



**PFMA  
2021-22**

# Budgetary review and recommendations report

## Portfolio Committee on Home Affairs

October 2022



AUDITOR-GENERAL  
SOUTH AFRICA



## MISSION

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

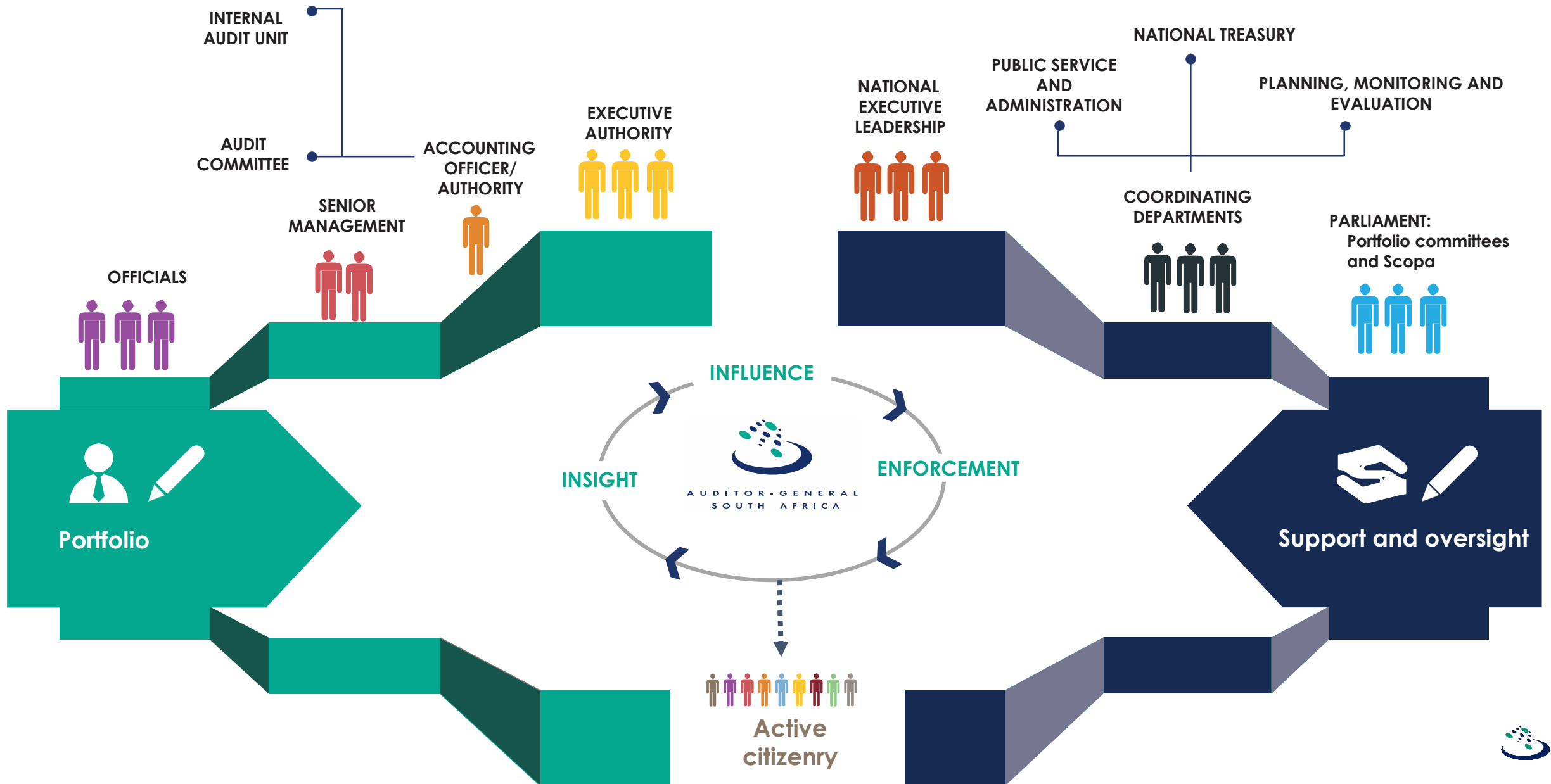


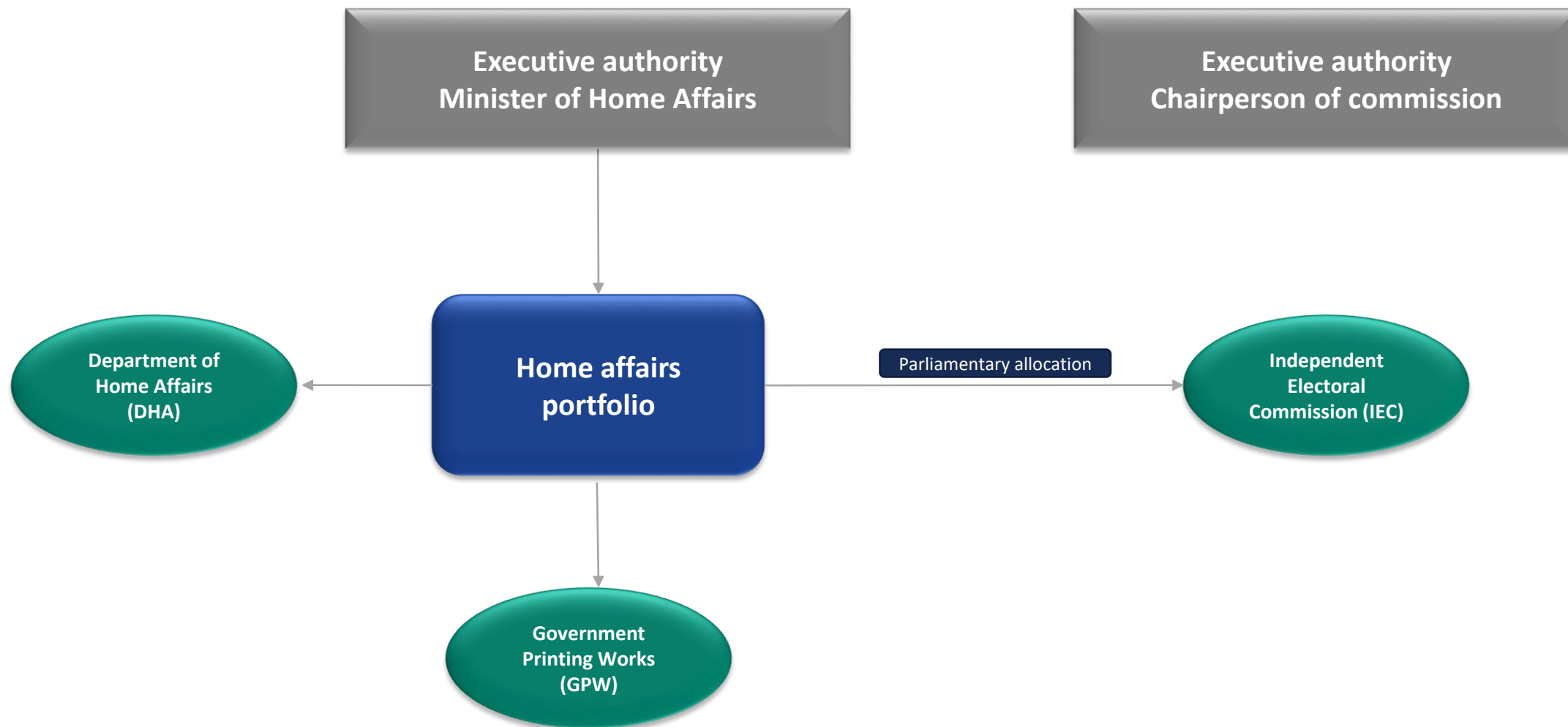
## VISION

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

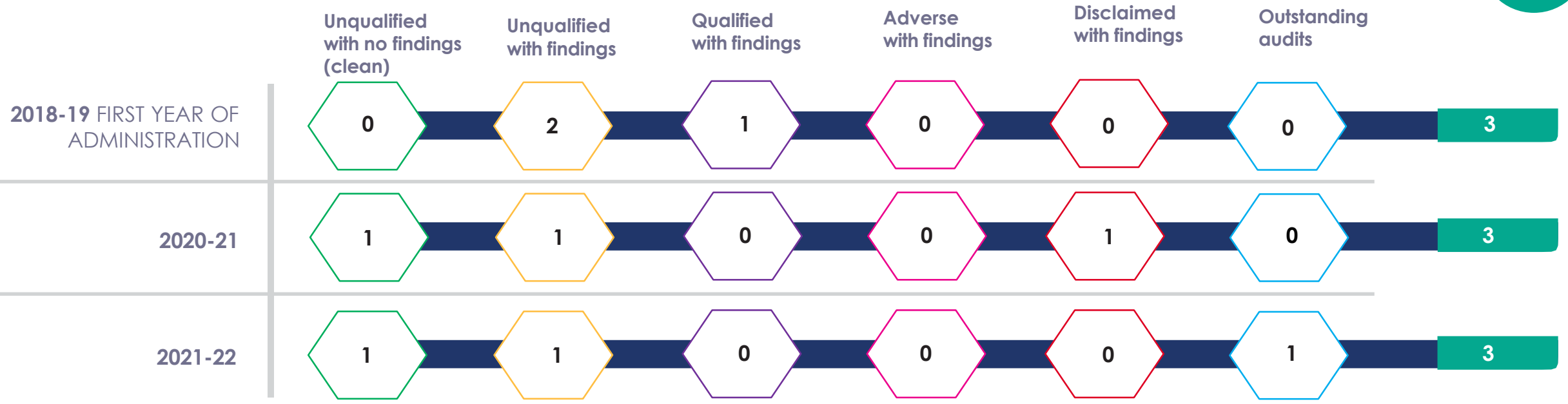


# All have role to play in national government accountability ecosystem





# Regression over administration term



**MOVEMENTS FROM PREVIOUS YEAR:**  
 0 ↑ 0 ↓

**FROM FIRST YEAR OF ADMINISTRATION:**  
 1 ↑ 1 ↓

IEC (2020-21 and 2021-22)

DHA (2018-19 to 2021-22)  
 IEC (2018-19)

GPW (2018-19)

No auditees

GPW (2020-21)

GPW (2021-22)

