



**PFMA  
2021-22**

# Budgetary review and recommendations report **Portfolio Committee on Cooperative and Traditional Affairs**

10 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



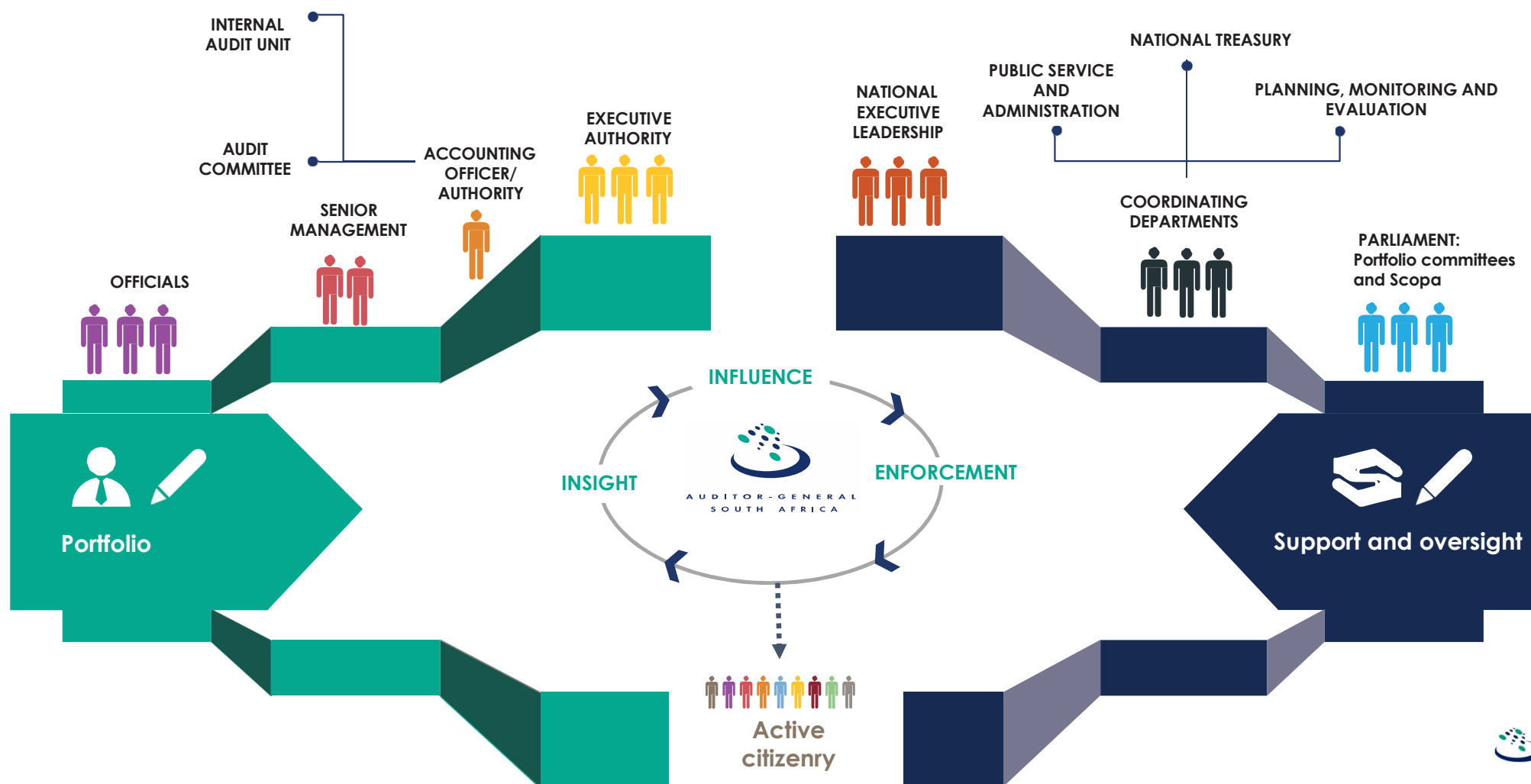
## VISION

To be recognised by all our stakeholders as a relevant Supreme Audit Institution (SAI) that enhances public sector accountability



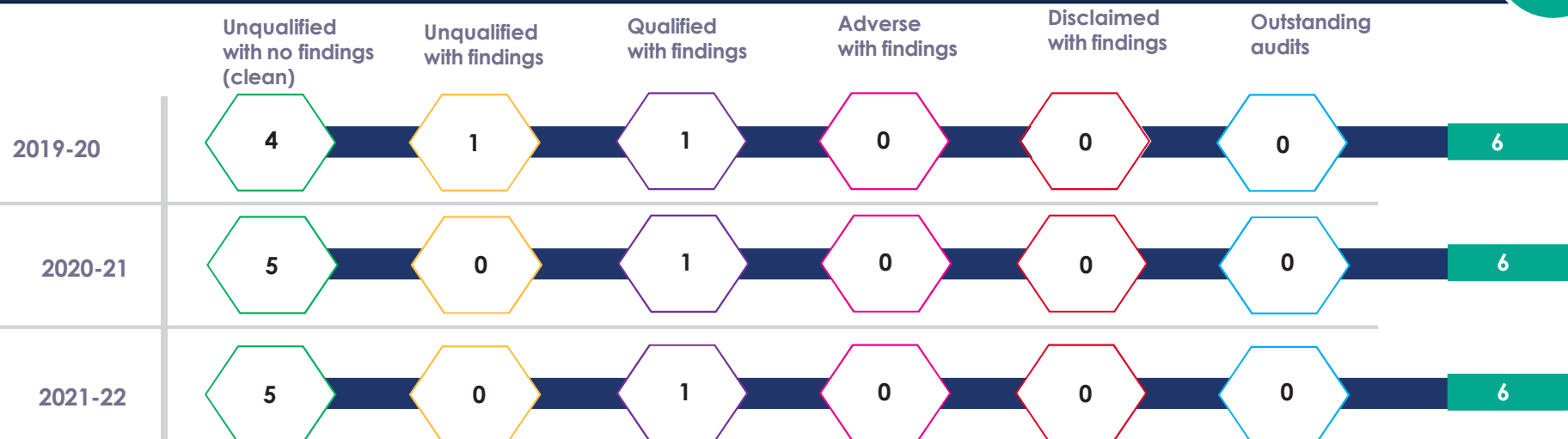
# All have role to play in national government accountability ecosystem

