

Budgetary review and
recommendations report (BRRR)
**Portfolio committee on Justice and
Correctional Services**
Department of Correctional Services

**PFMA
2021-22**

12 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

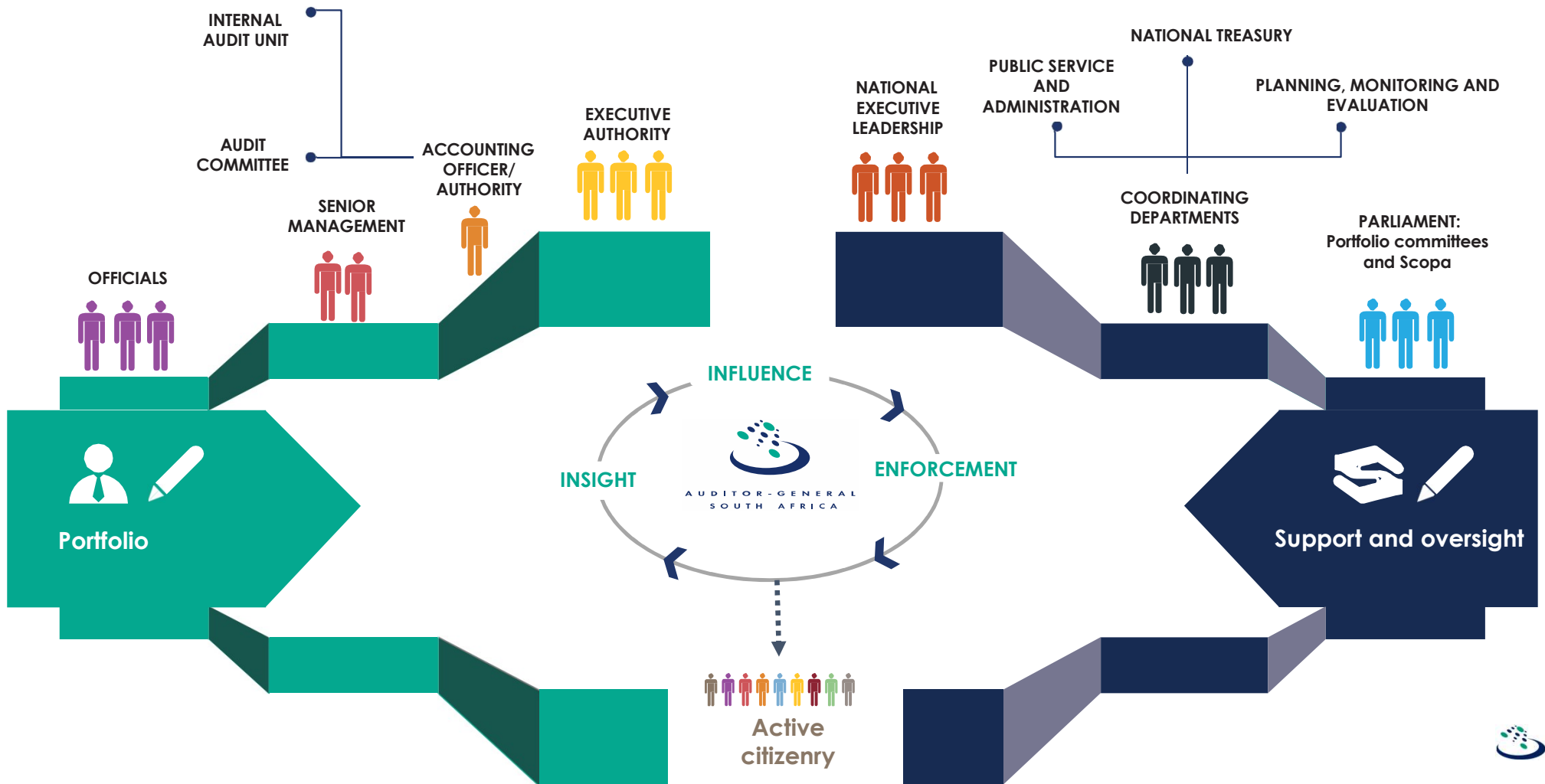


VISION

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



Improvement over administration term



MOVEMENTS FROM PREVIOUS YEAR:
 0 ↑ 0 ↓

FROM FIRST YEAR OF ADMINISTRATION:
 1 ↑ 0 ↓

Department of Correctional Services (DCS)

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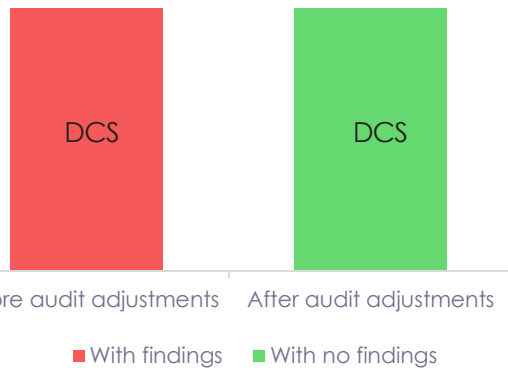


Portfolio performance



Performance planning and reporting has impact on service delivery

Quality of performance reports before and after audit



Audit outcome: programme 2 – incarceration

- No material findings reported
- As part of the audit a material misstatement was identified in the reported performance information of number of completed infrastructure projects. Management subsequently corrected the misstatement, therefore no findings on the usefulness and reliability of the reported performance information were reported in the audit report .

