12 |
| 37 | NYS - Mmabatho regional office | Mogwase Prison | 30 | 30 |
| 38 | Kouga Municipality | Jeffreysbay Environmental | 01 | 10 |
| 39 | Kouga Municipality | Humansdorp Environmental | 02 | 05 |
| 40 | Kouga Municipality | Jeffreysbay infrastructure | 01 | 05 |
| 41 | Kouga Municipality | Humansdorp Infrastructure | 05 | 07 |
|  | **TOTAL** |  | **392** | **862** |

Impact of the finding:

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

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

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

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

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

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

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

**Internal control deficiency**

Reason for the deviation:

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

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

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

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

*Financial and Performance Management*

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

**Recommendation**

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

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

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

**Management response**

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

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

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

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

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

The finding remains unresolved, no management response was received

1. **Predetermined objectives: Beneficiaries listed on the EPWP reporting system list not employed on the project**

Laws, rules and regulations

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

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

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

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

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

The following beneficiaries listed below were reported as beneficiaries on the EPWP reporting system with number of days worked included. However the department indicated that the beneficiaries did not work on the project for the current financial reporting period but have signed the contract.

| **No** | **Public Body** | **Project Name** | **Number of beneficiaries** |
| --- | --- | --- | --- |
| 1. | NYS – CT regional office | Epping SAPS | 3 |
| 2. | NYS – CT regional office | SAPS Paarl Valley Hostel | 7 |
| 3. | New Castle Municipality | New Castle road maintenance | 6 |
| 4. | New Castle Municipality | Food for waste | 1 |
| 5. | New Castle Municipality | Food for waste 2017 | 3 |
| 6. | Maphumulo Municipality | River cleaning project | 5 |
| 7 | NYS – Pretoria Region | National Archives | 1 |
| 8 | NYS – Pretoria Region | Library | 6 |
| 9 | NYS – Pretoria Region | National Printing office | 2 |
| 10 | NYS – Pretoria Region | Kgosi Mampuru CMAX | 1 |
| 11 | NYS – Nelspruit Regional Office | Ermelo Camden Military Base | 3 |
| 12 | NYS – Nelspruit Regional Office | Middleburg SAPS | 5 |
| 13 | NYS – Nelspruit Regional Office | Bethal SAPS | 1 |
| 14 | NYS – Nelspruit Regional Office | Belfast Prison | 2 |
| 15 | NYS – Nelspruit Regional Office | Ermelo Prison | 5 |
| 16. | NYS – Johannesburg Regional Office | SAPS Kempton Park | 02 |
| 17 | Mbashe Municipality | Rural Waste Pickers | 147 |
|  |  |  |  |

Impact of the finding:

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

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

**Internal control deficiency**

Reason for the deviation:

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

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

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

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

*Financial and Performance Management*

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

**Recommendation**

a) Frequent reviews and monitoring of beneficiary lists and attendance registers by management to ensure that the number of beneficiaries reported is accurate and valid.

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

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

**Management response**

**SAPS Kempton Park**

I am in agreement with the finding that there is no proof of payments and attendance registers for the participants listed above. The data capture erroneously updated them in April 2016 during capturing in the system, however there no payment of stipends made to their accounts as they worked until July 2015.

**Newcastle Municipality**

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

When Newcastle was recruiting participants to be employed in its EPWP projects, the data captures commenced with uploading the participants in the system before they received the proof of payments and attendance registers. However, the above participants left the programme before they worked or got paid. Currently, the days worked in the system for the selected participants do not indicate that they were not updated further than the one month.

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

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Data capturing and document management occurs at the public bodies. DPW samples public bodies reporting on the EPWP-RS for site visits. Gaps that are identified, together with variance and site visit reports are provided to public bodies to remedy issues identified. In the current situation of Newcastle did not follow the guideline or data capturing manual provided to public bodies to guide them as to when, how and what to report in EPWP-RS. | |

*Name:* Mr S.W Henderson

*Position: DDG: EPWP*

*Date: 10 March 2017.*

**Maphumulo Municipality**

The department of Public Works coordinates the EPWP (implemented by public bodies). All budget allocations for EPWP are made directly to implementing bodies (national, provincial and municipal levels), through their respective budget votes.

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

1. By end of quarter three system closure the five participants had not being validated by the EPWP monitoring and evaluation system administration and therefore were not able to be included in the validated data released to the AGSA.
2. All the participants have now being validated in the system are reflecting on the project.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | The EPWP Kwazulu-Natal Regional Office will assist the Maphumulo LM by liaising with the EPWP: Monitoring and Evaluation Unit at Head Office to ensure that the participants are validated before quarter four reporting closes in April | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
|  | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. |  | | |
| Position of official responsible to take corrective actions | Programme Manager: EPWP KZN | | |
| Estimated completion date for corrective action | 31 March 2017 | | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | The public body is responsible to capture and authorize the data the captured in the EPWP-RS. In this regard the controls in place include:   1. The data collection tool, 2. Accounting officer in each public body is allocated the responsibility to authorize and validate the data captured (through verifying the POEs), and 3. There are weekly site visits to public bodies to identify areas of non-compliance is reported to the public bodies who is responsible to remedy such. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | In terms of the Ministerial Determination, the public body (employer) is to keep records of the work opportunity created and not the Department of Public Works (DPW). DPW only keeps records of Identity document which are loaded onto the EPWP –RS by the public body. The ID is used to validate participants captured by employer. Once validations are conducted, the EPWP M&E unit approves the participants and on a weekly basis circulates the variance reports to public bodies to   1. Verify that all participants have been captured correctly, and 2. Correct those that have not passed validation. | |

*Name:* Mr S.W Henderson

*Position: DDG: EPWP*

*Date: 09 March 2017.*

**Pretoria Regional Office**

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

1. Makgohloa Nchimane with ID number 870535956082 and Nonkululelo Jaco with ID number 8805290268089, were not captured due to non-submission of a valid South African Identity copy as per prerequisite of the Expanded Public Works Programme Reporting System (EPWP-RS). This requirement is in place as control measure to ensure that valid participants are reported by implementing public bodies.
2. Manyaka Puseletso with ID number 9101160481088; Netshapala Prarelo with ID number 9502045448087 and Mphilo Takalani with ID number 9102066312088, were captured in the EPWP-RS with ID copies however during validation, the system rejected the copied as a result of the scanned documents not being clear. The clearer copies have been loaded in the EPWP-RS and validated by the M&E system Administrator.
3. Ndumeliso Tshibubudze with number 8609046149084 and Thabo Mathipa with ID number 9504015615083 were on the pending list due to ID copies loaded on the system not passing validation, however they have been resubmitted to the M&E unit and reflect under valid participants.

