

A green circular graphic containing the text 'PFMA 2021-22'. The background of the slide features three overlapping circular images: a landscape with a road and hills, a power transmission tower, and a township with many small buildings.

**PFMA
2021-22**

Audit outcomes Planning, Monitoring and Evaluation portfolio

11 October 2022



AUDITOR-GENERAL
SOUTH AFRICA



MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence

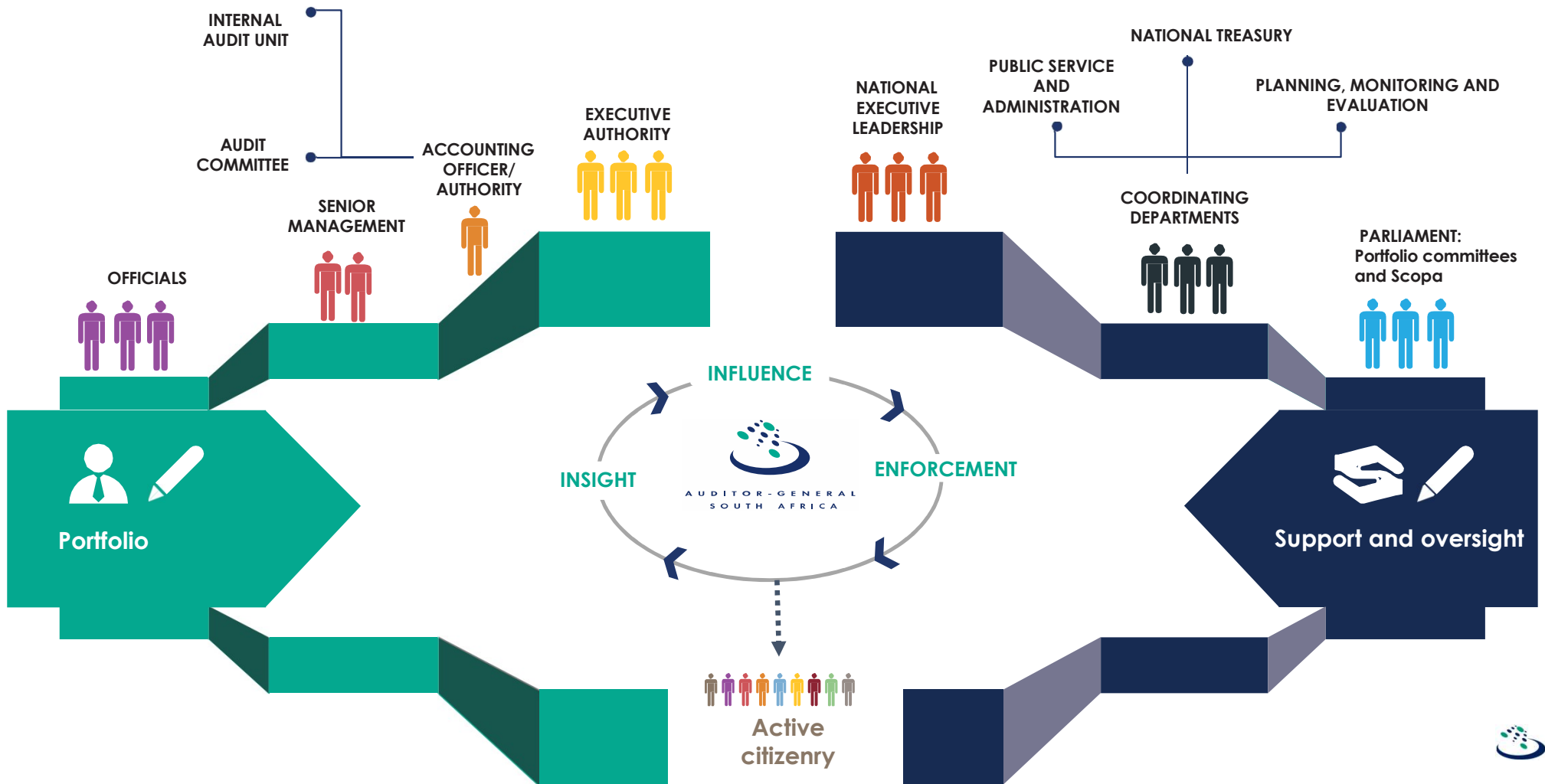


VISION

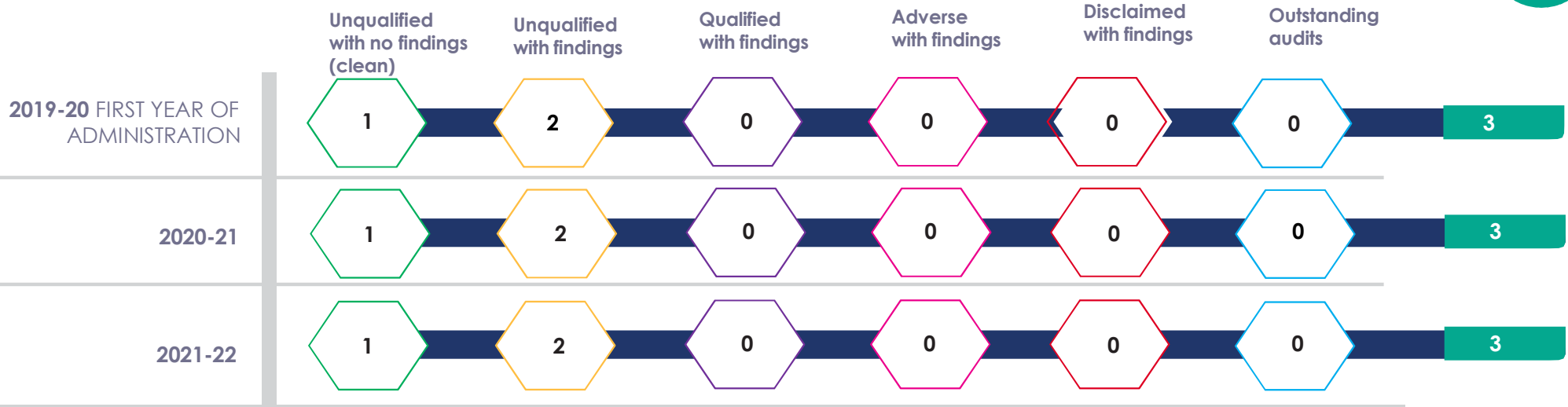
To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability



All have role to play in national government accountability ecosystem



No change over administration term



MOVEMENTS FROM PREVIOUS YEAR:
0 ↑ 0 ↓

FROM FIRST YEAR OF ADMINISTRATION:
0 ↑ 0 ↓

Department of Planning, Monitoring and Evaluation (DPME) ▶

Brand South Africa Trust (BSA) ▶
Statistics South Africa (Stats SA) ▶

*State Security Agency has not been incorporated due to the auditee's sensitive nature



Overall message – Audit outcomes

Overall outcomes within the portfolio have remained the same from the first year of administration (2019-20) to the current financial year.

The portfolio has one auditee (DPME) that achieved an unqualified audit opinion with no findings (clean), which represents 33% of the audits in the portfolio. This is the same as the prior two years. DPME has managed to sustain its clean audit status for a number of years.

The factors that contribute to this entity's clean audit outcomes are as follows:

- ❑ Leadership oversight, which is entrenched in the organisation.
- ❑ The constant monitoring that takes place at all levels.
- ❑ Internal audit effectively executes their mandate by following up on audit action plans and monitoring the implementation of actions to address prior year audit findings.
- ❑ The audit committee monitors the implementation of the actions plans to address audit findings through the reporting by internal audit.
- ❑ Best practice that resulted in the department sustaining its audit outcome reflects a culture where the leadership is committed to taking action to address all findings raised, supported by adequately resourced and skilled staff.

The focus of DPME, going forward, should be to ensure that they not only achieve clean audit outcomes but also effectively monitor the service delivery departments to enable **effective and efficient delivery of services to the citizens.**



Overall message – Audit outcomes Continue

Stats SA and BSA received financially unqualified audit opinions with findings on compliance with legislation. The following are key issues identified that led to the auditees' failure to obtain a clean audit:

Quality of submitted financial statements – Only **DPME** submitted financial statements that are free of material misstatements. This is the same as the prior year when **DPME** was the only auditee that managed to submit financial statements that are free of material misstatements. This can be attributed to a lapse in the control environment, where the internal controls systems of the auditees could not identify material misstatements and errors. The key root causes of the errors and/or misstatements in the financial statements are a lack of proper understanding of the requirements of accounting frameworks and inadequate reviews by different role players. The accounting officer/authority should implement disciplined financial reporting structures based on solid accounting and financial management knowledge and enhance processes for the review of the financial statements to ensure that quality financial statements are submitted for audit.