**Outstanding audits**  
 GPW: The audit outcome for 2021-22 is outstanding as financial statements have not been submitted for auditing. The 2020-21 audit was only signed off on 20 September 2022.



## Submission of AFS

As a result of system crashes experienced by the GPW, the financial statements for the 2020-21 financial year were only received a year late on 31 May 2022, while the financial statements for the 2021-22 financial year have not been received.

## Quality of AFS

The overall audit outcome of the GPW for 2020-21 is a disclaimer:

- This can be attributed to the first data loss in February 2021 and the second data loss in March 2022, in that supporting schedules were lost.
- There is a lot of uncertainty around the data loss, and its impact on financial reporting; with the audit limitation being informed by system data that was not reliable.
- The status of IT controls continues to require intervention, which has had a huge impact on operations.
- Internal controls were also lacking. Basic controls such as inventory and asset counts were not conducted timeously. The performance of daily controls thus needs a lot of improvement.

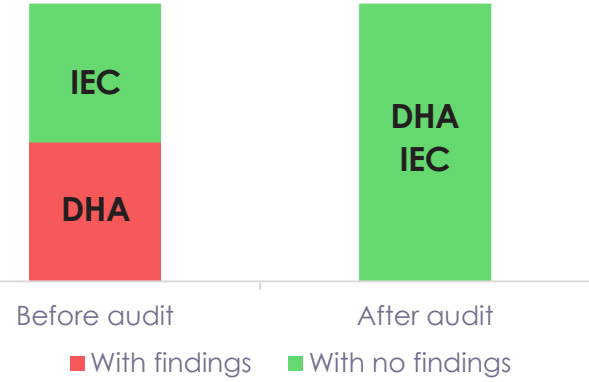


# Portfolio performance



# Performance against targets

## Quality of performance reports before and after audit



### Findings corrected

Misstatements in performance report submitted for auditing were corrected, relating to reported information not being consistent between performance plan and performance report