3



# Improvement over administration term

4



## MOVEMENTS FROM PREVIOUS YEAR:

0 ↑ 0 ↓

## FROM FIRST YEAR OF ADMINISTRATION:

4 ↑ 0 ↓

Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities (CRL) ↑

South African Local Government Association (Salga) ↔

Department of Traditional Affairs (DTA) ↔

Municipal Demarcation Board (MDB) ↔

Municipal Infrastructure Support Agent (MISA) ↔

Department of Cooperative Governance (DCoG) ↔





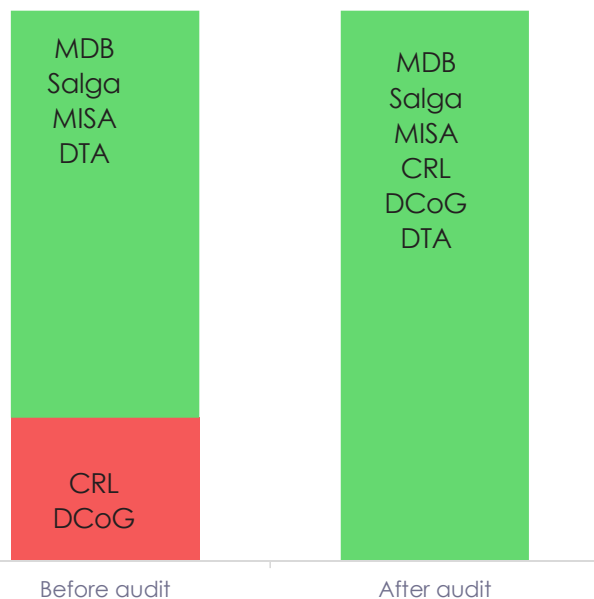
# Portfolio performance



# Performance planning and reporting impacts service delivery

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## Quality of performance reports before and after audit



■ With findings ■ With no findings

### Findings: Planning for service delivery

- None

### Findings: Reporting

#### DCoG

##### Usefulness :

- Inconsistencies in the reported target on the APP and APR.
- Inconsistencies between the reported indicators in the APP and the reported indicators in the APR.

#### CRL

##### Reliability:

- One indicator was materially misstated.



# Performance planning and reporting impacts service delivery

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## Impact

Reporting on indicators and/or targets that were not consistent with planned/achieved indicators/targets, thus misleading to the user as the information is not comparable.

### Examples

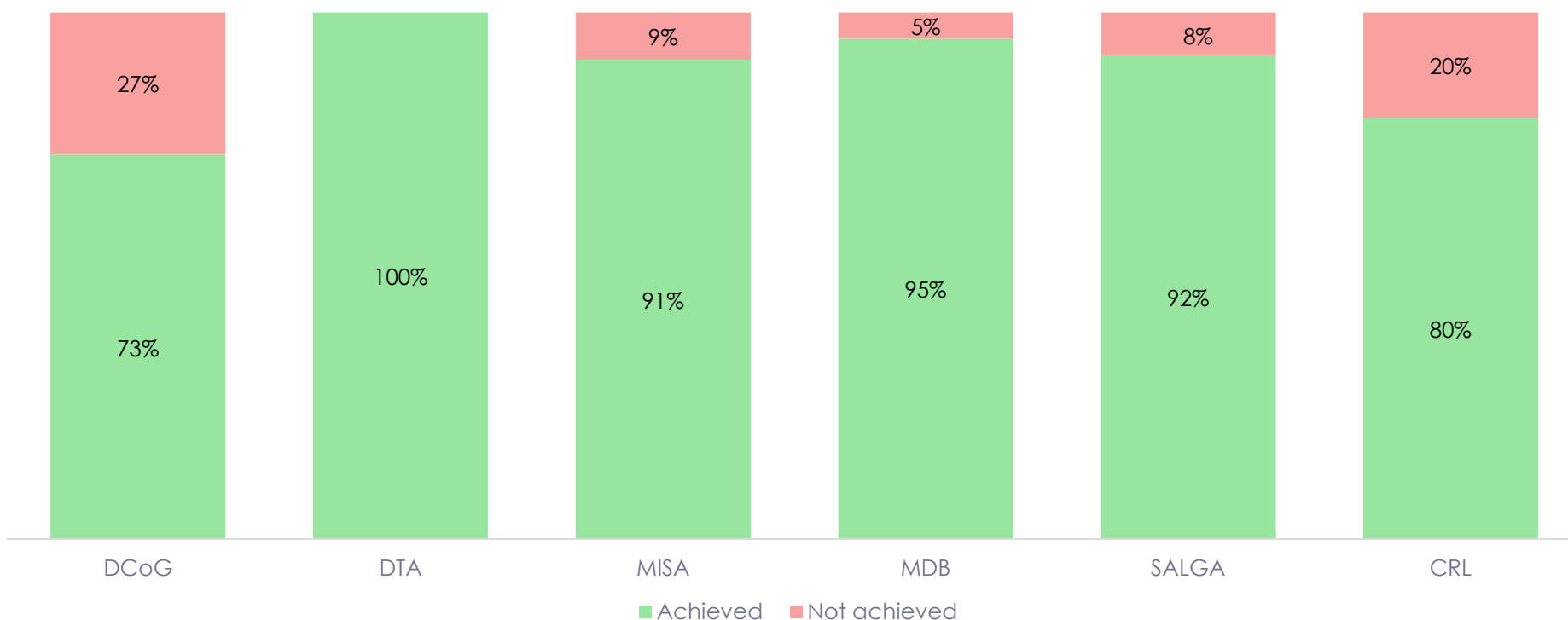
| DCoG<br>Usefulness   |   |   |
|--|---|---|
| Planned indicator:   | Reported indicator:   | Comment:  |
| Monitoring and Intervention Bill tabled in Parliament  | Intergovernmental Monitoring, Support and Interventions Bill gazetted for public comments by 31 March 2022  | Not consistent with the planned indicator.      |
| Planned target:  | Reported target:  | Comment:  |
| Hub managers and identified Hub administrative support staff appointed in 21 districts, which are Water Services | Draft revised concept note on establishment of DDM hubs developed by 31 March 2022  | Not consistent to what they planned to achieve. |
| Intergovernmental Monitoring, Support and Interventions Bill gazetted for public comments by 31 March 2022       | Bill submitted to the State Law Advisor in October 2021<br>Compulsory SLA's constitutional compliance certificate was obtained to process the Bill in Cabinet | Not consistent with what was initially planned. |
| CRL<br>Reliability   |   |   |
| Reported target  | Verified and recalculated   | Comment:  |
| The commission had reported 100% of reviewed bills and legislation before Parliament                             | 67% was achieved  | Reported achievement was misstated              |