Other compliance with legislation: The prevalent instances of non-compliance are in the areas of procurement and contract management (**Stas SA**), asset management (**Brand SA**) and financial statements (**Stats SA and BSA**). The findings on procurement and contract management related to goods and services of a transaction value above R500 000 in some instances being procured without inviting competitive bids, and deviations approved by the accounting officer although it was practical to invite competitive bids, with some of the contracts awarded to bidders based on preference points that were not allocated. The finding on asset management related to the movable assets that were not disposed of in a manner that is most advantageous to the state. Compliance monitoring by auditees mainly related to ineffective monitoring of SCM prescripts due to a lack of adequate oversight. The auditees are urged to develop and implement an action plan to address the non-compliance identified in the current year. Furthermore, internal control should be enhanced to ensure a detection and preventative mechanism is in place to identify similar non-compliance in future.

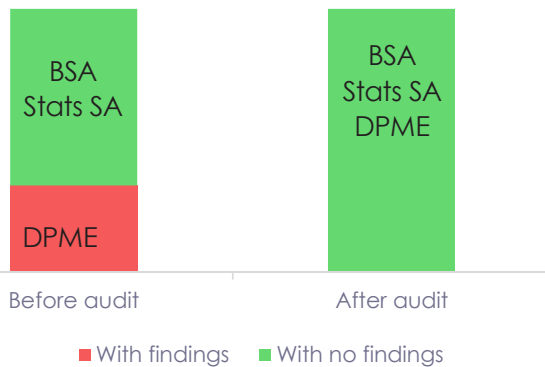


Portfolio performance information



Performance planning and reporting impacts service delivery

Quality of performance reports before and after audit



Finding: Planning for service delivery

- MTSF indicators materially differed from those included in the planning documents for DPME ,e.g. the indicator as per the MTSF refers to number of jobs created through Operation Phakisa; however, DPME's indicator refers to the number of Integrated Operations Phakisa reports produced on the Labs which highlight progress and challenges over a six-month period.

Finding: Reporting

- Poor-quality performance report submitted for audit at DPME

Impact

- Planned MTSF targets are not being tracked and ultimately not being achieved
- A performance report has been submitted that is not reliable as an accountability tool

