



AUDITOR - GENERAL
SOUTH AFRICA

BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR):

Portfolio Committee on
Cooperative
Governance and
Traditional Affairs

10 October 2022

*Briefing document on the
audit outcomes for the
Cooperative Governance
and Traditional Affairs
portfolio:
2021-22*

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1. Introduction

1.1 Reputation promise of the Auditor-General of South Africa

The Auditor-General of South Africa (AGSA) 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.

1.2 Role of the AGSA

Our role as the AGSA is to reflect on the audit work performed to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the committee's objective to produce a budgetary review and recommendations report (BRRR).

1.3 Role of the portfolio committee

Section 5(2) of the Money Bills Procedures and Related Matters Amendment Act 9 of 2009 allows for each committee to compile a BRRR, which must be tabled in the National Assembly. Section 5(3) provides for a BRRR to contain the following:

- An assessment of entities' service delivery performance given available resources
- An assessment on the effectiveness and efficiency of entities' use and further allocation of available resources
- Recommendations on the further use of resources.

1.4 Mandate of the AGSA and the portfolio committee

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AGSA mandate	Portfolio committee mandate
Section 188 of the Constitution	National Assembly Rule 227

AGSA mandate	Portfolio committee mandate
<p>The AGSA must audit and report on the accounts, financial statements and financial management of government institutions.</p> <p>Section 20(2) of the Public Audit Act (PAA)</p> <ul style="list-style-type: none"> The AGSA must prepare an audit report containing an opinion/conclusion on the: <ul style="list-style-type: none"> fair presentation of the financial statements compliance with applicable legislation reported performance against predetermined objectives. Discretionary audits (including special audits, investigations and performance audits). <p>Section 5(1B) of the PAA</p> <p>The auditor-general has the power to:</p> <ul style="list-style-type: none"> issue a material irregularity include recommendations in the audit report take an appropriate remedial action issue a certificate of debt, as prescribed, where an accounting officer/authority has failed to comply with remedial action. 	<p>Portfolio committees may, among other things, perform the following functions:</p> <ul style="list-style-type: none"> deal with bills and other matters falling within their portfolio, as referred to them in terms of the Constitution, legislation or rules, or by resolution of the assembly maintain oversight of their portfolios of national executive authority, including implementation of legislation, any executive organ of state falling within their portfolios, any constitutional institution falling within their portfolios, and any other body or institution in respect of which oversight was assigned to them consult and liaise with any executive organ of state or constitutional institution monitor, investigate, enquire into and make recommendations concerning any such executive organ of state, constitutional institution or other body or institution, including the legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure, staff and policies of such organ of state, institution or other body or institution consult and liaise with any executive organ of state or constitutional institution perform any other functions, tasks or duties assigned to them in terms of the Constitution, legislation, these rules, the joint rules or resolutions of the assembly, including functions, tasks and duties concerning parliamentary oversight or supervision of such executive organs of state, constitutional institutions or other bodies or institutions.