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | It is an EPWP-RS prerequisite that all participants captured must have a valid ID copy uploaded in the system. In the event that a contractor fails to supply such, participants on both payment and attendance registers are not captured without submission of identification copy. | |

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the internal control deficiencies indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the internal control deficiency indicated, please provide the internal control deficiency according to management. | Management disagrees on the basis that the issue is not the lack of proper record management system. There are controls put in place to ensure that compliant and valid participants are captured. | |

*Name:* Mr S.W Henderson

*Position: DDG: EPWP*

*Date: 10 March 2017*

**Newcastle Municipality**

The finding remains unresolved; the department has not indicated whether they will remove the beneficiaries from the system and also review the entire population of work opportunities created for such cases, the participants will be followed on quarter four to verify whether they have been excluded from the reported work opportunities and above the selected project is funded by National department of Public works, if the public body is not complying with the requirements for EPWP, the department should stop the funds.

**Maphumulo Municipality**

The finding remains unresolved; the participants will be followed on quarter four to verify whether they are included and above the selected project is funded by National department of Public works, if the public body is not complying with the requirements for EPWP, the department should stop the funds.

**Pretoria Regional Office**

The finding remains unresolved; the participants will be followed on quarter four to verify whether they are included.

**Auditor’s conclusion**

We will followed the management response in the final and check the quarter four data to ensure that those beneficiaries are removed from the system and reported.

1. **Pretoria Regional Office - Non submission of information (Scope Limitation)**

Laws, rules and regulations

In terms of PFMA section 41:

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

During the audit at the Pretoria Regional Office, the following under-mentioned information was requested on request for information no.3 dated 20 February 2017, however it has not yet been submitted for audit purposes as at 29 March 2017.

1. Allowances information (Claims) not provided

| **No** | **Surname and Initials** | **Persal No** | **Description** | **Amount** | **Period** |
| --- | --- | --- | --- | --- | --- |
| 1. | MBEDZI AG | 27262995 | Overtime allowance | 3 673,64 | 1-Apr-16 to 31-Dec-16 |
| 2. | MBEDZI AG | 27262995 | Overtime non -programatical | 1 110,41 | 1-Apr-16 to 31-Dec-16 |
| 3. | NAIDOO S | 10848932 | Overtime allowance | 11 686,54 | 1-Apr-16 to 31-Dec-16 |
| 4. | NAIDOO S | 10848932 | Overtime non -programatical | 1 903,43 | 1-Apr-16 to 31-Dec-16 |
| 5. | MOLOKOMME M | 90847555 | Overtime allowance | 93 482,05 | 1-Apr-16 to 31-Dec-16 |
| 6. | MOLOKOMME M | 90847555 |  | 4 444,38 | 1-Apr-16 to 31-Dec-16 |
| 7. | BOJOSINYANE K | 90941403 | Overtime allowance | 1 073,10 | 1-Apr-16 to 31-Dec-16 |
| 8. | MOLOKOMME M | 90847555 | Acting allowance | 135 323,85 | 1-Apr-16 to 31-Dec-16 |
| 9. | MBEDZI AG | 27262995 | Standby allowance | 2 877,00 | 1-Apr-16 to 31-Dec-16 |
| 10. | NAIDOO S | 10848932 | Standby allowance | 10 814,70 | 1-Apr-16 to 31-Dec-16 |
| 11. | NAIDOO S | 10848932 | Standby allowance, non programmatical | 752,25 | 1-Apr-16 to 31-Dec-16 |
| 12. | MOLOKOMME M | 90847555 | Standby allowance | 25 288,30 | 1-Apr-16 to 31-Dec-16 |
|  | **Total** | | | **292 429,65** |  |

1. 2015/16 Signed “0” work plans not provided

| **No** | **Surname and Initials** | **Persal No** | **Region** | **Period** |
| --- | --- | --- | --- | --- |
| 1. | MASHIGO Y | 17254175 | Pretoria regional office | 1-Apr-16 to 31-Dec-16 |
| 2. | TEMA KM | 23493674 | Pretoria regional office | 1-Apr-16 to 31-Dec-16 |

1. The below mentioned Bas payments were not submitted for audit

| **No** | **Description** | **Payment batch no.** | **Amount** | **Period** |
| --- | --- | --- | --- | --- |
| 1. | S&W:OVERTIME (RES) | 0000107987 | 4 852,64 | 1-Apr-16 to 31-Dec-16 |
| 2. | S&W: BASIC SALARY (RES) | 0000108415 | 20 148,75 | 1-Apr-16 to 31-Dec-16 |
| 3. | EMPL CONTR:PENSION (RES) | 0000108415 | 2 619,32 | 1-Apr-16 to 31-Dec-16 |
| 4. | EMPL CONTR:MEDICAL (RES) | 0000108415 | 2 760,00 | 1-Apr-16 to 31-Dec-16 |
| 5. | S&W:OVERTIME (RES) | 0000112527 | 6 973,86 | 1-Apr-16 to 31-Dec-16 |
| 6. | S&W:SERV BASED OTHER (RES) | 0000103906 | 13 145,73 | 1-Apr-16 to 31-Dec-16 |
|  | **Total** | | **50 500,30** |  |

Impact of the finding:

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

**Internal control deficiency**

Reason for the deviation:

Files and documentation are not available due to the move and maintenance of offices within the Pretoria Regional Office.

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

*Financial and Performance Management*

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

**Recommendation**

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

**Management response**

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

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

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

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

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

Management response not due yet.

1. **Pretoria Regional Office - Non submission of information (Scope Limitation)**

Laws, rules and regulations

In terms of PFMA section 41:

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

During the audit at the Pretoria Regional Office, the following under-mentioned information was requested on request for information no.3 dated 20 February 2017, however it has not yet been submitted for audit purposes as at 29 March 2017.

1. The signed job description, advertisement and appointment approval internal memorandum were not attached in the appointment file for the below mentioned employee.

| **No** | **Surname and initials** | **Persal No** | **Period** | **Region** |
| --- | --- | --- | --- | --- |
| 1 | Chauke NF | 27511596 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office |

1. Personnel files not submitted

| **No** | **Surname and initials** | **Persal** | **Period** | **Region** |
| --- | --- | --- | --- | --- |
| 1 | MHLOLENI Y | 27258629 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office |
| 2 | NAIDOO S | 10848932 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office |
| 3 | 'PHAMBANE SA | 19037414 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office |
| 4 | 'RAMASHAU VF | 19121032 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office |
| 5 | 'MASHIGO LF | 90910311 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office |
| 6 | 'MOLOKOMME M | 90847555 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office |
| 7 | 'MATSHEKA OL | 90805534 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office |
| 8 | 'PULA MT | 82833290 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office |
| 9 | 'MASHAMBA MA | 81057237 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office |
| 10 | 'VAN DER MERWE BA | 10012427 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office |
| 11 | 'LOOTS EL | 13379461 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office |

1. Employees not physical verified

| **No** | **Total number of employees not verified** | **Period** | **Region** | **Annexure reference** |
| --- | --- | --- | --- | --- |
| 1. | 58 | 1-Apr-16 to 31-Dec-16 | Pretoria regional office | Annexure A |

1. Certified payroll certificates not submitted

| **No** | **Pay point** | **Period** | **Region** |
| --- | --- | --- | --- |
| 1. | 000130 | 15 September 2016 | Pretoria regional office |
| 2 | 000130 | 30 September 2016 | Pretoria regional office |

Impact of the finding:

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

**Internal control deficiency**

Reason for the deviation:

Files and documentation are not available due to the move and maintenance of offices within the Pretoria Regional Office.

