

Audit Turnaround

Progress on implementation of interventions as at 14 Feb 2020

**REPORT ON THE AUDIT TURNAROUND AND STABILISATION PLAN ADDRESSING THE QUALIFIED
AUDIT OUTCOME IN VOTE FINANCIALS FOR 2019/20 FINANCIAL YEAR**

1. INTRODUCTION

- 1.1 During the occasion of the presentation of the 2018/2019 Annual Report of the Department of Justice and Constitutional Development, the Portfolio Committee on Justice and Correctional Services resolved that the Acting Director General should submit to the Committee, a Turn-around Plan indicating how the Department seeks to address the audit non-compliance of the said reporting period.
- 1.2 The Committee noted that the Auditor General pointed to the failure of the Accounting Officer to effectively oversee financial, performance, compliance reporting and related internal controls.

In addition, Management's failure

- to adequately monitor the implementation of action plans to address internal control deficiencies;
 - implement proper record keeping in support of financial and performance reporting;
 - adequately review and monitor compliance with legislation;
 - and design and implement formal controls over IT systems to ensure their reliability and the availability, accuracy and security of information was highlighted as a factor in the poor audit outcome"
- 1.3 The Acting Accounting Officer and Executive Management of the department initiated an Audit Turn-Around and Stabilisation Plan to be guided and implemented by a dedicated Project Team of the Department in response to the audit outcome.
- 1.4 This Plan seeks to address non-compliance with audit standards as well as to implement measures to stabilise the audit environment and creating a culture of compliance and accountability.
- An intervention, in the form of an **audit turnaround plan**, has been put in place to urgently address these issues.
 - This intervention will assist to clearly communicate the objective of the plan and the expected outcome; whilst **mobilizing by-in from all officials**.
 - The first phase of the plan is envisaged to be implemented within the last 5 months of the financial year, ie by end of November 2019 to March 2020

2. PROJECT GOVERNANCE STRUCTURE

PROJECT OWNER: Minister: Mr R Lamola, MP

PROJECT SPONSOR: Acting Director General: Adv JB Skosana

PROJECT LEADER: Mr Mosala: Chief Director: Service Delivery Improvement

PROJECT MEMBERSHIP

- Mr J Johnson: Finance TPF
- Mr Max Budeli: Chief Audit Executive
- Mr Donald Mpholo: Acting Deputy Director General: Corporate Services
- Ms Lebo Mphahlele: Chief Director: Strategy
- Ms Babalwa Musekwa: Office of the Director General
- Ms Nomsa Mngadi: Communication
- Work Streams – Composed of Technical experts on finance and performance information
- Project Administration and Support – Ms Mmamoroke Mphelo, Ms Selina Mkhondo and Ms Siziwe Kenqu

3. PROJECT OBJECTIVES

- 3.1 Unqualified audit outcomes in Vote financials for the 2019/20 financial year
- 3.2 Credible and auditable Baseline Performance Reporting
- 3.3 Addressing emerging risks that may influence audit outcomes
- 3.4 Business Process Reviews to ensure attainment of audit objectives

4. PROJECT FOCUS: THE SUMMARISED AUDIT RISK AREAS

4.1 Financial management

- Contingent liabilities - The accuracy, completeness and relevance of the data could not be confirmed
- Ineffective controls in the asset management environment
- Assets could not be traced to the asset register

4.2 Performance management

- The reported achievements in the annual performance report did not agree to the supporting evidence provided for indicators
- Auditor general unable to obtain sufficient appropriate audit evidence for the reported achievement
- inadequate systems and processes to accurately and completely report against the target

4.3 Financial management

4.3.1 The Audit Outcome: Vote Financials

Movable tangible capital assets: Included in movable tangible assets R1 877 111 000 for movable tangible capital assets and R857 337 000 for minor assets. The department did not have adequate internal controls to ensure the effective maintenance of the movable assets register and ensure the existence and completeness of assets disclosed in note 39 was overstated by R309 021 000

4.3.2 The Audit Issues: Asset Management

- Intangible assets – additions disclosed as goods and services.
- Assets could not be traced to the assets register.
- Assets disposed and asset register not updated.
- Assets moved without movement from completed to other premises.
- Assets transferred to other Regions without completing the transfer forms and adjusted on the asset register.
- The controls in the asset management environment – a significant concern due to incomplete structure.