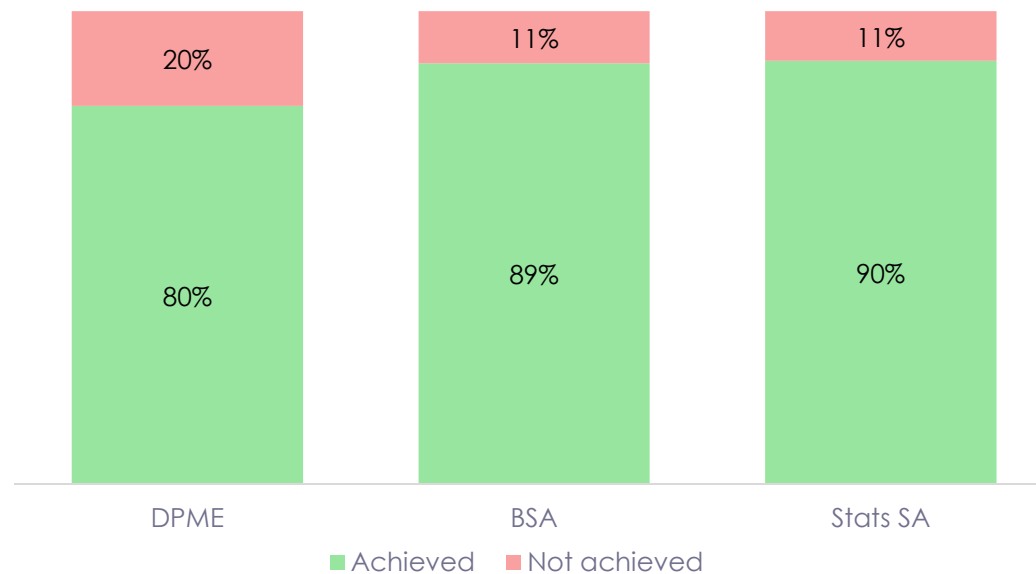


Performance against target

Key targets in medium-term strategic framework for portfolio

- Bi-annual monitoring reports on District Development Model rollout and impacts (DPME)
- 402 950 jobs created by 2024 through Operation Phakisa (DPME)
- Three existing cities identified and plans for redesign and refurbishment as smart cities developed by March 2024 (DPME)
- Two RSDFs prepared, adopted and in use by 2024
- Four additional implementation protocols / RDSF prepared in National Spatial Action Areas by 2024 (DPME)
- Virtual data repository on disaggregated statistical data by 2024 (Stats SA)
- Four constitutional awareness campaigns implemented to promote constitutional awareness per annum (BSA)
- 10 activations utilised to promote constitutional awareness per annum (BSA)

Achievement of annual targets as reported in annual performance report (all indicators) – 2021-22



Alignment of MTSF to DPME planning documents

The department is a lead in seven (7) MTSF output indicators and although all these indicators were included in the department's planning documents, we identified one (1) indicator that differed materially from the MTSF indicator, as indicated below:

MTSF	DPME planning documents 2021/22	Comment
<p>Indicator Number of Jobs created through Operation Phakisa</p> <p>Target 402 950 jobs created by 2024</p>	<p>Indicator Number of integrated Operation Phakisa reports produced</p> <p>Target Two integrated Operation Phakisa delivery lab reports produced</p>	<p>The department issues reports on the Labs, which highlight progress and challenges over a six-month period to provide feedback on the implementation of interventions, but does not report on the number of jobs created.</p> <p>If MTSF targets are not tracked, they might not be monitored and reported. The lack of reporting on the number of jobs created through Operation Phakisa has a direct impact on the lived experienced of citizens as the lack of employment has a direct impact on the quality of their lives.</p>

Recommendation:

To ensure achievement and reporting of this MTSF target, the department should consider aligning the APP to be in a position to monitor progress towards achieving the target.



Value-add insights – DPME





DPME

Insights:

- The quality of performance indicators included in the APP
- The performance process of the ministers and HoDs
- The assessment of DPME's value-adding APP review process

Overall message

Quality of performance indicators

- The department measures most of their indicators through the production of reports.
- These monitoring reports are presented to various structures such as cabinet and the Presidency (depending on the type of report).
- When presentations are made to the various structures, recommendations on how to address challenges noted are also discussed.

Performance of ministers/HoDs

- The performance of DGs cannot always be measured against the performance of ministers or linked to service delivery.
- There is a low submission rate of performance assessments by DGs and HoDs. Some new and acting DGs HoDs are not required to submit performance agreements and assessment.

APP review process

- For the 2022-23 financial year, all the national (except State Security) and provincial departments from six provinces submitted their draft APP for review.
- Comprehensive assessment reports with recommendations were submitted to all the institutions that submitted their APPs.

Key recommendations

- DPME should continue working with DPSA to enhance the performance management process of the HoDs.
- The weight allocated to indicators in the DGs/HoDs' performance agreements must be revised to ensure more weight is given to key responsibility areas (KRAs) that have a direct impact on service delivery.
- The minister in the Presidency could assist by raising awareness with other ministers on outstanding performance agreements.
- Acting incumbents in the DG/HoD positions should not act for long and vacant DG/HoD positions should be filled timeously.
- Acting DGs/HoDs should be included in the DPSA's Performance Management Development System (PMDS) for HoDs for tracking purposes.



Ministers and HODs performance process & Assessment of the DPME's value adding APP review process



DPME

Insights obtained on the following:

The performance process of the ministers and HoDs

The assessment of DPME's value-adding APP review process

Impact:

When HoDs do not perform, this has a direct impact on the lived experiences of the citizens.

If departments' APPs do not contain the indicators and targets relevant to their mandates, this will result in the MTSF targets not being achieved and subsequently impact on the lived experiences of the citizens.

Cause:

No other consequence management available for DGs/HODs who do not submit their performance agreements except for exclusion from being considered for pay progression.