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

*Financial and Performance Management*

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

**Recommendation**

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

**Management response**

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

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

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

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

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

Management response not due yet.

1. **Human Resource Management: Posts vacant for over 12 months**

Laws, Rules and Regulations

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

a) Section C.1A.2

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

b) Section C.1A.3

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

The following deviations were noted:

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

| **NO** | **COMPONENT DESCRIPTION** | **POST SALARY LEVEL** | **POST JOB TITLE DESCRIPTION** | **VACANT DATE** |
| --- | --- | --- | --- | --- |
| 1 | HO:CHIEF DIRECTORATE KEY ACCOUNTS MANAGEMENT | 7 | PERSONAL ASSISTANT | 20100701 |
| 2 | HO DIR: CORRECTIONAL SERVICES KEY ACCOUNT MANAGEME | 5 | SECRETARY | 20140401 |
| 3 | HO DIR: CORRECTIONAL SERVICES KEY ACCOUNT MANAGEME | 10 | ASSISTANT DIRECTOR: KEY ACCOUNT MANAGEMENT (DCS) | 20120801 |
| 4 | HO DIR: CORRECTIONAL SERVICES KEY ACCOUNT MANAGEME | 12 | DEPUTY DIRECTOR: KEY ACCOUNT MANAGEMENT (DCS) | 20120801 |
| 5 | HO DIR: SAPS KEY ACCOUNT MANAGEMENT | 5 | SECRETARY | 20030901 |
| 6 | HO DIR: SAPS KEY ACCOUNT MANAGEMENT | 8 | SENIOR ADMINISTRATION OFFICER: KAM (SAPS) | 20131104 |
| 7 | HO DIR: DEFENCE/ OTHER KEY ACCOUNT MANAGEMENT | 5 | SECRETARY | 20030901 |
| 8 | HO DIR: JUSTICE & OTHER KEY ACCOUNT MANAGEMENT | 5 | SECRETARY | 20090901 |
| 9 | HO DIR: FOREIGN AFFAIRS | 5 | SECRETARY | 20090901 |
| 10 | HO SUB DIR: KAM FOREIGN AFFAIRS | 8 | SENIOR ADMINISTRATION OFFICER: KAM (FOREIGN AFF.) | 20110516 |
| 11 | HO SUB DIR: KAM NORM & PBA | 8 | SENIOR ADMIN. OFFICER: PROJECT BUDGET ADMIN. | 20140609 |
| 12 | HO DDG: ASSET INVESTMENT MANAGEMENT | 7 | PERSONAL ASSISTANT | 20030901 |
| 13 | HO DDG: ASSET INVESTMENT MANAGEMENT | 15 | DDG:ASSET INVESTMENT MANAGEMENT | 20030901 |
| 14 | HO CD: PORTFOLIO ANALYSIS UNIT | 8 | EXECUTIVE SECRETARY | 20150105 |
| 15 | HO DIR: INDUSTRY RESEARCH | 13 | DIRECTOR: INDUSTRY RESEARCH | 20060917 |
| 16 | HO SUB DIR:INDUSTRY RESEARCH | 12 | DEPUTY DIRECTOR: INDUSTRY RESEARCH | 20140831 |
| 17 | HO SUB DIR:INDUSTRY RESEARCH | 12 | DEPUTY DIRECTOR: INDUSTRY RESEARCH | 20120801 |
| 18 | HO SUB DIR:INDUSTRY RESEARCH | 12 | DEPUTY DIRECTOR: INDUSTRY RESEARCH | 20120801 |
| 19 | HO DIR: INVESTMENT ANALYSIS | 5 | SECRETARY | 20090901 |
| 20 | HO DIR: INVESTMENT ANALYSIS | 7 | ADMINISTRATIVE OFFICER: INVESTMENT ANALYSIS | 20030801 |
| 21 | HO DIR: INVESTMENT ANALYSIS | 12 | ENGINEERING TECHNICIAN CONTROL GRADE B | 20100701 |
| 22 | HO DIR: VALUATION SERVICES | 8 | SENIOR ADMINISTRATIVE OFFICER:VALUATION SERVICES | 20141121 |
| 23 | HO DIR: VALUATION SERVICES | 8 | SENIOR ADMINISTRATIVE OFFICER:VALUATION SERVICES | 20100831 |
| 24 | HO DIR:VALUATION SERVICES 2 | 13 | DIRECTOR: VALUATION SERVICES | 20110701 |
| 25 | HO CD:PROPERTY PORTFOLIO MANAGEMENT | 7 | PERSONAL ASSISTANT | 20090901 |
| 26 | HO CD:PROPERTY PORTFOLIO MANAGEMENT | 14 | CHIEF DIRECTOR PROPERTY PORTFOLIO MANAGEMENT | 20100930 |
| 27 | HO DIR: JUSTICE/OTHER PORTFOLIO PERFORM & MONITOR | 12 | DEPUTY DIRECTOR: PP & M (CORRECTIONAL SERVICES) | 20141130 |
| 28 | HO DIR:FOREIGN AFFAIRS PORTFOLIO PERFORM & MONITOR | 5 | SECRETARY | 20090901 |
| 29 | HO DIR:FOREIGN AFFAIRS PORTFOLIO PERFORM & MONITOR | 13 | DIRECTOR: PP & M (FOREIGN AFFAIRS) | 20081201 |
| 30 | HO DIR: ASSET REGISTERÄMANAGEMENT | 5 | SECRETARY | 20030901 |
| 31 | HO DDG: PROJECTSÄ& PROFESSIONAL SERVICES | 7 | PERSONAL ASSISTANT | 20090901 |
| 32 | HO DDG: PROJECTSÄ& PROFESSIONAL SERVICES | 11 | EXECUTIVE OFFICE MANAGER | 20140101 |
| 33 | HO DDG: PROJECTSÄ& PROFESSIONAL SERVICES | 15 | DEPUTY DIRECTOR GENERAL:SPECIAL PROJECTS | 20130201 |
| 34 | HO DIR: SPECIAL AND MAJOR PROJECTS | 11 | CONSTRUCTION PROJECT MANAGER PRODUCTION GRADE A | 20100701 |
| 35 | HO DIR: SPECIAL AND MAJOR PROJECTS | 11 | CONSTRUCTION PROJECT MANAGER PRODUCTION GRADE A | 20140401 |
| 36 | HO DIR: PROJECTS MANAGEMENT SUPPORT | 5 | SECRETARY | 20090901 |
| 37 | HO CD: PROFESSIONAL SERVICES | 7 | PERSONAL ASSISTANT | 20090901 |
| 38 | HO SUB DIR: PLAN REGISTRATION | 2 | PHOTOCOPIER OPERATOR | 20100701 |
| 39 | HO SUB DIR: PLAN REGISTRATION | 5 | SNR ADMINISTRATIVE ASSISTANT PROFESSIONAL SERVICES | 20090611 |
| 40 | HO SUB DIR: PLAN REGISTRATION | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 41 | HO SUB DIR: HERITAGE | 10 | ASSISTANT DIRECTOR RESEARCH HISTORIAN | 20120801 |