4.3.3 The Audit Issues: Contingent Liabilities

Included in contingent liabilities is R2 355 819 000 (2018: R2 785 404 000) for claims against the department. The department did not have adequate internal controls to estimate the likely settlement amounts for claims against the state.

- Unlawful arrest and detention balance incorrectly calculated.
- Some claims against the department could not be traced to the claims register supporting the annual financial statements.

- No confirmation whether the data on which the estimate is based is appropriate in the circumstance.
- Assessments are not performed at the end or as relevant information becomes available
- The accuracy, completeness and relevance of the data could not be confirmed.
- Management did not have adequate processes in place to assess the likely financial implications of claims against the department.

5.2 Performance management

- The reported achievements in the annual performance report did not agree to the supporting evidence provided for indicators.
- Auditor General unable to obtain sufficient appropriate audit evidence for the reported achievement.
- Auditor General – Inadequate systems and processes to accurately and completely report against the target.
- Auditor General – Unable to confirm the reported achievement by alternative means.

6. PROJECT TURNAROUND INTERVENTIONS

6.1 Asset Management Interventions

	Interventions	Timeline	Progress
1.	Address the management vacuum in asset management through Secondment/ appointment of competent Senior Managers.	29 Nov 2019	<p>The Job Evaluation for the Director, Deputy Director and Assistant Director has been finalised. A request to advertise the post was sent to HR</p> <p>The vacant position for Provisioning Admin Officer shortlisting was done.</p> <p>Chief Director Third Party Funds (TPF.) has been seconded as Head of Supply Chain Management from January</p>

			2020.
2.	Transfer and secondment of technical and operational experts (Internal Resources) to Asset Management Directorate.	6 Dec 2019	Director Finance in Gauteng has been seconded to assume duties of Director: Asset Verification and Accounting from 27 January 2020.
3.	October 2019 Internal Audit Report – Review, Assessment and Identification of priority areas of Intervention.	22 Nov 2019	Intervention Plan drafted, All Internal Audit Findings have been consolidated and prioritised within the Intervention Plan
4.	Appointment of support capacity casual contract workers/Interns to assist with asset verification and disposals.	06 Dec 2019	Casual workers appointed at National Office and Gauteng Region until end of March 2020 to assist with the verification and asset disposals.
5.	Final date for Regional/Branch disposal submission and asset register updated (2 phase – Smaller/Larger Regions)	29 Feb 2019	The final date of 28 February disposals has been communicated. The following Regions have submitted report on Phase 1 Disposal: Western Cape; Mpumalanga; Limpopo; North West; Northern Cape; Eastern Cape; Gauteng; KwaZulu-Natal .
6.	Conclusion of asset verification in all regions/service points 2phase – Smaller/Larger Regions	31 March 2020	Regions have completed the 3rd Quarter Asset Verification process. The last asset verification process is underway for 2 phases for last quarter verification with Asset Verification Certificates to be submitted.
7.	Verification and locking of asset register – All disposals additions and valuations accounted and	29 Feb 2020	The Regions have earmarked the 31 March 2020 as the final date of submitting the Asset

	addressed		Verification Certificates. 31 March 2020 lock of asset register.
8.	Internal Audit/Internal Control spot checks in prioritised cost centres	29 Feb 2020	To invite the Internal Auditors/ Internal Control from the 06 April 2020 for spot checks in prioritised costs centre.
9	Open asset register for Final adjustment and rectifications	30 April 2020	On target to open asset register for Final adjustments and rectifications
10	Final validation and quality assurance on asset register by N/O and submission to AG	25 May 2020	To be performed in April 2020