1.5 Purpose of this document

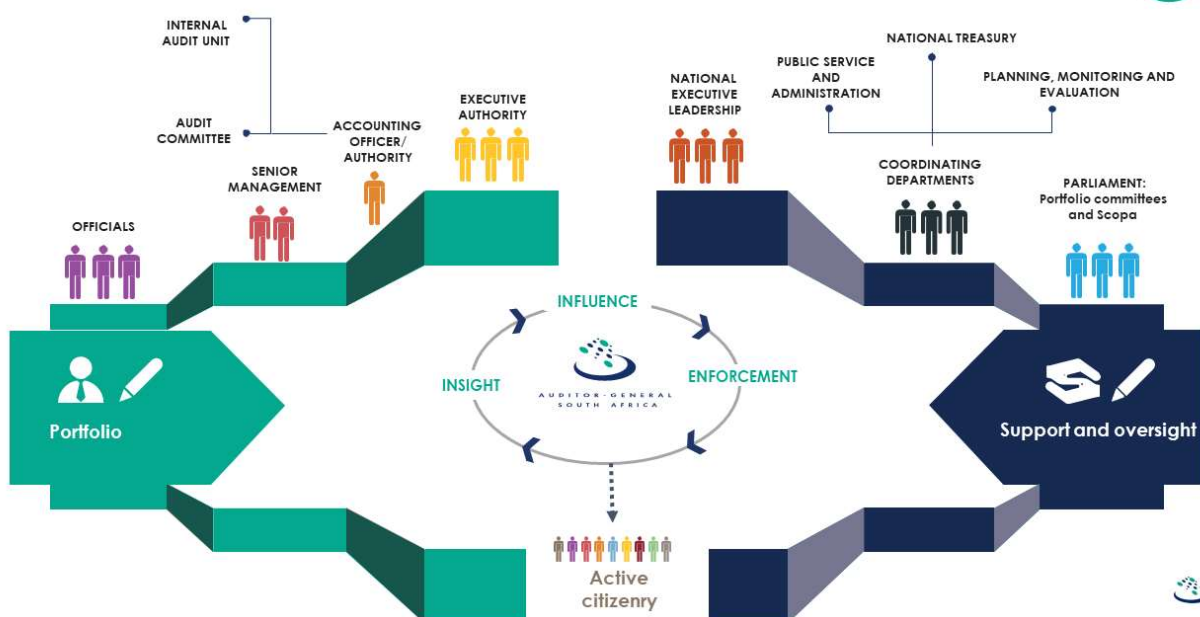
The purpose of this briefing document is for the AGSA to reflect on the audit outcomes to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the objective of the committee to produce a BRRR.

1.6 Shifting the public sector culture through the accountability ecosystem

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All have role to play in national government accountability ecosystem






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- The accountability ecosystem is the network of stakeholders that have a mandate and/or responsibility, whether legislative or moral, to drive, deepen and/or insist on public sector accountability.
- A more active and engaged accountability ecosystem would add to the much-needed effort of shifting public sector culture and would alleviate the overreliance on the AGSA to assume responsibility for improving audit outcomes and enforcing consequences.
- Shifting the public sector culture towards one that is characterised by performance, accountability, transparency and integrity can only be accomplished if all role players in the broader accountability ecosystem fulfil their respective responsibilities and mandates.
- Given the nature of the AGSA's mandate, by the time that we audit the financial statements of auditees and report on adverse findings, multiple failures have already occurred along the accountability value chain. After our audits, other steps are required to complete the accountability cycle.
- Improvement in sound financial management to enhance the lives of citizens does not only reside within the domain and responsibility of the accounting officer or authority and the

auditors. It depends on the entire accountability ecosystem to enable a culture of accountability in a sustainable and meaningful way.