GPW: No material findings on usefulness and reliability in 2020-21

## Key targets in medium-term strategic framework for portfolio

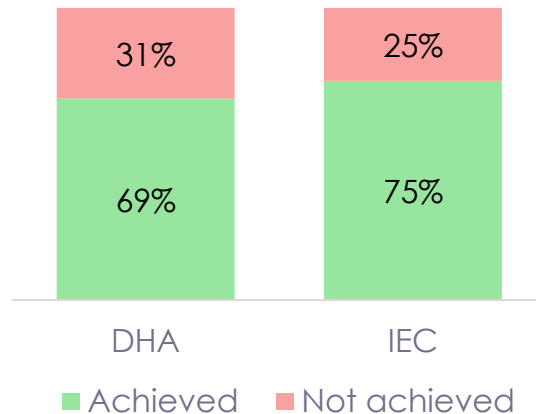
### DHA

- ABIS implemented by 2022-23
- BMA established by 2021-22
- BMA operational by 2023-24 at 18 ports of entry, 6 segments of the land border law enforcement area and 1 community crossing point
- BMA rolled out to an additional 7 ports of entry and 1 additional segment of the land border law enforcement area by 2024
- 100% of identified ports of entry equipped with biometric functionality by March 2024 (BMCS)

### IEC

- Number of face to face CDE events held per annum - 80 000 by March 2024
- Number of registered voters reflected on the voters' roll as at 31 March each year – 2023-24: 26 900 000 voters
- Election results declared within 7 days after election day
- % of voters who turn out in local government elections - 58%

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



### Key targets not achieved

- Targets relating to DHA modernisation project
- Targets relating to establishment of border management agency





# Achievement of key performance targets – summarised information from DHA performance report

Performance indicator	Target	Actual performance	Reason for non-achievement
Number of selected ports of entry with biometric movement control system (BMCS) implemented as per approved specifications	23	0	Procurement process delays due to global shortage of computer chips
Development of Asylum Seeker and Refugee system onto live capture as per approved specifications (prototype) (21-22)	Asylum Seeker and Refugee system development onto live capture - prototype	Not achieved	Service provider was not appointed to develop a fully functional system, so that the system becomes fully functional
Number of ports of entry, land border law enforcement area segments and community crossing points with incremental BMA rollout	BMA incrementally established	Not achieved	The implementation protocols with SAPS and Defence have not been concluded and the section 97 proclamation pertaining to the transfer of functions has not been finalised
	BMA incrementally rolled out at 11 ports of entry by incorporating frontline immigration, port health, agriculture and border facility management functions into the BMA	Not achieved	The BMA could not be rolled out to 11 ports of entry as the section 97 proclamation, through which frontline functions would have been incorporated into the BMA, was not finalised



## Observations and impact

Significant control deficiencies regarding operating effectiveness of system and deployment:

- E-Visa and BMCS deployed into production without user acceptance sign-off or any user acceptance testing
- System design not in line with business requirements
- No processing of fingerprints analysis cases of travellers captured at ports of entry
- E-Visa and BMCS systems rolled out onto infrastructure that was not secure
- BMCS rolled out onto workstations not protected by anti-malware software
- E-Visa deployed on workstations not meeting minimum hardware and software requirements
- Inadequate implementation of e-Visa user access management processes


The modernisation projects seem to be having **similar significant control deficiencies as the legacy systems**. If not addressed, no progress will be seen in the DHA's IT control environment. The DHA will still be exposed to the current risks and if the new systems are not operating as intended, it will result in material losses to the department.