6.3 COURT SERVICES

	Findings	Risk Assessment/Root Cause
1.	Indicator 3 Number of criminal cases on the backlog roll in lower courts. Backlog cases not completely recorded in the register.	ICMS system is not configured to collect information as required by the relative technical indicator descriptions.
2.	Indicator 3.2: Percentage of criminal cases postponed due to unavailability of court administration staff.	Register submitted for audit was not accurate. These application processes need to be revised to address current limitations.
3.	Indicator 3.3: Percentage of child justice preliminary inquiries finalised within 90 days after first appearance.	Some cases selected from the floor are not recorded in the national office case register. Collection of data was inconsistent with technical indicator description.
4.	Indicator 5.4: Percentage of maintenance matters finalized within 90 days from the date of proper service of process.	Cases could not be traced to the register for maintenance matter finalized by 31 March 2019.
5.	Indicator 5.2: Percentage of non-litigation matters finalized within six months from the date of opening the matter	Turnaround period to finalize matters incorrectly calculated.

6.	Indicator 4.4: Percentage of all recorded conviction validated on the NRSO.	Amending legislation to ensure all sexual offences are recorded and not specific types.
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Court Services: Performance Information Interventions

	Interventions	Timeline	Progress
1.	Criminal cases postponed (Ind 3.2) Monitor monthly risk reports and corrections	Weekly /Monthly	<ol style="list-style-type: none"> 1. Provincial turnaround teams were established who go to courts to evaluate and make corrections and report on a weekly basis 2. Monthly accuracy certificates are completed at Regional Heads level and monitored at National Office level (The certificates deal with data integrity and backlog capturing of cases on the ICMS) 3. Regional Heads are provided monthly with NOC reports from ICMS and are required to intervene where there are problems, e.g offices that are not capturing or capturing incorrectly 4. National Office continuously pulls exception reports to monitor non-compliance with courts and come up with interventions 5. Continuous interaction with the lower court magistracy leadership (RCPF and CMF) to improve court productivity; improve court hours; and promote case backlog reduction.

2.	Criminal cases on backlog not captured (ind 3) – Training Monthly Certification	Weekly/ Monthly	<p>1. Standard operating procedures were put in place to guide the courts on how to capture correctly</p> <p>2. Accuracy certificates are signed off on a monthly basis by Regional Head on all performance indicators relating to systems</p> <p>3. System has been configured to reflect administration only accuracies</p>
3.	Preliminary enquiries (Ind 3.3) Ensure capturing of first appearance date and correct age	Daily	<p>1. ISM fixed the system for the reports to extract the required data</p> <p>2. Data now included in the KPI report includes cases finalised from 1 April 2019 also and not only those registered and finalised since 1 April 2019</p>
4.	Maintenance 90 days9 (Ind 5.4) Filling and capturing of service daily, certificates.	Daily/Monthly	<p>1. ISM was contacted to have the ICMS system opened up (columns to be unfrozen) in order to allow historical cases to be captured as well as corrections to be made in respect of cases which were never captured as at the reporting period and cases where incorrect information was captured. Relevant documents were signed to that effect and the process to open up ICMS is underway.</p> <p>2. Weekly exception reports are sent to Regions for corrections</p>
5.	NON-Litigation matters (Ind5.2) Principal FA ensure checking, verification and certification.	Monthly	<p>Method of calculation has been corrected</p> <p>All offices were trained and a follow up training was offered to</p>

			struggling offices.
6.	NRSO – Director Legal Administration to ensure training, circular on RSO verification and check form 4/5	8 November/ Monthly	

6.4 STATE ATTORNEY

	Findings	Risk Assessment/Root Cause
1.	Indicator 10.1 number of PDI advocates briefed.	National register incomplete
2.	Indicator 10.2 percentage value of briefs allocated to female counsel.	Payments could not be traced to the register for value of briefs allocated to female counsel.
3.	Indicator 10.3 percentage of allocated to female counsel.	The brief below could not be traced to the register for briefs allocated to female counsel.
4.	Indicator 11.1 percentage reduction in capital amount claimed in medical negligence. Unlawful arrest and detention claims.	Understatement of National Register. Inaccurate and incomplete reporting
5.	Indicator 11.2 Number of enrolled matters presented in High Court by State Attorney – Applications and trials only.	Incorrect entries included in the register and in some instances inadequate documentation to confirm presentation in High Court.
6.	Indicator 11.3 Percentage of litigation cases settled	Register understatement
7.	State Attorney Procurement and Contract Management.	Goods and services below and above R500 000 procured without inviting competitive bids and deviations.