# Performance against target

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



Key MTSF indicators have been selected on all the programmes reported in the APR as they outline the country's priorities of the electoral mandate. Most of these indicators have been achieved; however, the majority of the indicators at DCoG were changed during the financial period, which raises a concern. Examples are outlined in the deep dive below.





# Achieving key performance targets – summarised information from performance report

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## DCoG

| Performance indicator   | Target | Actual performance | Reason for non-achievement  |
|---|--------|--------------------|---|
| Number of district and metro One Plans developed  | 52     | 46                 | Delays in the finalisation of the One Plans in KwaZulu-Natal, Northern Cape and Western Cape. |
| An Integrated Monitoring Framework for DDM reporting developed                                  | 1      | 1                  | N/A   |
| First release of the DDM IMS priority modules developed   | 1      | 1                  | N/A   |
| Intergovernmental Monitoring, Support and Interventions Bill gazetted for public comments       | 1      | 1                  | N/A   |
| DDM framework contains gender-responsive indicators and targets aligned to GBVF-NSP and GRPBMEA | 1      | 1                  | N/A   |
| Number of reports on alignment of IDPs to DDM One Plans, including GBVF-NSP targets             | 1      | 1                  | N/A   |



# Achieving key performance targets – summarised information from performance report (continued)

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## DCoG

| Performance indicator  | Target | Actual performance | Reason for non-achievement |
|--|--------|--------------------|----------------------------|
| Number of municipalities in priority disaster areas supported to prevent, prepare for and mitigate disaster risks through the implementation of the applicable disaster management plans | 10     | 10                 | N/A                        |
| Report on sector departments supported in the implementation of disaster funding arrangements  | 1      | 1                  | N/A                        |



# Achieving key performance targets – summarised information from performance report (continued)

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## MISA

| Performance indicator  | Target | Actual performance | Reason for non-achievement |
|--|--------|--------------------|----------------------------|
| Number of districts supported with the implementation of integrated infrastructure plans through DDM | 44     | 44                 | N/A                        |

## SALGA

| Performance indicator   | Target | Actual performance | Reason for non-achievement |
|---|--------|--------------------|----------------------------|
| Percentage implementation of a High Impact Leadership Development Programme for governance. | 100%   | 100%               | N/A                        |

## CRL

| Performance indicator                               | Target | Actual performance | Reason for non-achievement |
|---|--------|--------------------|----------------------------|
| Percentage of complaints/requests handled per annum | 80%    | 85%                | N/A                        |



## Achieving key performance targets – summarised information from performance report (continued)

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### MDB

| Performance indicator  | Target | Actual performance | Reason for non-achievement |
|--|--------|--------------------|----------------------------|
| Percentage of municipal boundary redetermination proposals, received by 31 March 2021 analysed | 100%   | 100%               | N/A                        |

### DTA

| Performance indicator  | Target | Actual performance | Reason for non-achievement |
|--|--------|--------------------|----------------------------|
| Number of Kingship and Queenship Royal Families monitored on implementation of the TKLA and the Framework on Resolution of Traditional Leadership Dispute and Claims | 9      | 9                  | N/A                        |



## MTSF vs APPs analysis

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**A key indicator on the MTSF aimed at engaging with communities on service delivery improvement was not included in the APP.**

- National DCoG - % improvement in satisfaction in service delivery.