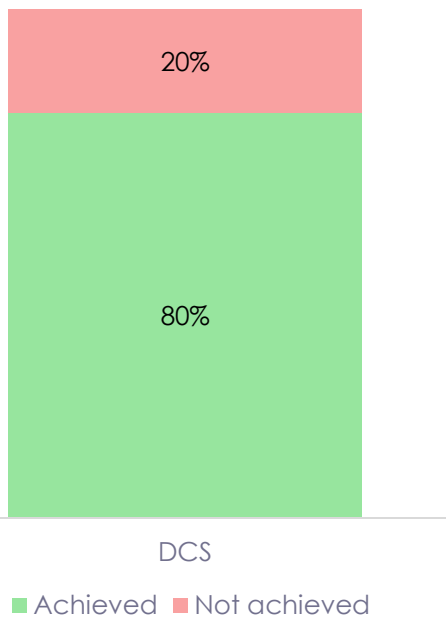
Impact

- The material misstatement was adjusted. There was no impact on service delivery.



Performance against targets

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



Key targets not achieved include:

- Percentage of confirmed unnatural deaths in correctional facilities
- Percentage of overcrowding in correctional facilities in excess of approved bed space capacity

Impact of targets not achieved

- Overcrowding in correctional facilities in excess of approved bed spaces impact on the safety and security of inmates.



Achieving key performance targets – summarised information from performance report

Department of Correctional Services (programme 2 – incarceration)

Performance indicator	Target	Actual performance	Reason for non-achievement
Percentage of confirmed unnatural deaths in correctional facilities	0.032%	0.038% (54/143 223)	Suicide was the leading cause of unnatural deaths in correctional facilities due to a lack of patrolling in the units, which is required in terms of the standard operating procedures (B-Order: Security, chapters 17 and 18)
Percentage of overcrowding in correctional facilities in excess of approved bedspace capacity	28%	32% (34 419/ 108 804)	The inmate population increased by 2 275 inmates between 2020-21 and 2021-22. During the same period, 758 bed spaces were lost due to the partial or full closure of correctional centers, i.e. Umzinto, Ekuseni, Waterval Med B and Parys. There are 1 805 offenders serving short-term sentences (less than 24 months) who cannot afford to pay fines, which further contributes to the rate of overcrowding.
Percentage of offenders' Profiles approved for placement by the Correctional Supervision and Parole Boards (CSPBs)	55%	53% (14 215/ 26 976)	Lack of support systems, offenders' further charges, victim offender dialogue processes outstanding, and psychological and social work interventions outstanding compelled CSPBs to approve further profiles.



Value-added work performed on service delivery

9



Department of
Correctional services

One of the material indicators of programme 2 – incarceration, namely 'Number of infrastructure projects completed', has an impact on the increase of bed spaces and reduction in overcrowding in correctional facilities. We evaluated the progress of delivery of infrastructure projects performed to assess compliance with the planned completion date.

Impact

Overcrowding in correctional facilities that affects the safety, security and humane conditions of inmates

Possible overspending on the project cost

Cause

Delays in completion of infrastructure projects by Department of Public Works and Infrastructure (DPWI) and due to the reallocation of funds to covid-19

Recommendations to AO

National Commissioner to engage with the accounting officer of DPWI to ensure compliance with the completion dates of the infrastructure projects

DCS management to proactively manage the budget and progress of the projects

Overall observation results of service delivery work

Infrastructure projects for bed space capacity

Delays in completion of infrastructure projects had a negative impact on the department's level of bed spaces resulting in overcrowding:

- Emthonjeni: the project for 640 bed spaces did not commence as planned per the annual performance plan (APP) 2021-22
- Parys and Burgersdorp: the project was for 176 and 311 bed spaces, respectively. The completion date was revised from 2022-23 to 2023-24 and 2024-25 to 2025-26, respectively.
- Brandvlei: Old Maximum facility: Only R11 million (55%) of the allocated budget of R21 million for the creation of 690 bed spaces was used during the year due to the reallocation for covid-19 isolation cells.