## Cause

Poor project management and governance processes

## Actions/Recommendations

Actions plans should be developed, implemented and monitored to address the significant control deficiencies



### Modernisation: e-Visa and BMCS



## Observations

### Project timelines

- Significant delays of 3 years and 4 months as at 31 March 2022
- Number of extensions were approved but phase 1 is not yet complete
- Penalties were invoked against EOH (R62 m) and IDEMIA (R3 m) for the delays

### Project cost

- Initial project budget was R410 million – increased to R475 million as a result of delays
- R294 million (90%) has been spent on phase 1 against a budget of R328 million
- Delays caused by technical complexities related to data migration and interfaces increase the risk of exceeding the budget

## Cause and impact

### Reason for delays

- EOH: Key dependencies relating to data migration and ABIS interfaces not timeously carried out by DHA
- IDEMIA: Stage 3 testing still in progress due to interface exceptions being investigated

Non-implementation will have a nationwide adverse impact and the department would suffer irreparable harm should this project not be finalised. ABIS is critical to resolving some of the risks faced by DHA and South African security as a whole, having an impact on DHA services, the economy and security.

## Actions/Recommendations

ABIS is of national importance and the project needs to be saved and closely monitored by all assurance providers to ensure adequate project management, the project is seen to finality and set deadlines are complied with to avoid losses.

With the speed at which information system technology is progressing, management should assess if the technology being implemented in ABIS is still relevant.



## Modernisation: ABIS



# Material irregularities



# Implementation of material irregularity (MI) process

The MI process was implemented at the following auditees:

- DHA
- IEC
- GPW (2020-21)

No MIs have been identified to date

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**

**Material irregularity**

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



1

**Refer material irregularities** to relevant public bodies for further investigations

2

**Recommend actions** to resolve material irregularities in audit report  
**Take binding remedial action** for failure to implement recommendations