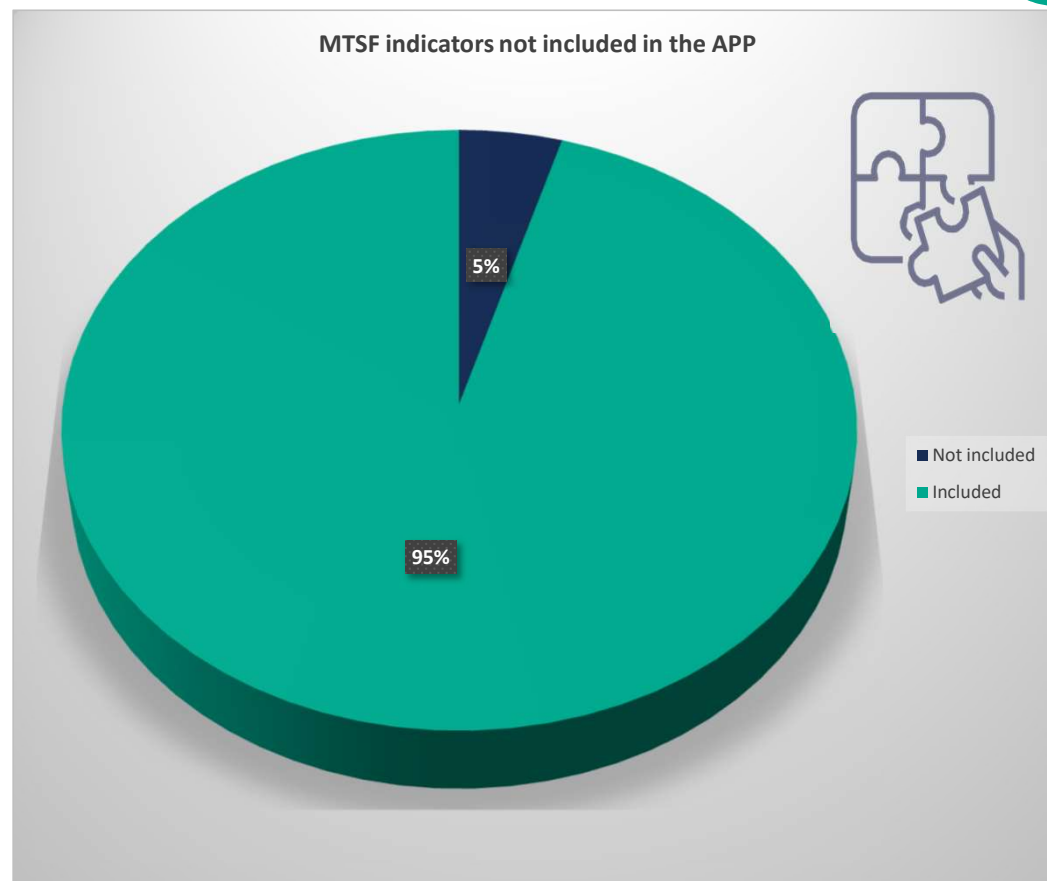
### **Conclusion :**

The department believes that the above indicator is the responsibility of the entire government sphere not only that of the DCoG; however, it is still not being prioritised by DCoG nor included in their APP.

DCoG is not in agreement that they need to include all the MTSF indicators in their APP. Some of the indicators are included in the operational plans where the department is not a lead.

Emerging risks were included in the management report for the indicators not included in the APP.

This may result in the MTSF indicators not being prioritised and implemented.



## Quality of indicators: Deep dive examples

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**In respect of the key elements of the department's implemented mandate through the initiatives, the following gaps were identified:**

- The execution of the set initiatives is at a very high level or at a very minimal effort.
- Support is provided through meetings and engagements.
- They measure performance through submissions of documents such as writing reports on interventions to be implemented.
- Due to poor planning, problems are identified after tabling the initial APP, resulting in indicators and targets being revised during the year and the impact not necessarily being visible.

**Examples of indicators selected for deep dive:**

### **Section 139 improvement plans:**

The same municipalities require interventions, but are not improving.

### **Spending of the municipal infrastructure grant (MIG):**

Lack of or insufficient oversight and expert technical skills at municipalities to analyse and implement the projects plans.

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.

Vandalised infrastructure and illegal connections resulting in lack of improvements.

### **Implementation of actions in line with section 134 of the MFMA (audit outcomes):**

Municipalities are not required to report on the progress made with the implementation of action plans.

MEC does intervene in instances where there is no cooperation from municipal offices; however, the impact is not necessarily visible.

Reports have the same issues and interventions reported in the past two years.



## Section 139 improvement plans: Municipalities under administration

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**Purpose:** The indicator implementation of intervention plans when a municipality cannot or does not fulfil an executive obligation imposed on it.

### Implementation initiatives observations

#### Intervention implemented:

##### Example :

Ratlou, Tswaing, Ditsobotla and Ramotshere Moila local municipalities (LMs) have been under administration since the 2018-19 financial year. The province is facing litigation by municipalities placed under interventions in four (4) municipalities as they have been rejecting intervention.

#### Intervention's impact:

- The municipalities blocked the administrators from accessing the municipal offices, with the result that no interventions were implemented.
- Provincial and national leadership have been interdicted from interfering with the Tswaing LM matters.
- The intervention team was removed from the premises by members of the municipality.
- Contracts of the intervention team expired on 31 January 2021, with the result that no improvements were made in the LM.

#### Conclusion:

Due to limited powers of the DCoG, they may have planned interventions to assist the municipalities but failed to implement them because of resistance from the municipalities. Councillors are the ones engaging with the communities and the mayor. Whatever decision they take will affect the effectiveness of the intervention



# Municipal infrastructure grant (MIG)

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**Purpose:** The indicator measures expenditure of the municipalities'/metros' expenditure of MIG grants received for new infrastructure or the maintenance and repair of existing infrastructure in municipalities.



**Percentage of MIG allocations spent on municipal infrastructure**

**Observations:**

**Schedule 5B: Transfer (direct transfer)**

**The support of the department is limited to recommendations on how to go about addressing the delays, not the enforcement of the interventions.**

For example: Delays in the submission of project plans by the council of Emthanjeni LM (Northern Cape) led to late registration of projects and low and delayed spending of MIG in the municipality.