Material irregularities



Implementation of material irregularity (MI) process

MI process implemented at:

- Department of Correctional Services (since 2018-19)

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



Identified MIs – next steps and responsibilities

1 AO/AA is dealing with MI

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

AGSA... follows up in the next audit 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

MIs identified



Department of Correctional Services (DCS)

Notified	Type	MI description	Status of MI	Status description
1 June 2022	Payment not made on time, resulting in interest	The department paid interest on an amount due to a court judgement that was not settled within 30 days	In progress	The accounting officer responded to the notification on the material irregularity on 30 June 2022 and indicated that there will be an investigation into and report on the circumstances that led to the material irregularity. The investigation is planned to be finalised on or before 30 September 2022.



Observations from MI process

- Accounting officer is taking appropriate actions to deal with MI – investigation was commissioned to determine circumstances that led to MI
- Accounting officer indicated that outcome will inform further steps that must be taken against those who caused MI and financial loss

Recommendations for portfolio committee

- Committee should monitor progress on implementing consequence management and recovering financial loss, as well as measures to prevent similar instances



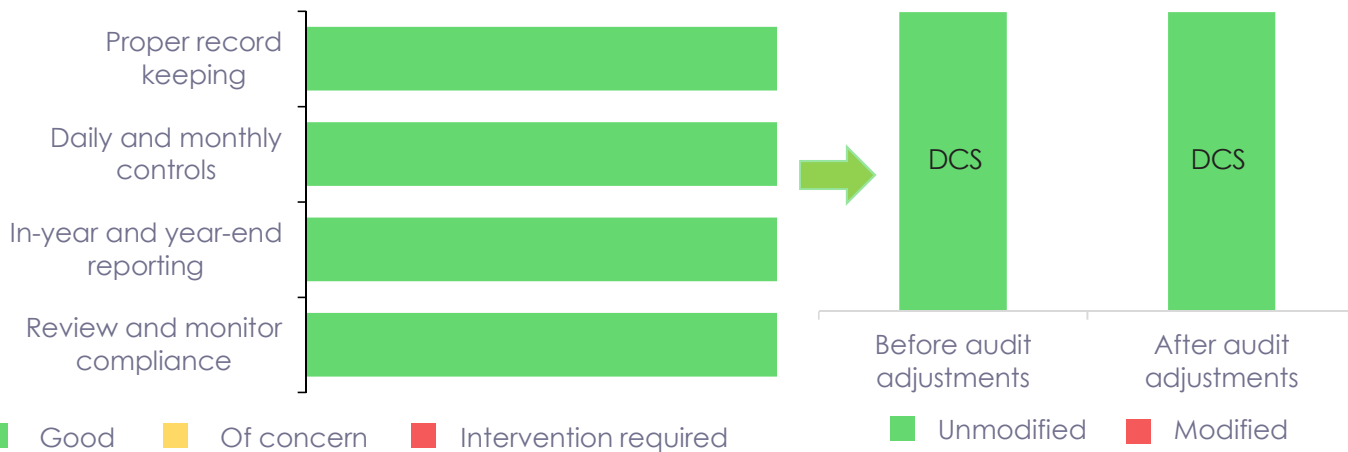


Financial management and compliance



Impact on quality of financial statements submitted for auditing

Financial management controls



Impact

Department had sound financial management controls, which prevented material misstatements from occurring



Compliance with key legislation



2021-22



NO MOVEMENT FROM FIRST YEAR OF ADMINISTRATION

● No material findings ● Material findings

Most common areas of non-compliance	DCS
Procurement and contract management	X
Prevention of irregular, unauthorised, and fruitless and wasteful expenditure	X
Effecting consequences	X
Payment not made in 30 days	X

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



Procurement and payments

Status of compliance with legislation on procurement and contract management



2021-22



NO MOVEMENTS FROM PREVIOUS YEAR

NO MOVEMENT FROM FIRST YEAR OF ADMINISTRATION

- With no findings
- With findings
- With material findings

Details of procurement findings	DCS	
Procurement done through price quotations where contracts were not in place	R 755m	X
Non-compliance with extension of contracts variation/ overpayment of contracts	R 169m	X
Competitive bidding process not followed	R 11m	X
Compliance with local content requirements not achieved	R 10m	X