| 42 | HO SUB DIR: QS STANDARD DOCUMENTATION | 12 | QUANTITY SURVEYOR CHIEF GRADE A | 20100701 |
| 43 | HO DIR: CIVIL/STRUCTURAL ENGINEERING SERVICES | 13 | DIRECTOR: CIVIL/STRUCTURAL ENGINEERING SERVICES | 20140531 |
| 44 | HO SUB DIR: CIVIL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 45 | HO SUB DIR: CIVIL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 46 | HO SUB DIR: CIVIL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 47 | HO SUB DIR: WATER MANAGEMENT OFFICE | 8 | ENGINEERING TECHNICIAN PRODUCTION GRADE A | 20140601 |
| 48 | HO SUB DIR: WATER MANAGEMENT OFFICE | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 49 | HO SUB DIR: WATER MANAGEMENT OFFICE | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 50 | HO SUB DIR: STRUCTURAL ENGINEERING SERVICES | 11 | ENGINEERING TECHNOLOGIST CONTROL GRADE A | 20100701 |
| 51 | HO DIV: GEO-LAB | 7 | CHIEF AUXILIARY SERVICES OFFICER | 20141031 |
| 52 | HO DIV: GEO-LAB | 8 | ENGINEERING TECHNICIAN PRODUCTION GRADE A | 20090311 |
| 53 | HO DIV: GEO-LAB | 8 | ENGINEERING TECHNICIAN PRODUCTION GRADE A | 20080201 |
| 54 | HO DIV: GEO-LAB | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 55 | HO DIV: GEO-LAB | 10 | ENGINEERING TECHNICIAN CONTROL GRADE A | 20100701 |
| 56 | HO DIR: MECHANICAL ENGINEERING SERVICES | 5 | SECRETARY | 20090901 |
| 57 | HO DIR: MECHANICAL ENGINEERING SERVICES | 13 | DIRECTOR: MECHANICAL ENGINEERING SERVICES | 20101031 |
| 58 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 59 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 60 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 61 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 62 | HO DIR: MECHANICAL ENGINEERING SERVICES | 10 | ENGINEERING TECHNOLOGIST PRODUCTION GRADE C | 20141001 |
| 63 | HO DIR: MECHANICAL ENGINEERING SERVICES | 12 | ENGINEERING TECHNICIAN CONTROL GRADE B | 20100701 |
| 64 | HO DIR: ELECTRICAL ENGINEERING | 13 | DIRECTOR: ELECTRICAL ENGINEERING SERVICES | 20070228 |
| 65 | HO DIR: ELECTRICAL ENGINEERING | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 66 | HO DIR: ELECTRICAL ENGINEERING | 12 | ENGINEER CHIEF GRADE A | 20100701 |
| 67 | HO DIR: TOWN PLANNING SERVICES | 5 | SECRETARY | 20100701 |
| 68 | HO SUB DIR:NATIONAL SITE DELIVERY PROGRAMME | 8 | SENIOR ADMINISTRATIVE OFFICER SITE IDENTIFICATION | 20131231 |
| 69 | HO DIR:BUDGETS AND PLANNING | 5 | SECRETARY | 20100701 |
| 70 | HO DIR:BUDGETS AND PLANNING | 7 | STATE ACCOUNTANT:BUDGETS & PLANNING | 20141031 |
| 71 | HO DIR:BUDGETS AND PLANNING | 13 | DIRECTOR: BUDGET & PLANNING | 20131001 |
| 72 | HO DIR:BUDGETS AND PLANNING | 8 | SENIOR STATE ACCOUNTANT | 20100701 |
| 73 | HO DIR:ÄFINANCIAL REPORTING | 5 | SECRETARY | 20100701 |
| 74 | HO CD :REVENUE & DEBT MANAGEMENT | 7 | PERSONAL ASSISTANT | 20090901 |
| 75 | HO DIR:PMTE:BILLING & REVENUE 1 | 12 | DEPUTY DIRECTOR: CUSTOMER BILLING/COSTING | 20150331 |
| 76 | HO DIR:PMTE:BILLING & REVENUEÄPORTFOLIO 2 | 5 | SECRETARY | 20090901 |
| 77 | HO DIR:PMTE:BILLING & REVENUEÄPORTFOLIO 2 | 10 | ASSISTANT DIRECTOR:ACCOUNTS RECEIVABLE:FIN STATE | 20120801 |
| 78 | HO SUB DIV: ACCOUNTING | 5 | PROVISIONING ADMINISTRATION CLERK | 20130401 |
| 79 | HO SUB DIV: ACCOUNTING | 5 | PROVISIONING ADMINISTRATION CLERK | 20130401 |
| 80 | HO SUB DIV: ACCOUNTING | 8 | SENIOR PROVISIONING ADMINISTRATIVE OFFICER | 20130101 |
| 81 | HO SUB DIV: SYSTEM ADMINISTRATION LOGIS | 5 | PROVISIONING ADMINISTRATION CLERK | 20130401 |
| 82 | HO SUB DIV: TRAVELLINGÄ& TRANSPORT | 7 | ADMINISTRATION OFFICER: PAYMENTS | 20141231 |
| 83 | HO SUB DIV: TRANSPORT | 4 | SECONDARY DRIVER | 20130401 |
| 84 | HO SUB DIV: TRANSPORT | 7 | ADMINISTRATION OFFICER: TRANSPORT | 20130901 |
| 85 | HO SUB DIV: TRANSPORT | 7 | ADMINISTRATION OFFICER: TRANSPORT | 20150101 |
| 86 | HO SUB DIV: TRANSPORT | 4 | SECONDARY DRIVER | 20130401 |
| 87 | HO SUB DIV: ARCHIVE & OFFICE SERVICES | 7 | ADMINISTRATION OFFICER: OFFICE SERVICES | 20150331 |
| 88 | HO SUB DIV: ARCHIVE & OFFICE SERVICES | 10 | ASSISTANT DIRECTOR: OFFICE SERVICES | 20120801 |
| 89 | HO SUB DIV: REGISTRY | 6 | SENIOR REGISTRY CLERK:REGISTRY | 20030901 |
| 90 | HO SECTION: MACHINE OPERATORS | 4 | MACHINE OPERATOR:REGISTRY | 20100630 |
| 91 | HO SUB SECTION: FOOD SERVICES AID | 2 | FOOD SERVICES AID | 20140101 |
| 92 | HO SUB SECTION: FOOD SERVICES AID | 2 | FOOD SERVICES AID | 20141103 |
| 93 | HO DIR: DEMAND & ACQUISITION MANAGEMENT | 5 | SECRETARY | 20090901 |
| 94 | HO SUB DIR: SUPPLIER REGISTER | 7 | ADMINISTRATION OFFICER: SUPPLIER REGISTER | 20141117 |
| 95 | HO SUB DIR: SUPPLIER REGISTER | 7 | ADMINISTRATION OFFICER: SUPPLIER REGISTER | 20141001 |
| 96 | HO SUB DIR: SUPPLIER REGISTER | 7 | ADMINISTRATION OFFICER: SUPPLIER REGISTER | 20100701 |
| 97 | HO DIR: SUPPLY CHAIN MANAGEMENT | 5 | SECRETARY | 20030901 |
| 98 | HO DIR:MOVABLE ASSET MANAGEMENT | 13 | DIRECTOR MOVABLE ASSET MANAGEMENT | 20140331 |