Actions/Recommendations:

Other consequence management should be considered for HoDs who do not submit their performance agreements and it should also be compulsory for new and acting HODs to prepare and submit their performance agreements and assessments.

The submission of draft APPs by all national and provincial departments for review by DPME should be made compulsory and any non-compliance should be reported and addressed.

Key observations

The minister's KRAs in their performance agreements are filtered down to the performance agreements of their respective DGs through their monitoring process.

For the 2018-19 (21%) and 2019-20 (16%) years, a low submission rate of performance assessments by DGs & HoDs was noted. One of the contributors to this low submission rate could be linked to the fact that new and acting DGs and HoDs are not required to submit their performance agreements or assessments. This is particularly concerning for DGs/HoDs who have been acting for longer periods without being assessed, e.g. at DPWI there has been instability in the DG position due to the DG being on suspension since 2020. The DG position has been held by various acting incumbents to date, indicating that the DG for DPWI has not been assessed since 2020.

If the DGs/HoDs of departments are not assessed for a prolonged period of time, this could negatively affect the performance of the department and subsequently the lives of citizens as timely corrective measures will not be identified and implemented.

For the 2021-22 financial year, only 93% of DGs/HODs submitted their performance agreements to DPME.

All national departments and the provincial departments from the six provinces with no capacity submitted their APPs for review by DPME. DPME submitted comprehensive assessment reports with recommendations to all the institutions that submitted their APPs.

Role and mandate of Stats SA

Stats SA is **mandated** to advance the production, dissemination, use and coordination of official and other statistics to assist organs of state, businesses, other organisations and the public in planning, monitoring and decision-making, such as the NDP which is an integral part of the MTSF.

The link between MTSF priorities and the Stats SA indicators as detailed in the work programme 2022-23 Relevant programme

CENSUS Project

Priority:	Linking Stats SA indicators to the priorities:	
PRIORITY 1: Building a capable, ethical and developmental state	<ul style="list-style-type: none"> None 	<p>In 2021-22, the department was conducting one of the largest cyclical projects undertaken in the country, i.e. the census project.</p> <p>This was also the first time that the census was going to be run digitally.</p> <p>The resources, in the form of personnel and equipment such as motor vehicles and tablets, required to run a successful project were massive.</p> <p>The department had procured approximately 165 000 tablets, contracted with 16 car hire service companies and recruited around 91 501 temporary staff (field workers and supervisors).</p> <p>The census project had challenges, which resulted in the project being delayed and extended by three months. It was initially planned to run for the month of February 2022; however, it eventually ran from February 2022 to May 2022.</p> <p>Results of the census project are expected to be published in the 2022-23 financial year</p>
PRIORITY 2: Economic transformation and job creation	<ul style="list-style-type: none"> Real gross domestic product (GDP) Consumer and producer price indices Official unemployment rate 	
PRIORITY 3: Education, skills and health	<ul style="list-style-type: none"> Total life expectancy in years 	
PRIORITY 4: Consolidating the social wage through reliable and quality basic services	<ul style="list-style-type: none"> Lower bound poverty rate Food poverty rate 	
PRIORITY 5: Spatial integration, human settlements and local government	<ul style="list-style-type: none"> Percentage access to clean drinking water Percentage access to sanitation Percentage access to grid electricity 	
PRIORITY 6: Social cohesion and safe communities	<ul style="list-style-type: none"> None 	
PRIORITY 7: A better Africa and world	<ul style="list-style-type: none"> Number of tourists entering South Africa 	

Based on the assessment of Stats SA's role and mandate against the department's programmes and indicators, **the department's programmes and performance indicators are relevant and complete as they contribute to the achievement of the department's role and mandate.**

Material irregularities



Implementation of material irregularity process

The material irregularity (MI) process was implemented at the following auditee:

- Brand SA Trust. No MIs were identified during the year

means any non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty identified during an audit performed under the Public Audit Act that resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource, or substantial harm to a public sector institution or the general public

If accounting officer / authority does not appropriately deal with material irregularities, our expanded mandate allows us to:



Identified MIs – next steps and responsibilities

1 AO/AA is dealing with MI

AO/AA... implements the committed actions to address the MI and improves controls to prevent recurrence