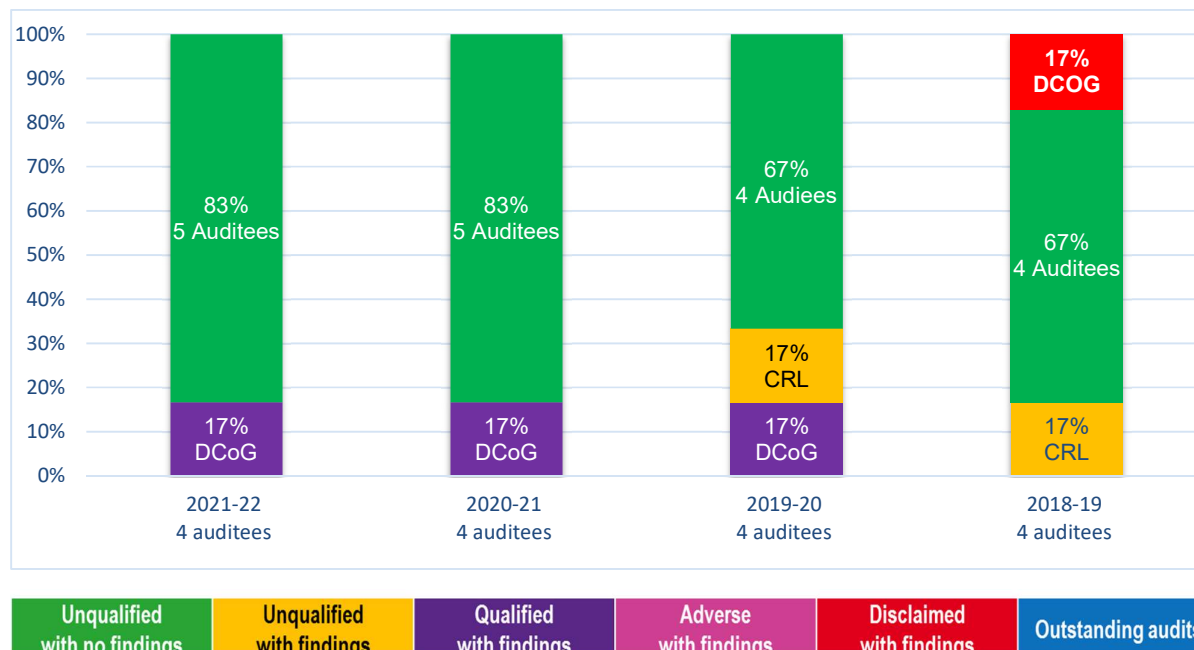
1.7 Audit outcomes explained

Unqualified opinion with no findings (clean audit)	Financially unqualified opinion with findings	Qualified opinion	Adverse opinion	Disclaimed opinion
 <p>Auditee:</p> <ul style="list-style-type: none"> produced credible and reliable financial statements that are free of material misstatements reported in a useful and reliable manner on performance as measured against predetermined objectives in the annual performance plan (APP) complied with key legislation in conducting their day-to-day operations to achieve their mandate 	 <p>Auditee produced financial statements without material misstatements or could correct the material misstatements, but struggled in one or more area to:</p> <ul style="list-style-type: none"> align performance reports to the predetermined objectives they committed to in APPs set clear performance indicators and targets to measure their performance against their predetermined objectives report reliably on whether they achieved their performance targets determine the legislation that they should comply with and implement the required policies, procedures and controls to ensure compliance 	 <p>Auditee:</p> <ul style="list-style-type: none"> had the same challenges as those with unqualified opinions with findings but, in addition, they could not produce credible and reliable financial statements had material misstatements on specific areas in their financial statements, which could not be corrected before the financial statements were published. 	 <p>Auditee:</p> <ul style="list-style-type: none"> had the same challenges as those with qualified opinions but, in addition, they had so many material misstatements in their financial statements that we disagreed with almost all the amounts and disclosures in the financial statements 	 <p>Auditee:</p> <ul style="list-style-type: none"> had the same challenges as those with qualified opinions but, in addition, they could not provide us with evidence for most of the amounts and disclosures reported in the financial statements, and we were unable to conclude or express an opinion on the credibility of their financial statements

2. Improvement in audit outcomes over administration term

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Four-year audit outcomes



2.1 Overview

- Overall audit outcomes for the **CoGTA portfolio remained unchanged**, with a qualified audit opinion for DCoG.
- The overall driver is the commitment by management **to engage the auditors and implement auditors' recommendations**. **Management response to limitations** and the **implementation of actions plan initiatives** also assisted in maintaining and improving the audit outcomes.
- The results of the rest of the auditees remained the same as last year, with all receiving clean audits.

Key reflections on the audit outcomes of DCoG

- **Material misstatements** were identified due to inaccurate, incomplete and duplicate substantiating records for payments made for goods and services and invoices to clear prepayments.
- **Breakdown in key internal controls** such as physical verification of CWP assets, preparing and maintaining a credible CWP asset register.
- Management did not effectively monitor and implement **action plans**, as evidenced by the number of repeat findings reported.
- **Inadequate controls** over the review and monitoring of compliance with key supply chain management legislation.
- **Lack of consequence** management for non-adherence to laws and regulations, poor performance and transgressions.
- **Lack of appropriate record keeping** to substantiate the transactions and balances reported in the annual financial statements.