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

| **NO** | **COMPONENT DESCRIPTION** | **POST SALARY LEVEL** | **POST JOB TITLE DESCRIPTION** | **VACANT DATE** |
| --- | --- | --- | --- | --- |
| 1 | HO DIR:OFFICE OF THE DIRECTOR-GENERAL | 5 | SENIOR REGISTRY CLERK:REGISTRY | 20130816 |
| 2 | HO DIR:OFFICE OF THE DIRECTOR-GENERAL | 13 | DIRECTOR: OFFICE OF THE DIRECTOR-GENERAL | 20121001 |
| 3 | HO DIR: COMPUTER AUDITS AND SPECIAL ASSIGNMENTS | 13 | DIRECTOR:COMPUTER AUDITS & SPECIAL ASSIGNMENTS | 20110324 |
| 4 | HO DIR: FRAUD AWARENESS & INVESTIGATIONS | 5 | SECRETARY | 20030901 |
| 5 | HO CD STRATEGIC MANAGEMENT UNIT | 7 | PERSONAL ASSISTANT | 20040701 |
| 6 | HO D:STRATEGIC & KNOWLEDGE MANAGEMENT | 5 | SECRETARY | 20030901 |
| 7 | HO D:BUSINESS ANALYSIS & RISK MANAGEMENT | 5 | SECRETARY | 20050701 |
| 8 | HO SUB DIR: BUSINESS ANALYSIS | 12 | DEPUTY DIRECTOR: BUSINESS ANALYSIS | 20070814 |
| 9 | HO SUB DIR: COMPLIANCE & FINANCIAL ANALYSIS | 9 | ASSISTANT DIRECTOR STRATEGIC BUSINESS PLANNING | 20140814 |
| 10 | HO SUB DIR: COMPLIANCE & FINANCIAL ANALYSIS | 10 | ASSISTANT DIRECTOR:COMPLIANCE & FINANCIAL ANALYSIS | 20120801 |
| 11 | HO DIR:STRATEGIC PLANNING | 5 | SECRETARY | 20040801 |
| 12 | HO DIR: DEVELOPMENT ECONOMIST | 5 | SECRETARY | 20050101 |
| 13 | HO DIR: DEVELOPMENT ECONOMIST | 13 | DIRECTOR: DEVELOPMENT ECONOMIST | 20040801 |
| 14 | HO DIR: MONITORING & EVALUATION:P1 DG | 5 | SECRETARY | 20030901 |
| 15 | HO DIR:MONITORING & EVALUATION P2:DG | 5 | SECRETARY | 20030901 |
| 16 | HO DIR: STAKEHOLDER MANAGEMENT | 5 | SECRETARY | 20140401 |
| 17 | HO DIR: PUBLIC ENTITY | 6 | ASSISTANT ADMINISTRATIVE OFFICER:SECRETARIAT | 20130501 |
| 18 | HO DDG: FINANCE & SUPPLY CHAIN MANAGEMENT | 11 | EXECUTIVE OFFICE MANAGER | 20140801 |
| 19 | HO DDG: FINANCE & SUPPLY CHAIN MANAGEMENT | 15 | DEPUTY DIRECTOR GENERAL:FINANCE & SUPPLY CHAIN MNG | 20120430 |
| 20 | HO SUB DIR: BUDGET ANALYSIS | 7 | STATE ACCOUNTANT | 20140106 |
| 21 | HO SUB DIR: BUDGET ANALYSIS | 10 | ASSISTANT DIRECTOR: MANAGEMENT ACCOUNTING | 20150201 |
| 22 | HO DIR: FINANCIAL ACCOUNTING | 5 | SECRETARY | 20090901 |
| 23 | HO DIR: FINANCIAL ACCOUNTING | 13 | DIRECTOR: FINANCIAL ACCOUNTING | 20131101 |
| 24 | HO SUB DIR: FINANCIAL REPORTING & RECONCILIATION | 4 | ACCOUNTING CLERK | 20080201 |
| 25 | HO SUB DIR: ACCOUNTS RECEIVABLE | 6 | SENIOR ACCOUNTING CLERK | 20030901 |
| 26 | HO SUB DIR: ACCOUNTS RECEIVABLE | 7 | STATE ACCOUNTANT: ACCOUNTS RECEIVABLE | 20140516 |
| 27 | HO SUB DIR: ACCOUNTS RECEIVABLE | 7 | STATE ACCOUNTANT: ACCOUNTS RECEIVABLE | 20150131 |
| 28 | HO SUB DIR: ACCOUNTS PAYABLE | 5 | ACCOUNTING CLERK | 20140331 |
| 29 | HO DIR:INSPECTORATE AND COMPLIANCE | 9 | ASSISTANT DIRECTOR:PAYMENTS:COMPLIANCE | 20140915 |
| 30 | HO DEPUTY DIRECTOR GENERAL: CORPORATE SERVICES | 7 | PERSONAL ASSISTANT | 20090901 |
| 31 | HO CD: LEGAL SERVICES & CONTRACT ADMINISTRATION | 14 | CHIEF DIRECTOR: LEGAL SERVICES | 20121130 |
| 32 | HO DIR: LEGISLATIVE DRAFTING & CONTRACT ADMIN. | 5 | SECRETARY | 20080201 |
| 33 | HO DIR: LEGISLATIVE DRAFTING & CONTRACT ADMIN. | 13 | DIRECTOR:LEGISLATIVE DRAFTING & CONTRACT ADMINISTR | 20130909 |
| 34 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 8 | SENIOR ADMINISTRATIVE OFFICER:LEGISLATION | 20140401 |
| 35 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 12 | SENIOR LEGAL ADMINISTRATION OFFICER | 20120301 |
| 36 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20100601 |
| 37 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 8 | MR4 LEGAL ADMINISTRATION OFFICER GRADE 4 | 20100601 |
| 38 | HO LEGISLATIVE DRAFTING & CONTRACT ADMINISTRATION | 12 | MR6 LEGAL ADMINISTRATION OFFICER SENIOR | 20100601 |
| 39 | HO DIR: LITIGATION | 5 | SECRETARY | 20030801 |
| 40 | HO SUB DIR: LITIGATION | 10 | ASSISTANT DIRECTOR:LAND REFORM & PROPERTY RIGHTS | 20120801 |
| 41 | HO SUB DIR: LITIGATION | 10 | MR5 LEGAL ADMINISTRATION OFFICER GRADE 5 | 20130601 |
| 42 | HO SUB DIR: LITIGATION | 8 | MR4 LEGAL ADMINISTRATION OFFICER GRADE 4 | 20120301 |
| 43 | HO SUB DIR: LITIGATION | 8 | MR4 LEGAL ADMINISTRATION OFFICER GRADE 4 | 20120521 |
| 44 | HO DIR: HR LABOUR RELATIONS | 5 | SECRETARY | 20100701 |
| 45 | HO DIR INTERNATIONAL RELATIONS: AFRICAN COOPERAT. | 5 | SECRETARY | 20080301 |
| 46 | HO DIR: INT. RELATIONS GLOBAL PARTNERSHIPS | 5 | SECRETARY | 20080301 |
| 47 | HO DIR: INT. RELATIONS GLOBAL PARTNERSHIPS | 12 | DEPUTY DIRECTOR: GLOBAL PARTNERSHIPS | 20120801 |
| 48 | HO CD: INFORMATION SERVICES | 14 | CHIEF DIRECTOR: INFORMATION SERVICES | 20120113 |
| 49 | HO DIR: IT APPLICATIONS MANAGEMENT | 5 | SECRETARY | 20100701 |
| 50 | HO SUB DIR: DATABASE ADMINISTRATION | 12 | DD: DATABASE ADMINISTRATOR | 20120801 |
| 51 | HO SUB DIR: SYSTEM ARCHITECT | 12 | DEPUTY DIRECTOR SYSTEM ARCHITECT | 20120801 |
| 52 | HO DIR: IT SUPPORT | 5 | SECRETARY | 20100701 |
| 53 | HO DIV: CLIENT SUPPORT MANAGEMENT | 4 | HELPDESK ADMINISTRATOR | 20130401 |
| 54 | HO SUB DIV: IT TECHNICIAN | 8 | IT TECHNICIAN | 20140910 |
| 55 | HO DIR:HUMAN RESOURCES PLANNING & RECRUITMENT | 5 | SECRETARY | 20130401 |
| 56 | HO SUB DIR: RECRUITMENT | 10 | ASSISTANT DIRECTOR: RECRUITMENT | 20120801 |
| 57 | HO DIR: HR ADMINISTRATION | 5 | SECRETARY | 20140401 |
| 58 | HO DIV: RECORDS MANAGEMENT | 4 | SECONDARY DRIVER | 20130401 |
| 59 | HO DIR:YOUTH DEVELOPMENT AND CHILDREN'S RIGHTS | 11 | DEPUTY DIRECTOR YOUTH | 20140630 |
| 60 | HO CD: MARKETING & COMMUNICATIONS | 7 | PERSONAL ASSISTANT | 20030901 |
| 61 | HO CD: MARKETING & COMMUNICATIONS | 14 | CHIEF DIRECTOR: COMMUNICATION & MARKETING | 20150305 |
| 62 | HO DIR: INTERNAL COMMUNICATIONS | 5 | SENIOR SECRETARY | 20100401 |
| 63 | HO DIR: INTERNAL COMMUNICATIONS | 13 | DIRECTOR: INTERNAL COMMUNICATIONS & MOBILISATION | 20140901 |
| 64 | HO DIV: INTERNAL COMMUNICATIONS | 5 | RECEPTIONIST | 20130601 |
| 65 | HO DIV: INTERNAL COMMUNICATIONS | 5 | RECEPTIONIST | 20130501 |
| 66 | HO DIV: INTERNAL COMMUNICATIONS | 7 | SENIOR COMMUNICATIONS OFFICER | 20110719 |
| 67 | HO DIR: CLIENT RELATIONS MANAGEMENT | 7 | SENIOR SECRETARY | 20150310 |
| 68 | HO DIR:MEDIA AND STAKEHOLDER MANAGEMENT | 13 | DIRECTOR MEDIA & STAKEHOLDER MANAGEMENT | 20100401 |
| 69 | HO DIV: MINISTERIAL PUBLIC APPEARANCESÄPROGRAMME | 8 | SENIOR COMMUNICATIONS OFFICER | 20140617 |
| 70 | HO: DIR ORGANISATIONAL DEVELOPMENT | 5 | SECRETARY | 20090901 |
| 71 | HO SUB DIR: JOB ANALYSIS & EVALUATION | 12 | DEPUTY DIRECTOR: ORGANISATIONAL DEVELOPMENT | 20140422 |
| 72 | HO SUB DIR: EMPLOYEE HEALTH & WELLNESS | 10 | ASD: EMPLOYEE HEALTH & WELLNESS PROGRAMME | 20120801 |
| 73 | HO DIR: HR DEVELOPMENT | 5 | SECRETARY | 20100701 |
| 74 | HO SUB DIR: TRAINING & DEVELOPMENT | 12 | DEPUTY DIRECTOR: TRAINING & DEVELOPMENT | 20120801 |
| 75 | HO SUB:PERFORMANCE MANAGEMENT DEVELOPMENT SYSTEM | 10 | ASSISTANT DIRECTOR: PERFORMANCE MANAGEMENT | 20120801 |