**The intervention from the department was to stop the portion of their allocation in March resulting in lack of service delivery.**

**There is a lack of integration within the sectors involved in service delivery interventions at the municipalities. Each sector focuses on their own indicators/targets and not necessarily to improve the state of the municipalities.**

For example: Delay in recommending two water projects from DWS and the municipality. MISA is engaging with DWS to fast-track the recommendation of the projects.

There is a lack of coordination within the government departments.







## **Schedule 6B: Indirect transfer**

The purpose of schedule 6B is to assist in improving service delivery in the municipalities which are underspending on the MIG. The department performs an assessment to identify the low-spending municipalities for conversion to 6B.

*For example: JB Marks LM was identified as one of the municipalities that needed a schedule 6B intervention. The lower spending was due to late appointment of service providers to undertake the project.*

**Close monitoring and provision of support by MISA, provincial COGHSTA & DCoG. Provincial treasury to assist in unlocking of procurement challenges and completion of the project.**

*Emthanjeni LM was also identified due to delays in the submission of project plans which resulted in late registration of the project.*

*Most underspending municipalities are the ones with governance, capacity and financial challenges. They all depend on the council to implement the department's recommendations.*

## **Conclusion:**

In order to help improve service delivery, the department performed an assessment to identify the low-spending municipalities. Eighteen (18) municipalities were identified and the department is in the process of engaging with the National Treasury to convert the schedule 5B direct transfer to schedule 6B transfer where the department will be taking over the failed project implementation, appoint service providers and account for the spending to National Treasury.



# Implementation of actions in line with section 134 of the MFMA

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## Kwa Zulu Natal Provincial Overview



Below is the comparison of 2018-19 and 2019-20 reports:

- Unqualified with findings 32 in 2018-19 vs 32 in 2019-20
- Qualified 18 in 2018-19 vs 15 in 2019-20
- Disclaimer 2 in 2018-19 vs 4 in 2019-20
- Adverse 1 in 2018-19 vs 1 in 2019-20 .

This shows a very slow improvement despite the support given by the department.

**Indicator: Implementation of actions in line with section 134 of the MFMA (audit outcomes):**

**Purpose:** The municipalities are required to develop audit action plans to address issues raised by the AGSA in accordance with section 131(1) of the MFMA. The role of DCoG is to facilitate those plans, ensuring that municipalities prioritise plans, and to improve municipal performance by ensuring good governance and sound financial management.

**Observations:** MEC does intervene in instances where there is no cooperation from municipalities.

Municipalities are not required to report on the progress made with the implementation of action plans.

**Example:**

**The following are a few examples of interventions recommended by the department for 2018-19 which are similar to the interventions mentioned in 2019-20 reports relating to KwaZulu-Natal municipalities:**

- Monitor and enforce implementation of recommendations of forensic reports tabled in municipal councils to promote good governance, accountability and consequence management.
- Coordinate capacity-building Interventions to ensure that the local government sector-specific needs are met.
- Support 19 municipalities that have received negative performance audit outcomes from auditor-general to improve performance management.
- Establish provincial local government M&E forum as a learning platform and structure for sharing best practice.



# Value-add work performed on service delivery

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## Department of Cooperative Governance

An assessment was performed on the strategic alignment, and the effectiveness and impact of the implemented interventions at national CoGTA, MISA and Salga level, as well as provincial CoGTA level in respect of their coordinating ministry role.

### Impact:

Indicators are crafted in a way that is not necessarily yielding the 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.

### Cause:

The influence and impact of the indicators in the portfolio 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/ lack of improvement at municipalities.
- Leadership of the municipalities not being receptive to the interventions.
- Lack of skills and required competencies in some of the municipalities 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 that is clear as to the activities the departments will undertake to ensure that the municipalities are supported.

### Recommendations to accounting officer (AO):

National CoGTA plays 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:

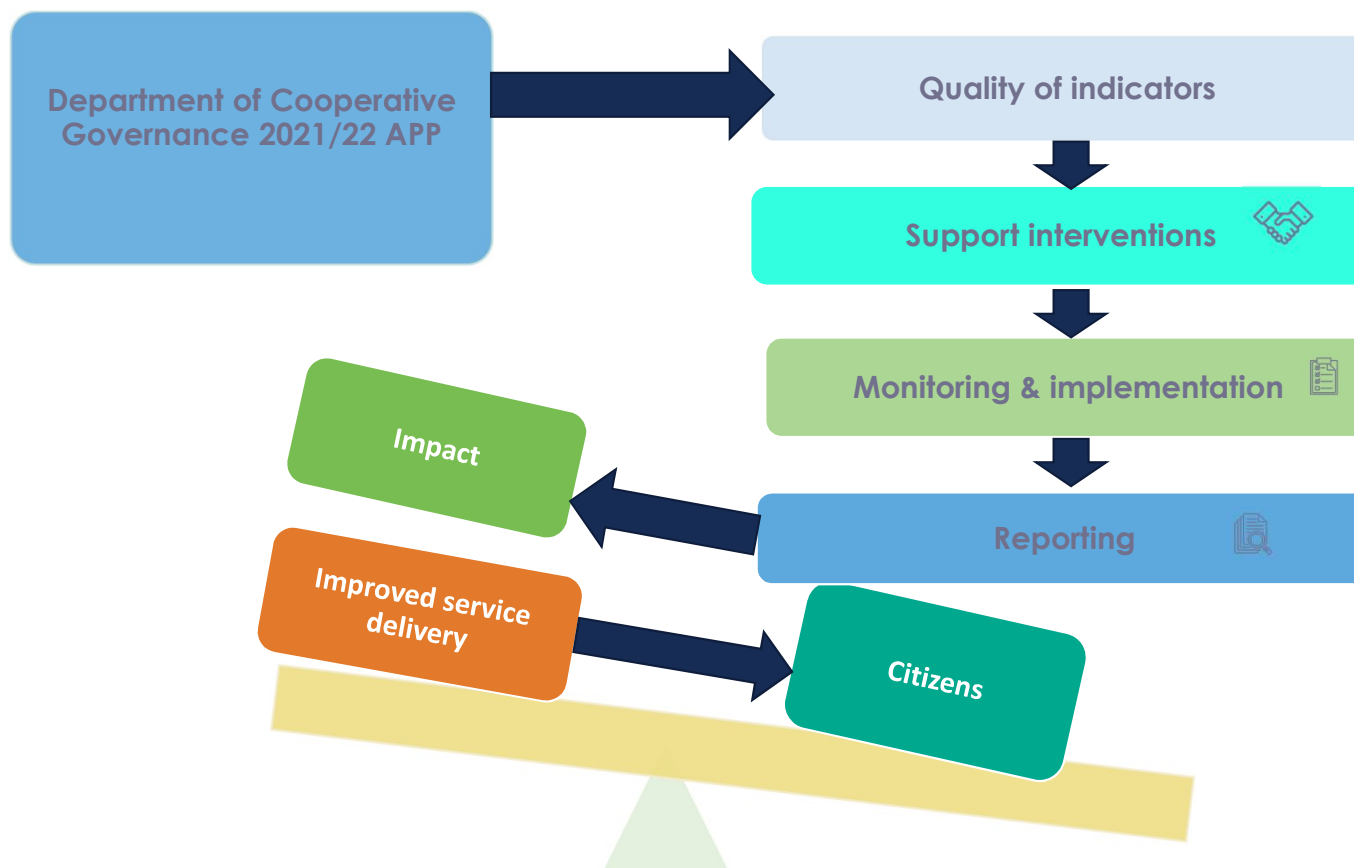
- are impact focused
- measure the actual implementation and monitoring of intervention plans
- where a specific type of support is provided, with timelines
- are accompanied by action plans to ensure that the real root causes are addressed.