AGSA... follows up in the next audit to determine whether actions were implemented and if outcomes were reasonable. If not, can include recommendations in audit report on how the MI should be addressed by a specific date

2 MI is referred to a public body

AO/AA... cooperates with public body and implements any remedial actions / recommendations made, and improves controls to prevent recurrence

AGSA... provides information on MI to public body; monitors progress made with investigations and follows up in audits on implementation of any remedial actions/recommendations

3 Recommendation included in audit report

AO/AA... implements the recommendations by the date stipulated in the audit report and improves controls to prevent recurrence

AGSA... follows up by stipulated date to determine whether recommendations were implemented and if outcomes were reasonable. If not, issues remedial action to AO/AA that must be implemented by a specific date

4 Remedial action issued

AO/AA... implements the remedial action by the date stipulated in the audit report and improves controls to prevent recurrence

AGSA ... follows up to determine whether the remedial actions have been implemented. If not, issues a notice of intention to issue a certificate of debt (CoD) to the AO/AA. Request a written submission on reasons not to issue CoD within 20 working days

Executive and oversight

Executive... monitors progress and supports AO/AA in addressing the MI and improving controls

Oversight... monitors progress and calls AO/AA to account for actions taken and outcomes

Executive and oversight

Executive... supports public body investigation and the AO/AA in improving controls. If responsible for public body, monitors progress with investigation

Oversight... monitors progress made with investigation and calls public body to account for undue delays in investigation.

Executive and oversight

Executive... monitors progress and supports AO/AA in implementing recommendations and improving controls

Oversight... request action plan or implementation, monitors progress and calls AO/AA to account for actions taken and outcomes

Executive and oversight

Executive... monitors progress and supports AO/AA in implementing remedial action and improving controls

Oversight... monitors progress and calls AO/AA to account for actions taken and outcomes

Compliance



Overall message – Compliance and irregular expenditure

The financial statements submitted for audit **contained material misstatements** except for DPME. The material misstatements are attributable to a lack of proper records management, regular reviews and reconciliations of the financial statements. All the material misstatements identified were subsequently corrected by management.

BSA had repeat findings on quality of financial statements and had to make material adjustments to the **financial statements since the 2019-20** financial year. The moratorium on the **filling of vacancies at BSA** is negatively affecting financial reporting due to the lack of capacity to ensure that the financial statements prepared are free from material misstatements.

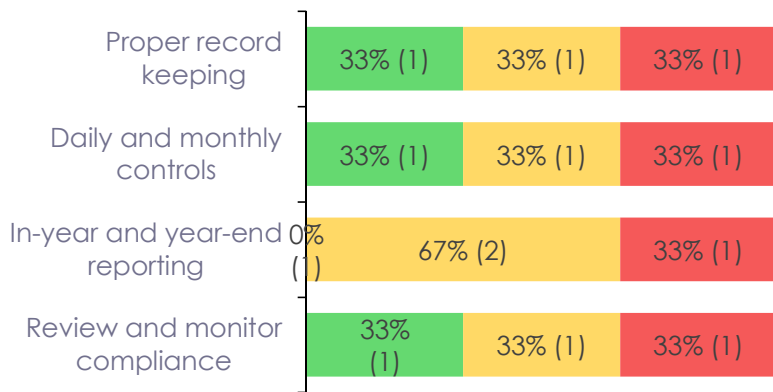
All the auditees have material non-compliance reported in their audit reports except for DPME. The non-compliance is mainly attributable to the **material adjustments** made in the financial statements of BSA and Stats SA, and material non-compliance with **procurement laws and regulations** at Stats SA.

Stats SA is the **top contributor to irregular expenditure** since 2019-20. For the 2021-22 financial year, Stats SA incurred irregular expenditure of R236 million, with the biggest contributor being the non-compliance with the SCM scoring process for the car rental panel. The irregular expenditure of R14 million for DPME relates to the presidential hotline contract that was approved by an official who was not delegated to approve the contract extension.