The impact of the finding:

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

**Internal control deficiency**

The finding occurred as result of the fact that:

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

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

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

**Leadership**

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

**Recommendation**

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

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

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

**Management response**

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

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

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

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

*Name:*

*Position:*

*Date:*

**Auditor’s conclusion**

Management response not due yet.

1. **Human Resource Management: Payroll certificates not certificate and returned timeously.**

**Audit Finding**

Laws, rules and regulations

In terms of Treasury Regulation

a) Paragraph 8.3.4

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

b) Paragraph 8.3.5

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

The following deviations were noted:

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

| **No** | **Pay point** | **Description** | **Period Run Date** | **Date payroll certificate signed** | **Region** |
| --- | --- | --- | --- | --- | --- |
| 1 | 9915 | EPWP (DPW) | 15-Aug-16 | 26-Aug-16 | Bloemfontein |
| 2 | 1149 | Projects (PMTE) | 15-Apr-16 | 4-May-16 | Bloemfontein |
| 3 | 0639 | PMTE – R/Office Cape Town Professional Services | 31-May16 | 06-Jun-16 | Cape Town |
| 4 | 9862 | PMTE – R/Office Cape Town Property Payments | 15-Dec-16 | 27-Jan-17 | Cape Town |
| 5 | 9911 | Regional Office Durban: EPWP | 15-Apr-16 | 27-Jul-17 | Durban |
| 6 | 9911 | Regional Office Durban : EPWP | 30-Apr-16 | 11-May-16 | Durban |
| 7 | 1133 | Regional Office Durban : Workshops | 15-Nov-16 | 06-Dec-16 | Durban |
| 8 | 1133 | Regional Office Durban : Workshops | 30-nov-16 | 25-Jan-17 | Durban |
| 9 | 1114 | JHB –Provisioning Administration | 15-Sept-16 | 05-Oct-16 | JHB |
| 10 | 1114 | JHB –Provisioning Administration | 30-Sept-16 | 15-Oct-16 | JHB |
| 11 | 9905 | DPW – EPWP | 15-Sept-16 | 19-Sept-16 | JHB |
| 12 | 9914 | EPWP (DPW) | 30-Jun-16 | 07-Jul-16 | Kimberley |
| 13 | 1183 | Asset man & state property hold (PMTE) | 15-Aug-16 | 18-Aug-16 | Kimberley |
| 14 | 9907 | EPWP (DPW) | 31-May-16 | 03-Mar-17 | Nelspruit |
| 15 | 9907 | EPWP (DPW) | 31-May-16 | 03-Mar-17 | Nelspruit |
| 16 | 9908 | Regional Office Polokwane: EPWP | 15-Oct-16 | 05-Dec-2016 | Polokwane |
| 17 | 1206 | Regional Office Polokwane : Management | 15-Oct-16 | 20-Oct-16 | Polokwane |
| 18 | 1206 | Regional Office Polokwane : Management | 31-Oct-16 | 01-Nov-2016 | Polokwane |
| 19 | 9913 | Regional Office Mthatha: EPWP | 15-Dec-16 | 09-Jan-17 | Mthatha |
| 20 | 0614 | Regional Office Pretoria | 16 Sep- 16 | Not signed | Pretoria |
| 21 | 9935 | Head office: EPWP | 30 Jun -16 | 21 Jul 16 | Head Office |