The MIG indicators should measure service delivery on infrastructure projects implemented and funded and not just the percentage spending thereof. This can be achieved through 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.



## Current impact on service delivery

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The indicators are mainly focused on oversight (drafting reports, frameworks and meetings) and not necessarily on yielding an impact on the livelihoods of the citizens.



# Value-add work done on ICT environment/projects

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Department of  
Cooperative  
Governance

Service continuity, security management, user access management and change control management

## Impact:

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.

## Cause:

The lack of implementing basic IT security and ICT service continuity controls.

## Recommendations to AO:

- 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.

## Lack of user access management

### Inadequate user access management processes on active directory (AD)

It was noted that new users were created during the period under review whose users' accounts were 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.





# Material irregularities





# Implementation of material irregularity process

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

- Department of Cooperative Governance
- CRL
- MDB

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

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## 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 if 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. Improves controls to prevent recurrence.

**AGSA...** provides information on MI to public body, monitors progress with investigation 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 if 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 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 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.



# Material irregularities identified

25



## Department of Cooperative Governance

| Notified  | Type                                       | MI description  | Status of MI   | Status description   |
|-----------|--|---|--|--|
| 13-Aug-19 | Payment for goods or services not received | Payments to non-qualifying government employees on the CWP<br><b>MI 03</b>                          | Recommendation: MIC satisfied with implemented actions. RA to follow up. | 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. 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 EA were notified of the AGSA's determination on the implementation of the recommendations on 14 April 2022 and recommendations in 2020-21. The ARs were assessed as satisfactorily implemented. |
| 13-Aug-19 | Payment for goods or services not received | Prepayment for goods and services that were not received at CWP sites<br><b>MI 04</b>               | Appropriate actions: assessing implementation information                | 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. Appropriate actions were taken to address the MI, i.e. taking disciplinary actions, and the financial loss is in the recovery process.   |
| 26-Aug-19 | Payment for goods or services not received | Project management fees paid to implementing agents for services not received- 2019<br><b>MI 06</b> | Appropriate actions: assessing implementation information                | 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. Appropriate actions were taken to address the MI, i.e. taking disciplinary actions, and the financial loss is in the recovery process.  |
| 24-Jul-19 | Payment for goods or services not received | Transfer payment to incorrect recipient for Municipal Infrastructure Grant (MIG)<br><b>MI 01</b>    | Appropriate actions: assessing implementation information                | 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. Appropriate actions were taken to address the MI, i.e. taking disciplinary actions, and the financial loss is in the recovery process.   |

## Observations from MI process

- Management is slow to recover financial losses due to delays in the close-out process with the NPOs
- The process is important as management has become alert and is willing to implement recommendations that relate to material irregularities in order to avoid recurrence and personal liability.