2.2 Detail on outcomes

Overview

<Include>

2.2.1 Findings on the audit of the annual performance report and achievement of targets

Slides 7 – 9

Auditee	Material findings	Number of targets achieved against number of targets planned for 2021-22 (%)	Impact of targets not achieved
Department of Cooperative Governance	<p>Programme 2: Local government support and interventions management</p> <p>The reported indicator was not consistent with the planned indicator; however, this was subsequently corrected by management.</p> <p>Planned indicator: Monitoring and Intervention Bill tabled in Parliament</p> <p>Reported indicator: Intergovernmental Monitoring, Support and Interventions Bill gazetted for public comments by 31 March 2022.</p>	08 out of 12 (67%)	<p>Delays in the finalisation of One Plans for two districts.</p> <p>No hub manager and administrative support staff appointed in the 21 districts which are water service authorities.</p>



Auditee	Material findings	Number of targets achieved against number of targets planned for 2021-22 (%)	Impact of targets not achieved
	<p>The reported planned targets were not consistent with the planned targets; however, this was subsequently corrected by management.</p> <p>Planned target: Hub managers and identified hub administrative support staff appointed in 21 districts, which are water service authorities.</p> <p>Reported target: Draft revised concept note on establishment of DDM hubs developed by 31 March 2022.</p> <p>Planned target: Intergovernmental Monitoring, Support and Interventions Bill gazetted for public comments by 31 March 2022.</p> <p>Reported target: Bill submitted to the State Law Advisor in October 2021. Compulsory SLA constitutional compliance certificate was obtained to process the Bill in Cabinet.</p>		<p>The report on the priority water infrastructure project which was identified, funded and included in the DDM One Plans, was finalised late.</p> <p>The bill is submitted to the State Law Adviser, and the compulsory certificate on socio-economic impact assessment was obtained late for submission to Cabinet for approval.</p>
CRL Rights Commission	<p>Programme 2: Legal services and contract resolution</p> <p>The reported achievement for one target was misstated; however, this was subsequently corrected by management.</p> <p>Target: Review 100% of bills before Parliament that impact on the mandate of the CRL Rights Commission annually. This was initially indicated as 100% (2/2); however, it should have been reflected as 67% (2/3).</p>	03 out of 05 (60%)	<p>The bill will be reviewed in the next financial year.</p> <p>There was no customary initiation by-law in Buffalo metropolitan municipality to review.</p>



2.2.2 Service delivery

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Impact of the above on service delivery

The message emerged from the assessment performed on the strategic alignment and the effectiveness and impact of the implemented interventions. Indicators are crafted in a way that is not necessarily yielding an impact on the livelihoods of citizens. The concern is that the initiatives implemented are short-term based and not sustainable and that the impact remains minimal as the municipalities' performance is not improving.

Root causes

Therefore, the influence and impact of these indicators are not at the desired level due to the following:

- Similar initiatives are implemented repeatedly, but the impact remains minimal as evidenced by the limited or lack of improvement at municipalities.
- The execution of the set initiatives is at a very high level or at a very minimal effort.
- Engagements held by the department and municipalities are not interrogating the causes of backlogs in service delivery in order to come up with adequate solutions.
- Leadership of the municipalities is not receptive to the interventions.
- Lack of skills and required competencies in some of the departments for officials to carry out their objectives.
- Several indicators refer to "support" to be provided to the municipalities; however, "support" is not defined at the planning stage in a manner which is clear as to the activities the departments will undertake to ensure that the municipalities are supported.
- The implemented projects are not part of the priority list from the community, or the projects prioritised by communities are not funded, resulting in service delivery protests.



- The lack of an integrated approach regarding the support provided by the different role players has been identified by government; thus the introduction of the district development model in order to foster integration/partnership by sector departments, municipalities, civil society and the private sector to realise the intended impact.