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

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

The aforementioned findings may result in:

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

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

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

**Internal control deficiency**

Reason for the deviation:

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

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

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

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

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

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

**Financial and Performance Management**

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

**Recommendation**

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

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

**Management response**

**Bloemfontein Regional Office**

I am in agreement with the finding the Payroll Certificates was received late from the units. The recommendation is however not correct since the four pay points mentioned is Head Office and not the Regional Office.

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

HR Payroll is investigating other options as well for example printing in Provinces. There are however other factors that must be considered that impacts on the process such as the new structure.

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Response** | |
| Does management agree with the root cause indicated | **Yes** | **No** |
|  | X |
| If management does not agree with the root cause indicated, please provide the root cause according to management. | Noncompliance by certain Units to submit within the timelines as indicated by Treasury | |

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

*Name:* Ms R Mostert

*Position: D: HRA*

*Date: 15/07/2016*

**Kimberly Regional Office**

This am in agreement with the finding that the Payroll Certificates are only received from Head Office after the actual Payment date and thus resulting in this Office being unable to comply with the requirements of TR 8.3.4.

This matter as indicated above was reported on in the 2015/16 financial year as well and escalated to Head Office; however no feedback or improvement has been noted.

It must be noted by the AGSA (as per pervious response) that due to the IT infrastructure layout of PERSAL the use of provincial treasuries to print the payrolls in Kimberley is not a possibility at this stage. The IT Infrastructure makes use of difference “Buro’s” and the current provincial Buro’s is not accessible via the 19XXXX” distribution.

This office will once again raise the Coff with HO to sensitize HO regarding the current non-compliance based on TR 8.3.4.

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

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

*Name: Mr Morris Mabinja*

*Position: Acting Regional Manager*

*Date: 27 February 2017*

**Nelspruit Regional Office**

We are partly not in agreement with the finding for the following reasons: the Regional Office normally receives the payroll certificates from National Treasury through Head Quarters, which in most cases are received late and causes delays on receipt of the payroll certificates.

Management in the past have since introduced attendance registers which helps in assisting to detect ghost employees and overpayments and resignations. For ease of reference please see attached attendance registers.

This is not a new problem for the Department; however the process of payroll certificates is covered through attendance registers that are signed by officials on a daily basis. Some of the stipends, particularly, EPWP are paid using these register. (Attached)

Due to cost containment measures by National Treasury as well operation requirements, the Regional officials find it difficult travelling around Mpumalanga specifically to Courts and Projects to ensure that EPWP (NYS)/Cleaning/Gardening officials signs the payroll certificates.

This exercise is normally done through the normal travel, which in most cases falls outside the required period for certification. With current controls through register, we are able to determine inconsistency in the payroll.

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

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

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

*Name: MV Mbukushe*

*Position: DD: Finance &SCM*

*Date: 2017/03/15*

**Polokwane Regional Office**

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

Payroll certificates are only received from the head office after the payment date, Regional office is unable to provide further details in terms of corrective action to be taken as the printing of payroll is the function of Head office.

I

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

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

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

*Name:* Lucas Serepo

*Position:*

*Date:*

**Auditor’s conclusion**

**Kimberly Regional Office**

The finding remains unresolved as there is a risk that payroll certificates not certified timeously might results in salaries been incorrectly paid to officials that are no longer in the employment of the department and the department might not be able to recover the salary overpayment.

**Nelspruit Regional Office**

Management response is acknowledged, also we took into account the control measures introduced by management of Nelspruit regional offices, however the finding remains unresolved as the attendance registers are not signed by the supervisor and dated, the response to the finding does not address the employees that are based at the Nelspruit regional office which are not at the side and also the management has not responded why it took more than 9 months to certify the payroll certificates.

In addition to the above response provided by Nelspruit regional office, the regional to implement the register to indicate when the payroll certificates where received from the head office and circulated to the different unit for certification.

In the absence of the register we are unable to determine whether the payroll certificates was signed after 9 months due to the fact that it was received late from the head office, or it was not distributed timely to the different unit within the Nelspruit regional office.

**Polokwane Regional Office**

The finding remains unresolved as there is a risk that payroll certificates not certified timeously might results in salaries been incorrectly paid to officials that are no longer in the employment of the department and the department might not be able to recover the salary overpayment.

**Auditors Response**

Management response is acknowledged, also we took into account the control measures introduced by management of Nelspruit regional offices, however the finding remains unresolved as the attendance registers are not signed by the supervisor and dated, the response to the finding does not address the employees that are based at the Nelspruit regional office which are not at the side and also the management has not responded why it took more than 9 months to certify the payroll certificates.

In addition to the above response provided by Nelspruit regional office, the regional to implement the register to indicate when the payroll certificates where received from the head office and circulated to the different unit for certification.

In the absence of the register we are unable to determine whether the payroll certificates was signed after 9 months due to the fact that it was received late from the head office, or it was not distributed timely to the different unit within the Nelspruit regional office.

For other regional offices

The finding remains unresolved as there is a risk that payroll certificates not certified timeously might results in salaries been incorrectly paid to officials that are no longer in the employment of the department and the department might not be able to recover the salary overpayment.

1. **Human Resource Expenditure – S&W: Basic salaries are overstated due to account misallocation.**

**Audit finding**

Laws, rules and regulations

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

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

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

b) In terms of Treasury Regulation paragraph 8.1.1 states that:

*“The accounting officer of an institution must ensure that internal procedures and internal control measures are in place for payment approval and processing. These internal controls should provide reasonable assurance that all expenditure is necessary, appropriate, paid promptly and is adequately recorded and reported”*

The department had allocated the leave gratuity paid for GI Marwane (PERSAL no. 13448234) who is deceased in the incorrect account resulting in a misallocation and S&W: Basic salaries being overstated.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Batch No** | **Supplier Name** | **Allocation used** | **Allocation should be used** | **Amount** | **Region** |
| AP 1434899 | E Marwane | S& W: Basic salaries | Transfer and Subsidies: Households | 11 499,78 | Kimberley |

Impact of the finding:

a) Non-compliance with Public Finance Management Act, Section 40(1) (a).