## Recommendations for portfolio committee

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

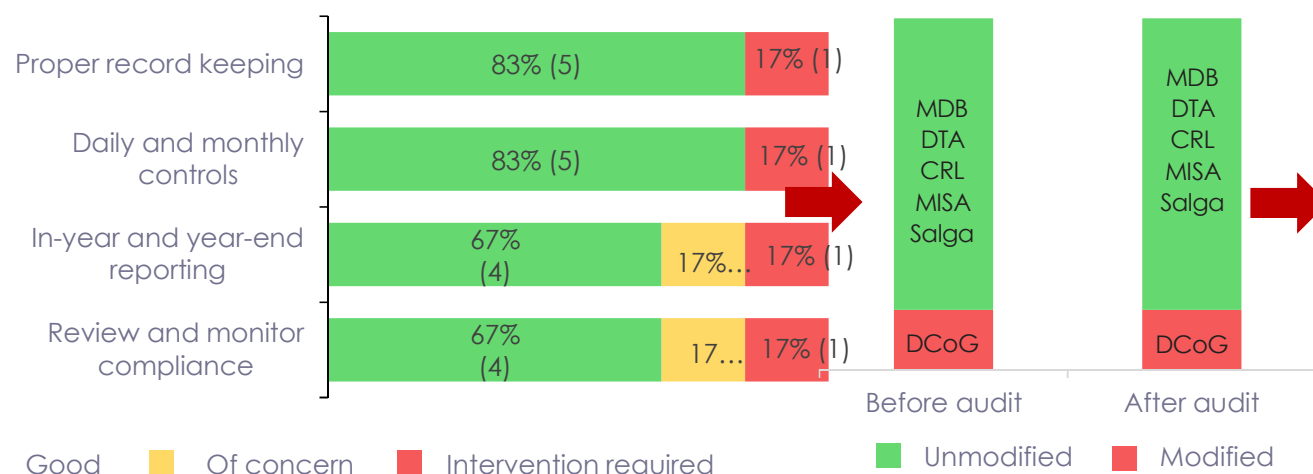




# Financial management and compliance



## Financial management controls



## Main qualification areas (DCoG)

- 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 NPOs 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 NPOs 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.

## Impact

- The audit outcome for the department remained unchanged.
- There is increased risk of financial loss on the CWP project management fees.
- Monthly financial reporting and monitoring are ineffective.
- The qualifications were mainly as a result of the weak internal control environment and lack of proper project management.
- Poor asset control on the CWP has a financial impact for the taxpayer as assets purchased with state money cannot be accounted for.

DCoG

## Revenue



## Expenditure



Debt- collection period > 90 days - None  
There are no auditees within the portfolio which had a debt collection period greater than 90 days

Average debt-collection period = **20,27 days**  
(Salga, MDB, CRL)

**DCoG, DTA and MISA had 0 days debt-collection period**

More than 10% of debt irrecoverable at **2** auditees

**MISA: 18%**

**Salga :68,3%**

**R3,2 million** of expenditure was **fruitless and wasteful** (DCoG, CRL and MISA)

**Creditor-payment period > 30 days (MISA and CRL)**

**Creditors greater than available cash** at year-end at **DCoG**

**Average creditor-payment period = 85,5 days**

**MISA – 106 days**

**CRL – 65 days**

## Impact

**None of the** auditees **ended year in deficit** (expenditure more than revenue)

**Next year's budget will pay for expenditure of previous year(s)** – at **None of the** auditees it will be **more than half of their budgets**

**None of the** auditees incurred **unauthorised expenditure**; **R0** was non-cash items (includes outstanding audits)

**None of the** auditees disclosed or should have disclosed significant doubt in financial statements about ability to continue **operating as a going concern** in foreseeable future.

**Doubt whether auditees can continue as a going concern**

None



# Compliance with key legislation

30



2021-22

DTA

MDB

CRL

Salga

MISA

DCoG

1 ↑ 0 ↓



No material findings



Material findings

## Most common areas of non-compliance

DCoG

DTA

MISA

SALGA

CRL

MDB

Procurement and contract management

2

x

x

x

x

x

Quality of financial statements

1

x

x

x

x

x

Prevention of irregular, unauthorised, and fruitless and wasteful expenditure

340

x

x

x

x

x

Effecting consequences

23

x

x

x

x

x

- Non-compliance areas reported relating to DCoG were on asset management, expenditure management, annual financial statements and performance reports, consequence management and procurement and contract management. The department needs to strengthen its review and monitoring of compliance with applicable key legislation.



# Procurement and payments

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## Status of compliance with legislation on procurement and contract management

2021-22 **DTA, MISA, Salga, CRL, MDB** DCoG

05 ↑ 01 ↓

● With no findings
 ● With findings
 ● With material findings

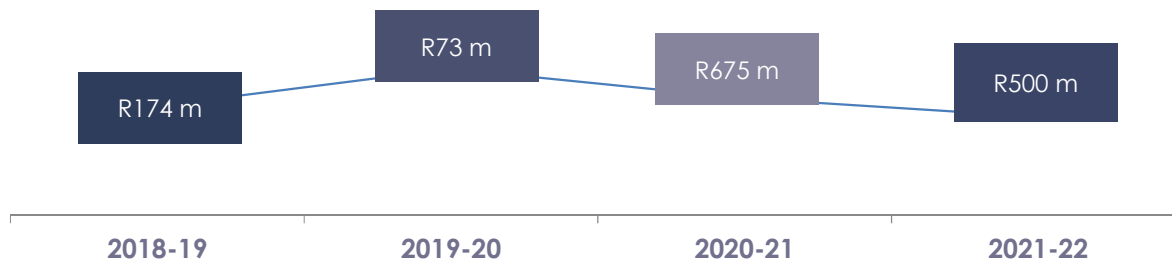
| Details of procurement findings  | DCoG        | DTA | MISA | Salga | CRL | MDB |
|--|-------------|-----|------|-------|-----|-----|
| Contracts were not awarded in an economical manner and prices of goods were not reasonable                                   | R50 000 000 | 0   | 0    | 0     | 0   | 0   |
| Procurement of designated local content did not stipulate the minimum threshold  | R1 653 335  | 0   | 0    | 0     | 0   | 0   |
| <b>Payment for goods and services not received or of poor quality</b> <ul style="list-style-type: none"> <li>None</li> </ul> |             |     |      |       |     |     |



# Irregular expenditure

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## Annual irregular expenditure



## Top contributors



## Irregular expenditure is not complete

Qualifications/ still investigating to determine full amount = 0 auditees (0%) (2021-22) (2020-21: 0 auditees (0%))

Limitation in auditing procurement = R0 m

## Impact assessment of irregular expenditure incurred

**No value for money:** 0 auditees

**Breach of five pillars of procurement – Equitable, fairness, cost-effectiveness, transparency and competitiveness:** 0 auditees