Recommendations

National play a vital role in supporting the municipalities to strengthen their capacity to manage their own affairs, exercise their powers and perform their functions.

The outcome from the MTSF analysis and the APPs for the current year highlights that the departments should ensure alignment of their APPs to MTSF and have initiatives and interventions that are impact focused and measure the actual implementation and monitoring of intervention plans, with the specific type of support to be provided within time lines and action plans developed to ensure that the real root causes are addressed.

The municipal infrastructure grant indicators should measure service delivery on infrastructure projects implemented and funded. This can be achieved through a well-coordinated monitoring of the municipalities performance and using the insights from the monitoring process to empower the structure of authority to act against pushbacks on interventions.

2.2.3 Information and communication technology environment / projects

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Management made progress in implementing action plans to address prior year audit findings on areas relating IT governance and user account management. However, there are still areas of concern requiring attention, especially in respect of ICT service continuity and IT security management. Failure to implement basic IT security and ICT service continuity controls could lead to unauthorised users gaining access to systems, resulting in data being compromised, denial of service attacks or data integrity issues and, consequently, overall disruption to business processes.

Root causes

Lack of user access management



Inadequate user access management processes on active directory (AD)

It was noted that there were new users who were created during the period under review. These users accounts were noted to be active on the CWP MIS system.

Inadequate ICT security policy

No processes or schedules are in place to guide the information security awareness program.

Inadequate design and implementation of disaster recovery procedures

Lack of recovery point objectives (RPOs).

Inadequate implementation on the backup controls

The backup policy does not include the backup restoration process and the retention period.

Recommendations to accounting officer:

Management should review the user SOP to ensure that it is adequately designed, approved, implemented and communicated to all users.

Management should ensure that the backup policy is adequate.

2.2.4 Material irregularities

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Definition: A material irregularity means any non-compliance with, or contravention of, legislation, or fraud, theft or a breach of a fiduciary duty identified during an audit performed under the PAA 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.



Auditees in the portfolio scoped in

	2021-22	2022-23
Auditees	DCoG MDB CRL	DCoG MDB CRL



Material irregularities identified during current year audit

None

Status of previously reported material irregularities**MI 3 – Payments to non-qualifying government employees on the CWP.**

Payments were made in 2018-19 to non-qualifying government employees as part of the Community Work Programme due to ineffective internal controls for approving and processing payments.

The accounting officer (AO) was allowed time to implement actions to resolve the material irregularity with knowledge of the challenges that were presented by the nationwide lockdown restrictions. The investigation was commissioned by the previous accounting officer to quantify the financial loss and identify parties that were responsible for the material irregularity.

Appropriate actions were taken to address the MI, i.e. taking disciplinary actions, and the financial loss is in the recovery process. The AO and executive authority (EA) was notified of the AGSA's determination on the implementation of the recommendations on 14 April 2022, and the recommendations in 2020-21 audit report (AR) were assessed as satisfactorily implemented.

MI 1 – Transfer payment to incorrect recipient for municipality infrastructure grant (MIG)

An incorrect grant payment was made to a supplier in July and August 2018 due to ineffective internal controls for approving and processing payments. The department was unable to recover all the money from the supplier. The AO was notified of the material irregularity on 24 July 2019, after which the AO and internal audit units conducted an investigation to identify officials who



approved the payments and to initiate consequence management. Disciplinary action was taken against the six officials who were involved in the transactions.

To date the AO has managed to recover R4 750 000 of the R102 991 000. The AO undertook to strengthen controls and we have not noted any similar incorrect payment since the notification of the MI. Appropriate actions were taken to address the MI, i.e. taking disciplinary actions, and the financial loss is in the recovery process.

MI 2 – Deceased participants on CWP

Payments were made in 2018-19 through the CWP to deceased participants, as effective internal controls were not in place for the approval and processing of payments. The AO was notified of the material irregularity on 13 August 2019. The AO appointed a service provider on 31 October 2019 to perform an investigation and to quantify the financial loss incurred.