State Attorney: Performance Information Interventions

	Interventions	Timeline	Progress
1.	Establishment of a Statistical Committee that will oversee statistical reporting, quality assurance and submission – Heads of Office or delegate.	15 Nov 2019	The committee was re-established in the CLO branch meeting held in Durban on 20-21 November 2019. The committee is chaired by Ms N Mkhwebane, Director: Operations Management is made up of office heads and office managers as members. Minutes of the above-stated meeting can be use as confirmation for the establishment of the committee.
2.	Issue Internal State Attorney Financial directive on updated process and standardize reporting	22 Nov 2019	Verbal instructions were issued to the heads of the office to use three quotations to procure legal services. These instructions were issued during the management meeting in Durban. A circular on procurement of legal services was drafted and circulated for comments. It will be finalised before the end of the December 2019. Treasury letter was issued to all offices and this letter is used as the guideline for procurement of legal services. Amended the Delegation of powers and Authority to include processes for the procurement and payment of legal services.
3.	Weekly statistical reporting by attorneys on KPI's to Heads of Offices.	22 Nov 2019	A uniform statistics data collection form was created, discussed with office managers and it will be implemented in all

			<p>offices once it is approved by the ACLO. All offices were instructed to make sure that all the attorneys submit stats on weekly basis to the office manager who will in turn check and verify the quality of the data.</p> <p>The PQM office will do offside verification as from the second week of December.</p>
4.	Monthly certification of performance statistics and upload on NOC by Heads of Offices	Monthly	<p>The Acting CLO has approved the Branch certificate of accuracy for performance information that is submitted by State Attorney Offices. The State Attorney Offices will use this certificate to certify the accuracy, completeness and authenticity of performance information and it is signed off by the Heads of office. The certificate will be workshopped at the next meeting with Heads of Office for endorsement and implementation. The signed memo and the draft can be used as POE.</p>
5.	Training and guidance on Standardized Operating procedures, NOC tool capturing, supporting documents, source documents, data collation, management and submission to NOC	30 Nov 2019	<p>All offices (admin and legal staff) were trained on the current SOP and NOC tools. Attendance registers can be used as evidence.</p>
6.	Pre Audit Readiness inspection, multi-disciplinary team at	Jan-Feb 2020	<p>Pre-audit Readiness inspections will take place between January and February 2020. The PQM and</p>

	selected Offices focusing on quality assurance, data validation, inspection of offices and files		NOC officials are currently doing stats verification and quality assurance on performance information reported in the period April – November 2019. The verification started with and they started on 20 January 2020 with State Attorney Pretoria Office.
7.	Review Reporting and feedback to Heads of Offices and Initiation of corrective action across full population.	Jan-Feb 2020	All offices were asked to verify stats and submit the cleaned stats to PQM directorate by 13 December 2019. The Work Stream Task team met on 16-17 January in Durban to work through the submissions by offices.
8.	Audit facilitation and support – managing and support the audit process and information submission to AG and quality control of audit responses.	April 2020	The branch made a decision that all offices to appoint an audit facilitator who will coordinate audits in the offices of the State Attorney. Office managers were appointed to facilitate audits. The Work Stream Task was appointed as the national audit facilitation team for the entire branch.

6 OFFICE OF THE CHIEF MASTER

Emerging Risks and Compliance issues

- Management of future maintenance.
- Calculation of correct interest on the funds in the Suspense account.
- Adherence to financial timeframes and deliverables in the GF.
- Office Performance – PMB Master – Lower performance in GF will cause a backlog. which will influence later month's performance on the objectives.