3

**Issue certificate of debt** for failure to implement remedial action if financial loss was involved

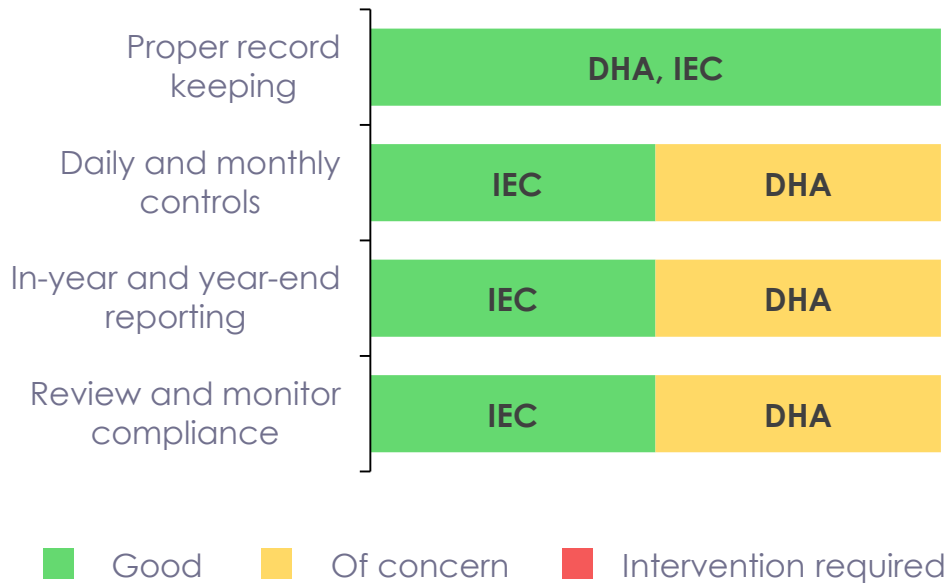




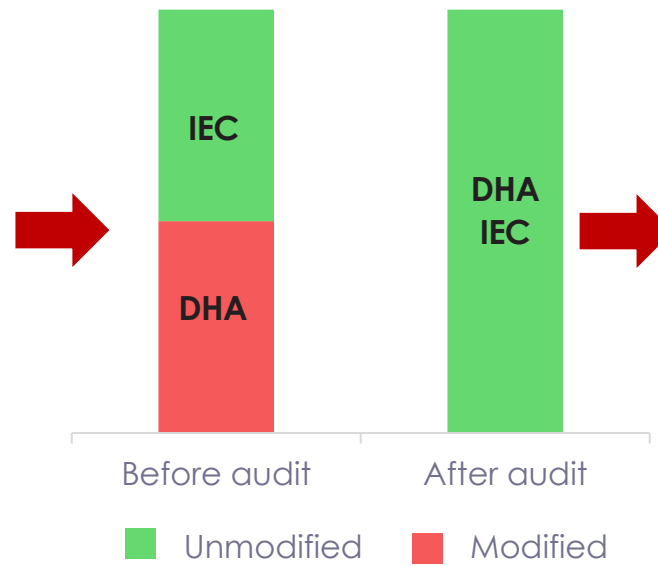
# Financial management and compliance



## Financial management controls



## Impact on quality of financial statements submitted for audit



### Material adjustments that could lead to qualification

- Accruals and payables not recognised (DHA)
- Contingent liabilities (DHA)



## Revenue



## Cash management



## Impact



Debtors' impairment provision is at 87% of accrued departmental revenue (DHA)

Claims against department is at 76% of next year's budget, excluding compensation of employees as well as transfers and subsidies (DHA)

Inability to timeously collect money due to the department and incidentally significant amounts have been impaired (DHA)

Claims against the department are too high: if claims as at year-end become payable in the next financial year, there will be little left to fund operations, settle other financial obligations, sustain optimal service delivery and implement planned activities, programmes and projects (DHA)

All auditees can continue as a going concern

The financial health of GPW (2020-21) was assessed as unfavourable due to its disclaimed opinion, which meant that the financial statements were not reliable enough to meaningfully analyse







2021-22



IEC → DHA ↓

Most common areas of non-compliance	DHA	IEC
Quality of financial statements <ul style="list-style-type: none"> <li>Material adjustments to the AFS</li> </ul>	X	
Revenue management <ul style="list-style-type: none"> <li>Effective steps not taken to recover money due</li> </ul>	X	
Procurement and contract management <ul style="list-style-type: none"> <li>Mandatory IT goods not procured through SITA</li> </ul>	X	



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

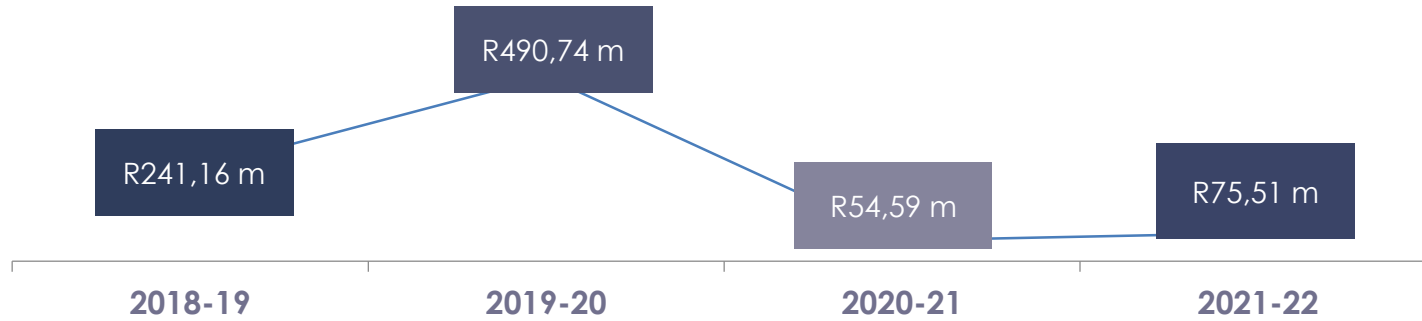


● With no findings  
 ● With findings  
 ● With material findings

Details of procurement findings	DHA	IEC
Mandatory IT goods not procured through SITA	Contract: R119 m Payments: R33 m	
Employees doing business with the state	R434 k	
Prohibited awards to other state officials	R12 k	
Award to bidder that submitted RFQ after closing date	R162 k	



## Annual irregular expenditure



### Irregular expenditure is not complete

GPW figures for 2020-21 are understated – value could not be determined (limitation)