The external investigations were completed in October 2020. The investigation confirmed the non-compliance and identified officials who were responsible for the breakdown of internal controls and consequently the non-compliance.

The recommendation of the investigation report was to take disciplinary action against the responsible officials. Four of the six officials found to be responsible for the material irregularity were acquitted and two are still under suspension pending the conclusion of the disciplinary proceedings.

The financial losses due to payment to deceased participants were quantified and are in the process of being recovered. Out of eight, five NPOs signed the notification of debt in May 2022 in terms of payments to deceased participants and the amounts will be recovered after the close-out processes are concluded. In addition, management has been identifying instances involving deceased participants on a consistent basis and have deducted any such amounts from the payments due to the implementing agents on the new contracts. Appropriate actions were taken to address the MI, i.e. taking disciplinary actions, and the financial loss is in the recovery process.



MI 4 – Prepayment for goods and services that were not received at CWP sites

Payments were made in advance to implementing agents, without evidence of goods and services having been received due to ineffective internal controls for approving and processing payments. The accounting officer was notified of the material irregularity on 13 August 2019.

The expenditure cleared against the prepayment has significantly reduced due to the appropriate actions taken by the accounting officer in obtaining the appropriate supporting documents to clear the prepayment balance. The close-out procedures are still in progress due to the reconciliation of the fixed asset registers relating to CWP assets procured by the implementing agents on behalf of the department.

Four of the initial six officials found to be responsible for the material irregularity were acquitted and two are still under suspension pending the conclusion of the disciplinary proceedings. Furthermore, the accounting officer requested the HAWKs to further investigate the implicated officials. Appropriate actions were taken to address the MI i.e. taking disciplinary actions and the financial loss is in the recovery process.

MI 6 Project management fees paid to implementing agents for services not received – 2019

Project management fees were paid to implementing agents of the Contract Work Programme from April 2018 to March 2021, without evidence of goods and services having been received due to ineffective internal controls for approving and processing payments. The accounting officer was notified of the material irregularity on 26 August 2019 and actions have been taken to resolve the material irregularity

Four of the initial six officials found to be responsible for the material irregularity were acquitted and two are still under suspension pending the conclusion of the disciplinary proceedings. Furthermore, the accounting officer requested the HAWKs to further investigate the implicated officials. The conclusion of the close-out procedure is still in progress due to the reconciliation of fixed asset register for CWP assets procured by the implementing agents on behalf of the department before issuing a close-out certificate to the NPOs. Appropriate actions were taken to address the MI i.e. taking disciplinary actions and the financial loss is in the recovery process



Observations and recommendations

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Observations from MI process

Management is slow to recover financial losses due to delays in the close out process with the NPO's

The process is important as management has become alert and are willing to implement recommendations that relate to material irregularities in order to avoid re-occurrence and personal liability.

Recommendations for portfolio committee

The department and its related entities have not had any other material irregularities other than the ones identified in the 2018/19 financial year. It is recommended that effectiveness of implemented controls are monitored timeously and consistently to avoid further material irregularities going forward.

2.2.5 Findings on the audit of financial statements

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Auditee	Outcome	Details on qualification areas
Department of Cooperative Governance	Qualified	Goods and services (CWP project management fees) The department could not provide accurate and complete substantiating records for payments made for project management fees made to Community Work Programme (CWP)



		implementing agents. The project management fees were limited due to the NPO's not being able to provide accurate and complete substantiating records for payments made.
		Moveable tangible capital assets Insufficient appropriate audit evidence that management had properly accounted for moveable tangible capital and minor assets for CWP. The NPO's assets selected from the asset register could not be verified, furthermore the submitted asset register was not accurate.
		Prepayment and advances The department expensed prepayments that were made to the implementing agents using duplicate invoices and incorrect invoice amounts in the financial system.