**Limitation of scope:** 0 auditees

**Other:** DCoG and MDB R500 m (DCoG – Old CWP contracts, new contracts with NT dispute)

**Impact not yet assessed:** 0 auditees

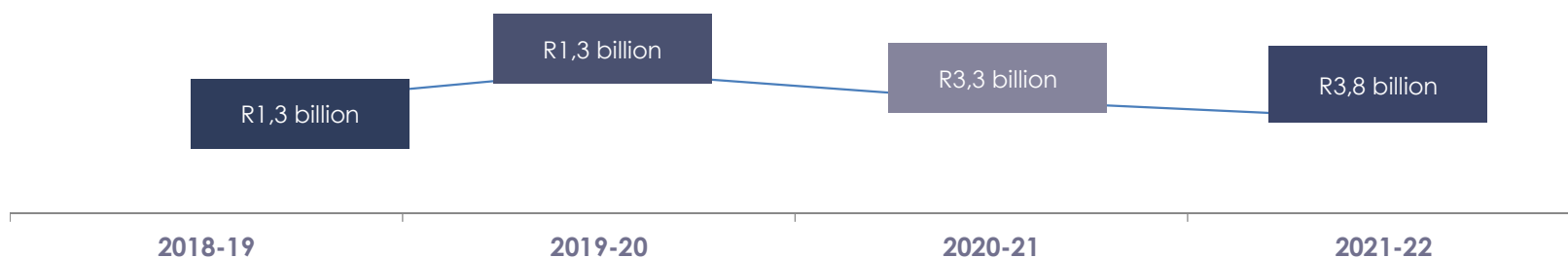




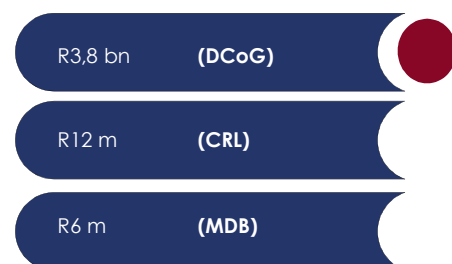
# Consequence management – dealing with irregular expenditure

33

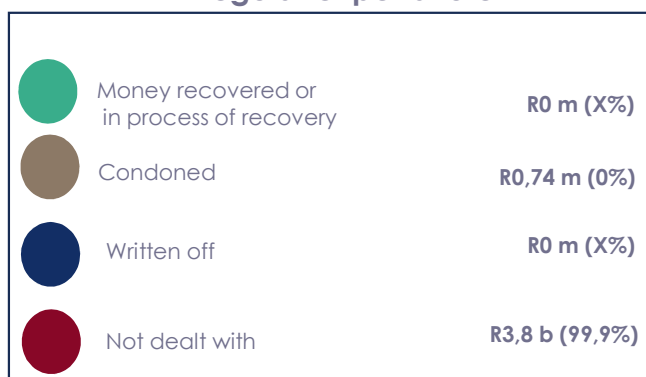
Closing balance of irregular expenditure continues to increase



**Top 2 contributors (R3,8 billion) to irregular expenditure not dealt with constitute 99,9% of R3,8 billion**



**How have auditees dealt with irregular expenditure**



**Reasons for IE not dealt with:**

## DCoG

A request for long outstanding irregular expenditure to be condoned by National Treasury (NT) in the financial year 2021-22 a response was still pending from NT. This related primarily to the old CWP contracts which were deemed irregular at the appointment stage of the NPOs four years ago.

## MDB

A request for long outstanding irregular expenditure to be condoned by National Treasury (NT) in the financial year 2021-22 a response was still pending from NT.

## MISA

A request for long outstanding irregular expenditure to be condoned by National Treasury (NT) in the financial year 2021-22 a response was still pending from NT.



# Portfolio financial management key issues

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## Transversal issues

Continued non-compliance with SCM policy prescripts and legislation



## Impact

Increase in irregular, fruitless and wasteful expenditure as well Material Irregularities

Weak internal control environment and governance processes



Poor quality of financial statements and performance reports

Significant instability of leadership and lack of high vacancy rate



Accountability and oversight chain impacted

**Unauthorised expenditure:**  
R3,3 m (2020-21: R3,3 m)



**Irregular expenditure:**  
R500 m (2020-21: R674 m)



**Fruitless and wasteful expenditure:**  
R3,2 m (2020-21: R1 m)



**Deficits at year-end:**  
R0 m (x) (2020-21: Rx m (x))



**Highest unauthorised expenditure**  
DCoG – R1,1 m  
DTA – R2, 2 m

**Highest irregular expenditure**  
DCoG – R500 m  
MDB – R500 k

**Highest fruitless and wasteful expenditure**  
DCoG – R1 m  
CRL - R1,7M  
MISA - R529K

**Highest deficits at year-end**  
N/A





# Conclusions and recommendations



# Root causes, recommendations and commitments

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## Overall root causes of significant findings in portfolio

### DCoG

- Poor control environment and ineffective implementation of internal controls that have been designed by management.
- In addition, the recommendations that are made to the accounting officer are not implemented or are implemented at a very slow pace, resulting in repeat findings.

## Key recommendations to and commitments by Accounting officers and authorities

### DCoG

- 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 of the action plans to address poor audit outcomes during quarterly reporting.
- 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 2022-23 financial year.

## Commitments by Executive Authority

- An announcement was made by the minister that the department has identified 64 dysfunctional municipalities that will be supported to implement the Municipal Support & Intervention Plans (MSIPs) and the implementation of the plans will be monitored against the year 2023 annual performance plan.



### Key message

1

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

2

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

3

Request management to provide quarterly feedback on status of key controls.

4

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

5

Conclusion of MIs close-out process and disciplinary processes .



# THANK YOU



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