1. Non-compliance with Treasury Regulation paragraph 8.1.1.
2. Overstatement of Compensation of employees - S&W: Basic Salaries with R11 499,78.
3. Understatement of Transfers and subsidies – Households with R11 499,78.

**Internal control deficiency**

Reason for the deviation:

The payment batch was not appropriately reviewed against the supporting documentation prior to approval and during the capturing of the payment on the system.

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

**Financial and Performance Management**

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

**Recommendation**

1. All payments made should be appropriately reviewed against the supporting documentation prior to approval and during the capturing of the payment on the system.
2. The payment must be investigated and corrections be submitted for audit purposes.

**Management response**

This office is in agreement with the finding by the AGSA. This was an administrative oversight. Corrective journals will be processed by 10 March 2017, after the entire population has been verified.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Response** | | |
| Corrective action to be taken | The entire population is being reviewed.  A corrective JNL will be processed by 10 March 2017 as a correction | | |
| Does the finding affect an amount disclosed in the financial statements | **Yes** | **No** | |
|  | X | |
| If yes, what corrections will be made to the population | N/A | | |
| If yes, the process followed to correct the population, including the internal controls put in place to ensure that the misstatement does not recur in future. | N/A | | |
| If yes and the population was adjusted, the proposed adjusting journal entries to correct the population, with the supporting documentation. | N/A | | |
| Acknowledgement that additional audit costs will be incurred in order to audit the proposed adjustments and that the financial statements will not be adjusted if material misstatements still exist. (Under these circumstances the misstatements identified originally will be reported by the auditor.) | **Yes** | | **No** |
|  | | X |
| N/A | | |
| If yes and no corrections will be made, the reason why such a conclusion has been reached should be indicated. | N/A | | |
| Position of official responsible to take corrective actions | Head of Finance & SCM | | |
| Estimated completion date for corrective action | 31 March 2017 | | |
|  |  |  |  |

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

*Name: Mr Morris Mabinja*

*Position: Acting Regional Manager*

*Date: 27 February 2017*

**Auditor’s conclusion**

Management comment has been noted, the corrective journal will be audited as soon as it is provided for audit purposes during the final audit.

1. **Goods and Services: Payments made after 30 days.**
2. In terms of Public Finance Management Act (PFMA)

Section 38(1) (f) states that:

“*The accounting officer for a “department, trading entity or constitutional institution must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period;”*

1. In terms of Treasury Regulations

Regulation 8.2.3states that:

*“Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement.”*

1. Instruction Note number 34 of National Treasury dated 30 November 2011

Paragraph 4.1 states that:

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

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

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

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

*4.2 Within thirty days (30) days from the date of this Instruction Note, all departments are required to have in place systems (processes and procedures) that will enable the tracking of each invoice received from the various service providers.*

*4.3 The system referred to in paragraph 4.2 above may either be manual or electronic in nature and such a system must also be able to track progress with the processing of each invoice.*

*4.4 At any given time, such a system must be able to provide information related to the date on which an invoice was received, the date on which it was paid and the time period between the date of receipt and the date of payment, if the invoice was indeed paid*

*4.6 The information required in paragraph 4.5 above must be submitted to the*

*National Treasury within seven (7) days after the end of the preceding month in the format prescribed in the enclosed Annexure A.*

*4.7 The accuracy of information in paragraph 4.5 must be confirmed by signature of the department’s accounting officer prior to its submission to the National Treasury.*

*4.11 If accounting officers of national and provincial departments delegate the power to confirm the accuracy of information in paragraph 4.5 to their respective department’s chief financial officer or to any other functionary, the accounting officers are not divested of the responsibility concerning the exercising of the delegated power, as provided in section 44(1)(d) of the PFMA.”*

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Supplier** | **Invoice number** | **Date invoice received** | **Payment date of invoice** | **Days** | **Amount** | **Region** |
| 1 | Posh Curtain Designer CC | 1859 | 14 Oct 2016 | 18 Nov 2016 | 36 | 143 864.00 | Cape Town |
| **Total** | | | | | | **143 864.00** |  |

Impact of the finding:

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

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

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

**Internal control deficiency**

Reason for the deviation:

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

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

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

**Leadership**

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

## Financial and Performance Management

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

**Recommendation**

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

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

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

**Management response**

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

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

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

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

Name: **Frederick Johnson**

Position: **Regional Manager**

Date: **2017/03*/20***

**Auditor’s conclusion**

Management agrees with the finding, the finding will be followed up again in the final audit.

**ANNEXURE C: INFORMATION SYSTEMS AUDIT FINDINGS**

**General Control Review**

1. **INFORMATION TECHNOLOGY GOVERNANCE**

Audit finding

IT governance is the responsibility of executive management. It is an integral part of organisational governance and consists of leadership, organisational structures and processes that ensure that the organisation’s IT resources would sustain its strategies and objectives. IT governance allows the organisation to manage IT risks and derive value from IT investments and it supports the achievement of business objectives that are dependent on IT systems.

Key audit finding identified:

The following key IT functions were being performed by consultants/contractors:

a) System developer

b) Business analyst

c) System tester

d) Business intelligence

e) System administrators for the PMIS, WCS and Paper Trail applications

In addition the contractors/consultants played an integral part in the IT projects which were in progress and knowledge sharing with permanent staff was highlighted as a concern. The department was dependent on the contractors/consultants for the successful completion of IT projects and for performing key operations.

In the event that the contractors/consultants leave the organisation, the IT department might not be able to adequately provide IT support in order to meet the department’s needs. Furthermore the high cost of maintaining contractors/ consultants may not be sustainable in the long run.

**Internal control deficiency**

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

The lack of an effective training plan to ensure that internal stuff is capacitated to perform their job functions.

**Recommendation**

Management should put measures in place to ensure that IT staff is competent to perform their job functions. There should be knowledge sharing between consultants/contractors and permanent staff to ensure that there is continuity in the event that contractors/consultants leave the department. Key positions such as the CIO position should be filled with a permanent staff member.

**Management comments**

The department is going through position freeze that is why some of the positions as listed above will not be filled as yet

Name and surname: Masutu Ramatlotlo

Position of responsible official: Director IT Project Office

Target date for implementation: May 2017

**Auditor’s conclusion**

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

1. **IT SERVICE CONTINUITY**

**Audit finding**

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

Key audit findings identified:

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

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

Internal control deficiency

Financial and Performance Management: Implement formal controls over IT systems

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

**Recommendation**

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

**Management comments**

The department has updated the DRP and just waiting for approval.

Name and surname: Masutu Ramatlotlo

Position of responsible official: Director IT Project Office

Target date for implementation: July 2017

**Auditor’s conclusion**

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