2.2.6 Financial health risk

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More than 10% of debt irrecoverable

Although the debtor's impairment provision of R192 411 is 18% of the total debtors at MISA, note should be taken that the debtors of MISA are not material. This mainly relates to staff debt and in some instances overpayment of learners.

The debtor's impairment provision at SALGA although reflected as 68,3% reduced from the prior year percentage (78,7%). This resulted from a reduced debtor's balance and a reduced impairment provision in the current year. Based on our assessment as at year end, although the



above reflected a high percentage, the other positive indicators i.e. net current asset position, positive bank balance etc. indicated that SALGA should still be able to continue as a going concern.

Creditor payment period

The creditor payment period at MISA reduced compared to the prior year, although the period is still indicating that prompt payments are not being made. We however did not note any payments made to suppliers after 30 days in contravention with TR 8.2.3.

The creditor's payment period increased at CRL Rights Commission compared to the prior year (33 days vs 65 days).

The above however did not raise concerns regarding their ability of the entities to continue as a going concern.

2.2.7 Irregular expenditure analysis

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During the year under review, auditees incurred irregular expenditure amounting to R500 million, which was disclosed in the financial statements. The analysis of irregular expenditure shows that irregular expenditure decreased by 26% compared to the prior year. The expenditure is broken down below:

Auditee	Description	Amount (R)	Root cause	Impact
Department of Cooperative Governance	Old CWP contracts	R492 629 000	SCM processes not followed	Other
	Invalid contract for NDMC offices	R7 371 000	Payments made on expired contracts	



Municipal Demarcation Board		R500 000	Appointed service provider whose tax matters were not in order	Other
Total IE disclosed		50 500 000		

2.2.8 Findings on compliance with legislation

Slides 30 and 31

The following material non-compliance issues were identified and reported:

Auditee	Description	Root cause
Department of Cooperative Governance	<p>Annual financial statements, performance reports and annual reports</p> <p>The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 40(1) (a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected, which resulted in the financial statements receiving a qualified opinion.</p>	Lack of following the quality review process on the AFS prior submission and ensuring that all relevant disclosures are updated to reflect accurate information.



	<p>Asset management</p> <p>We were unable to obtain sufficient appropriate audit evidence that the disposal of movable assets was done in a manner most advantageous to the state, as required by treasury regulation 16A.7.1.</p> <p>We were unable to obtain sufficient appropriate audit evidence that proper control systems were in place at the department to ensure the safe guarding of assets, as required by treasury regulation 10.1.1(a).</p>	<p>No proof of how the movable assets were disposed and it could not be determined whether the assets were disposed of in a manner most advantageous to the state.</p> <p>Inadequate internal controls how assets are being managed, safeguarded and maintained.</p>
	<p>Expenditure management</p> <p>Effective internal controls were not in place for approval and processing of payments, as required by treasury regulation 8.1.1.</p> <p>Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 492 278 as required by section 38(1) (c) (ii) of the PFMA and treasury regulation 9.1.1. The majority of the fruitless and wasteful expenditure was caused by payments</p>	<p>Inadequate controls in place to facilitate payment of invoices for project management fees to service providers.</p> <p>The CWP MIS not being checked against the Home Affairs database so as to check for deceased participant still registered on the programme.</p>

	<p>made to deceased and employees employed by government CWP participants.</p> <p>Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R499 449 000 as disclosed in note 31 to the annual financial statements, as required by section 38(1) (c) (ii) of the PFMA and treasury regulation 9.1.1. The majority of the irregular expenditure was caused by payments made to expired contracts relating to lease agreements and CWP procurement and project management fees.</p>	<p>Lack of controls to ensure that the investigations are concluded timeously, and irregular expenditure is reported accordingly.</p>
	<p>Procurement and contract management</p> <p>Some of the contracts were not awarded in an economical manner and/or the prices of the goods or services were not reasonable as required by PFMA 38(1) (b) and PFMA 45(b)</p> <p>Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Procurement Regulation 8(2).</p>	<p>Lack of controls over evaluation of tenders</p> <p>Lack of controls over the review and monitor compliance with applicable laws and regulations</p>

2.2.9 Consequence management

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The following material non-compliance issues relating to consequence management were identified and reported:

Auditee	Description	Root cause
Department of Cooperative Governance	We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 38(1) (h) (iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.	Lack of controls to ensure that the investigations are concluded timeously, and irregular expenditure is reported accordingly.
	We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 38(1) (h) (iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into fruitless and wasteful expenditure.	Lack of controls to ensure that the investigations are concluded timeously, and fruitless and wasteful expenditure is reported accordingly.