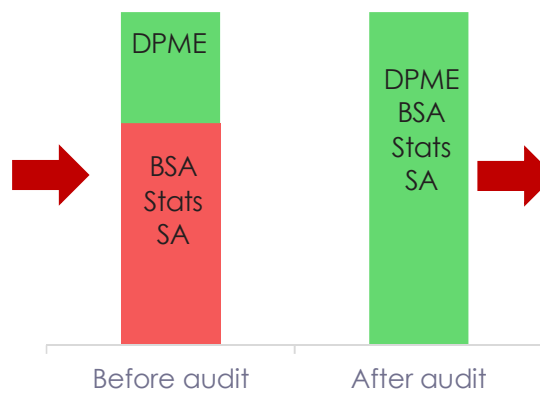


Impact on quality or financial statements submitted for audit

Financial management controls



■ Good
 ■ Of concern
 ■ Intervention required



■ Unmodified
 ■ Modified

Main qualification areas

- No qualification areas. All material misstatements were subsequently adjusted by management.

Impact

- In-year and year-end financial reporting and monitoring are not credible



Compliance with key legislation



2021-22



Most common areas of non-compliance	DPME	BSA	Stats SA
Procurement and contract management			X
Quality of financial statements		X	X
Asset management		X	

X Previous year's finding addressed
 X New finding identified in 2021-22
 X Repeat finding



Procurement and payments

Status of compliance with legislation on procurement and contract management



2021-22



● With no findings ● With material findings

MOVEMENTS FROM PREVIOUS YEAR:
0 ↑ 0 ↓

FROM FIRST YEAR OF ADMINISTRATION:
1 ↑ 0 ↓

Details of procurement findings	DPME	BSA	Stats SA
Uncompetitive and unfair procurement processes			X
Non-compliance with Preferential Procurement Policy Framework Act and Preferential Procurement Regulation			X
Non-compliance with local content and production requirements			X

X Previous year's finding addressed X New finding identified in 2021-22 X Repeat finding



Irregular expenditure

Annual irregular expenditure



Impact assessment of irregular expenditure incurred

Breach of five pillars of procurement – Equitable, fairness, cost-effectiveness, transparency and competitiveness: 1 (Stats SA) R236 million

Other: 1 (DPME) R14m (contract extension was approved by official not delegated to approve the extension)

Description	Auditee	Amount R million	Comment
Contract extension approved by official not delegated to approve the extension	DPME	R14 million	This relates to the Presidential Hotline contract that is used to monitor the service delivery complaints reported by the citizens.
Non-compliance with SCM prescripts	Stats SA	R236 million	Some deviations from the procurement process were awarded without obtaining prior approval from the relevant authorities.
TOTAL		R250 million	





Conclusions and recommendations



Root causes, recommendations and commitments

Overall root causes of significant findings in portfolio

- Slow response by management and the pending finalisation of the merger with SA Tourism are negatively impacting BSA as key positions cannot be filled due to the moratorium in place. This affects the day-to-day running of the entity negatively.
- Lack of adequate review and monitoring controls over the preparation of the BSA financial statements.
- Lack of regular reviews and reconciliations of the financial statements at Stats SA.
- Lack of adequate and effective controls to prevent non-compliance with laws and regulations at Stats SA.

Key recommendations to and commitments by accounting officers and authorities

- Identify and fill critical senior management positions with experienced and skilled staff at BSA while the merger is still pending.
- BSA and Stats SA to enhance the review process and/or controls to ensure that the financial statements are free from material misstatements.
- Stats SA should enhance the controls relating to compliance with procurement and contract management, laws and regulations.
- Acting incumbents in the DG/HoD positions should not act for long and vacant positions should be advertised and filled timeously

Key recommendations to and commitments by Portfolio committee

- Invite DPME to be present in Parliament for all APPs tabling to ensure that DPME's inputs from the draft APP review process have been considered in the final APP;
- Invite DPME to be present in Parliament for all annual reports tabling to ensure that the portfolio/departments performance is aligned to DPME's assessments;
- Acting incumbents in the DGs/HODs positions should not act for long and vacant positions should be advertised and filled timeously;
- Revise the DPSA's Performance Management Development System (PMDS) for HODs to include acting incumbents for tracking purposes;
- The weight of the HODs KRAs should be revised to have more weight on audit outcomes and service delivery; and
- Expediting the finalization of the merger between Brand SA and SA Tourism as this is negatively impacting the performance of BSA as key positions cannot be filled due to the moratorium in place, which affects the day to day running of the entity negatively.



THANK YOU



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