GPW figures for 2021-22 not included – audit outstanding

## Major causes of irregular expenditure

R33,2 m: IT goods not procured through SITA (DHA)

R12,8 m: Irregularities in ABIS procurement (DHA)

R14 m: Deviation not approved (IEC)

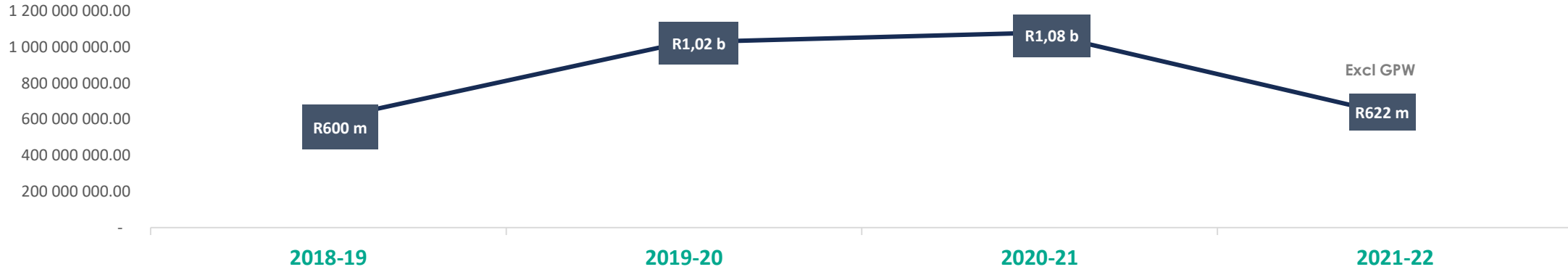
R5,9 m: Irregularities in procurement from established internal audit panel (IEC)

## Impact of irregular expenditure incurred

Impact not yet assessed



Closing balance of irregular expenditure continues to increase



## How have auditees dealt with irregular expenditure

	Money recovered or in process of recovery	R0 m
	Condoned	R21 m
	Written off	R88 k
	Not dealt with	R622 m

## Top contributors of irregular expenditure not dealt with

- R294 m: Irregularities in ABIS procurement (DHA)
- R199 m: Security tender (DHA)
- R33,2 m: IT goods not procured through SITA (DHA)
- R40 m: Procurement from established internal audit panel (IEC)

## Reasons for IE not dealt with

- Investigations/remedial action still in progress
- Condonation requested, awaiting approval



# Conclusions and recommendations



## Overall root causes of significant findings in portfolio

- **Inadequate review** and monitoring of compliance with applicable laws and regulations relating to financial reporting and revenue management (DHA)
- **No documented policies and procedures** to guide the collection of fines and penalties issued and other long-outstanding receivables (DHA)
- Inadequate monitoring of **implementation of action plans**, as plans did not effectively address repeat audit findings including those relating to IT (DHA)
- **Reviews performed were inadequate** to detect and correct material errors in the AFS, and therefore material adjustments were made to the financial statements (DHA)

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

- Rigorously implement effective measures to enforce and collect fines issued: In consultation with the executive authority, management should assess the appropriateness of existing policy and/or legislative prescripts to ensure that these fines are effective to deter contraventions of the Immigration Act (DHA)
- Monitor the design and implementation of action plans to ensure improvement in the audit outcomes (DHA) and continue with rigorous and diligent implementation of action plans (IEC)
- Institute timely consequences against officials who do not implement action plans (DHA)
- Strengthen oversight and intervention based on 2020-21 audit outcomes to remediate the limitation of scope / loss of data (GPW)



## Monitor and regularly follow up with the executive authority and accounting officer/authority on:

1

Progress on audit action plans put in place

2

Oversight on the measures relating to collection of fines

3

Oversight and intervention at GPW based on 2020-21 audit outcomes to remediate limitation of scope / loss of data

4

Oversight and intervention for DHA modernisation project and significant related deficiencies

5

Intervention for collaboration and cooperation by other institutions for successful implementation and operation of BMA



# THANK YOU



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