Performance Information Intervention

	Interventions	Timeline	Progress
1.	Financial directive and support and guidance on financial administration, reconciliation, monthly reports and financial year-end readiness for Guardians Fund	30 Nov 2019	<p>Half Year Regional Assessment and Support Concluded: KMB,BLM,GHT,CPT,PMB,PTA</p> <p>This intervention is on track as half year assessments were due and completed on 31 December 2019.</p> <p>This intervention is on track for quarterly targets, and will be complete by year-end</p> <p>This intervention is an on-going process till year-end</p>
2.	Issue of Chief Master directive on the Management of Future Maintenance – 30 November 2019	30 Nov 2019	<p>The Draft Directive has been finalised and will be issued by 15 February 2020 for implementation 1 April 2020.</p> <p>The Office of the Chief Master will inform the</p>

			relevant Stakeholders (Magistrates Commission , CFO and Regional Heads) of the contents of the Directive to ensure implementation on 1 April 2020 and that no further orders, ordering the future maintenance to be paid to the Master, are made by courts.
3.	Conclude a comprehensive analysis, review, validation of interest relating to suspense accounts and other financial adjustments.	4 Nov- 31 March 2020	<p>Suspense Account Validation(Apr to Sept): Completed</p> <p>KMB,BLM,CPT,GHT,PMB,PTA</p> <p>Financial Adjustment Journal Validation(Apr to Sept): Completed</p> <p>KMB,BLM,CPT,GHT,PMB,PTA</p> <p>This intervention is on track as half year validations were due and completed on 31 December 2019</p> <p>This intervention is an on-going process till year-end</p>
4.	KRI roll out of PEAS system: explore funding options for the procurement of scanners with CFO and ISM and finalize procurement	15 Nov 2019	<p>Scanners will be procured by way of a transversal contract awarded by SITA (managed by ISM). As soon as the contract has been awarded, the Master /ISM will allocate funds for the procurement of scanners.</p> <p>It is envisaged that the contract will be in place by 31 March 2020.</p>

			Further meetings with ISM are not necessary at this stage as the relevant process needs to follow.
5.	Performance challenges and outputs in PMB offices – discussions with HR to transfer, re-deploy level 9 posts to PMB to be filled.	30 Nov 2019	<p>Currently 2 vacant level 9 posts in the PMB office will be advertised before end of February 2020 and 2-3 more level 9 posts, available in other offices, may be transferred to the Pietermaritzburg Office.</p> <p>A memo to HR, to request the identification and transfer of posts, is in process of being drafted and will be lodged before end of February 2020 for consideration and implementation by HR.</p> <p>The above are being done in a bid to resolve the challenges faced in the PMB office .</p>

Contingent Liabilities

	Intervention	Timeline
1.	Quality assurance and review of Mid-Year (September 2019) Contingent liability qualification, disclosure and registers	29 Nov 2019
2.	Conclude and agree on the methodology of coalition (Finance Internal/Legal Services/NPA) and elements to be included guided by accounting standards and policy	29 Nov 2019
3.	Engage Auditor General and National Treasury on the proposed methodology and seek concurrence with interpretation	13 Dec 2019

4.	Provide guidance to stakeholders on finalised interpretation and measurement	13 Dec 2019
5.	Amendment directives (DFI) to ensure financial directives is aligned with agreed interpretation	30 Nov 2019
6.	Provide guidance to stakeholder on finalised interpretation and measurement	30 Nov 2019
7.	Monthly monitor of each individual cases to ensure appropriate reporting	Monthly
8.	Assess each cases on the register to ensure correct disclosure	31 March 2020
9.	Quality assured validated Final disclosure in Annual Financial Statement	30 April 2020

7. EXCO SUPPORTED INTERVENTIONS AND INITIATIVES

	Interventions	Timeline
1	Bi- Weekly Dashboard and Progress Reporting and assessment See Annexure A	November 2019 – December 2019
2..	Internal communication – Publications : DG, CFO and Branch Heads on Good Governance Compliance, Audit focus areas and Performance Reporting's See Annexure B	November 2019 – December 2019
3.	Exco Road show – Regional and Branch Briefings to engage with managers and heads of offices to shed some light on the current issues of concern and give the necessary guidance on the roadmap to follow as we venture on this critical “Clean Up-Catch Up” initiative See Annexure C–	November 2019 to December 2019

4.	Technical assistance and guidance to Regions and Branches Various teams will be dispatched to offices to offer guidance and additional assistance where there are shortcomings	November 2019 to March 2020
5.	Audit preparation: Implementation of work stream interventions Regions and office	November 2019 – February 2020
6.	National Pre Audit Inspection, validation and quality assurance –	February 2020-