2.2.10 Internal controls

The significant deficiencies in internal control that led to the AGSA's overall assessment of the status of the drivers of key controls are described below.

Auditee	Leadership	Financial and performance management	Governance
Department of Cooperative Governance	Policies and procedures Leadership did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities.	Proper record keeping Management 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 reporting.	No significant deficiencies
	Oversight responsibility Leadership did not exercise oversight responsibility regarding financial, performance reporting, compliance, and related internal controls.	Daily and monthly controls Management did not implement controls over daily and monthly processing and reconciling of transactions.	
	Implementation of action plans Leadership did not develop and monitor the implementation of	In-year and year-end reporting Management did not prepare regular, accurate and complete financial reports	



	action plans to address internal control deficiencies.	that are supported and evidenced by reliable information.	
		Review and monitor of compliance Management did not appropriately review and monitor compliance with applicable laws and regulations.	

3. Main root causes, recommendations and commitments for the portfolio

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All role players should continue to work together to strengthen the capacity, processes and controls of entities in the portfolio, which will enable credible financial and performance reporting, compliance with key legislation, sound financial management and improved service delivery.

Overall root causes of significant findings in Cooperative Governance and Traditional Affairs portfolio

Root cause	Recommendation	Commitment
DCoG: Poor control environment and ineffective implementation of internal controls that have been designed by management.	Consistent review and monitoring of compliance with internal controls.	
DCoG: Recommendations that are made to the accounting officer are not implemented or implemented at a very slow pace resulting in repeat findings.	Shorter turn-around times for consequence management and addressing control deficiencies raised during the audit.	

Key recommendations to, and commitments by, accounting officers and authorities

Root cause	Recommendation	Commitment
Poor control environment and ineffective implementation of internal controls that have been designed by management.	<ul style="list-style-type: none"> Consistent review and monitoring of compliance with key controls by providing quarterly feedback. Shorter turn-around times for consequence management and addressing control deficiencies raised during the audit. For example investigation on the irregular expenditure incurred. Provide feedback on the implementation and progress 	
In addition, the recommendations that are made to the accounting officer are not implemented or implemented at a very		

slow pace resulting in repeat findings.	<p>of the action plans to address poor audit outcomes during quarterly reporting.</p> <ul style="list-style-type: none"> • Perform completeness assessment on the MTSF indicators to ensure that all lead indicators are included in the APP. • Adequate planning on APP indicators and targets to avoid re-tabling of the majority of the indicators and targets during the year. • Perform an assessment on the quality of the planned indicators to ensure that the outcome of the indicators yield an impact on the livelihood of the citizens. • Expedite the conclusion of the CWP close out process to resolve the MIs by 2022/2023 financial year. 	
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Commitments by executive authority

Commitment	Status
An announcement was made by the Minister that the department has identified 64 dysfunctional municipalities that will be supported to implement Municipal Support & Intervention Plans (MSIPs) and the implementation of the plans will be monitored from the year 2023 Annual performance plan.	In progress

4. Portfolio committee message

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Monitor implementation and progress of the action plans to address poor audit outcomes during quarterly reporting

Consequence management should be prioritised in order for the employees that cause UIFWE to be held accountable.

Management to provide quarterly feedback on status of key controls.

Performance indicators and targets must be developed to achieve service delivery/impact against the mandate of the department and the portfolio.

Conclusion of MIs close out process and disciplinary processes.

Proposed commitments

Commitment	Date of commitment