Payment for goods and services not received or of poor quality

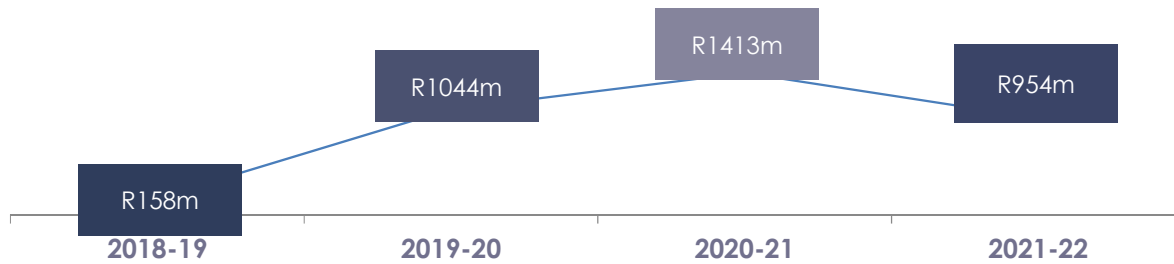
- None identified

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



Irregular expenditure

Annual irregular expenditure



Irregular expenditure is not complete

Not applicable to DCS

Impact of irregular expenditure incurred

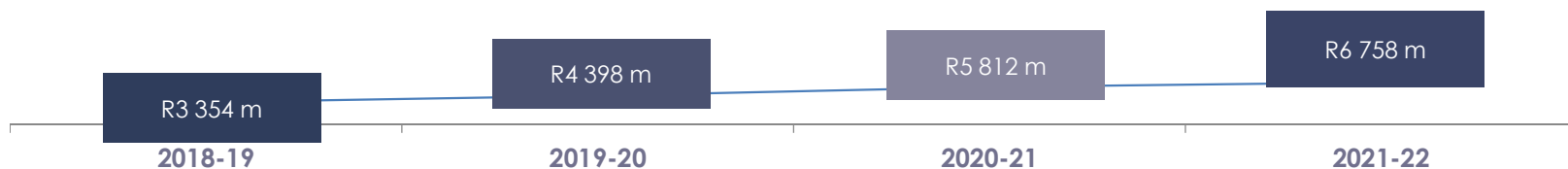
Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive:

Cost effectiveness	– R755m	Splitting of orders
Transparent and competitive	– R198m	Non-compliance with procurement processes



Consequence management – dealing with irregular expenditure

Closing balance of irregular expenditure continues to increase



How has the auditee dealt with irregular expenditure

	Money recovered or in process of recovery	R0 m (0%)
	Condoned	R8 m (0.1%)
	Written off	R0 m (0%)
	Not dealt with	R5804 m (99.9%)

Reasons for IE not dealt with:

- The department is in process of investigation and /or to obtain condonation from NT in some cases. At financial year-end the process has not started for some cases



Key financial management issues



Transversal issues



Impact

If accruals adjusted are accounted for the department would have a deficit for the year as well as an accrual adjusted net current liability position. Refer to notes 19 and 21 as well as Annexure 4 to the annual financial statements.



This can possibly result in the department being unable to pay all its short-term obligations if they fall due at any specific point.

Unauthorised expenditure: R0 (2020-21: R0)

Unauthorised expenditure

Balance of unauthorised expenditure of R121 000 relating to 2015-16 due to an overspending of the vote or a main division within a vote .

Irregular expenditure: R954 m (2020-21: R725 m)

Highest irregular expenditure

Splitting of orders –R755 126 000

Fruitless and wasteful expenditure: R75 m (2020-21: R0m)

Highest fruitless and wasteful expenditure

Interest paid on settlement of court judgement – R75 803 000





Conclusions and recommendations



Overall root causes of significant findings

- Action plans were developed and implemented during the period, but not all actions were fully addressed for the reporting period, resulting in recurring audit findings.
- Consequences for transgressions and poor performances were not adequately implemented by management.
- Instability/vacancies in key positions.

Key recommendations to, and commitments by, accounting officer

Recommendations:

- The accounting officer, with the support of the audit committee, should monitor the implementation of action plans to address audit findings in a timely manner.
- The accounting officer should conduct proper and timely investigations into all instances of irregular, fruitless and wasteful expenditure to determine if any official is liable for the expenditure and should institute corrective and/or disciplinary action against such officials.
- Key vacancies must be filled, in particular as it relates to supply chain management sections in regions and at head office and in the information technology environment, to ensure that adequate and skilled resources are in place.

Commitments:

- Monitor progress on the implementation of action plans to address findings reported in the audit report.
- Regularly monitor the implementation of consequence management in relation to irregular, fruitless and wasteful expenditure and all other allegations under investigation; and ensure timely corrective or disciplinary actions.
- Monitor that key vacancies are filled with sufficiently skilled staff and that performances are monitored.

Commitments by executive authority

- Provide oversight into the implementation of action plans to address audit matters.
- Monitor implementation of consequence management.
- Monitor the vacancies to ensure stability of leadership.



In 2020-21, we recommended the following:

- The committee should obtain feedback on the implementation of the audit action plan to ensure clean administration is achieved by the department
- The accounting officer should report to the committee on progress made to ensure investigations are conducted on cases of irregular and fruitless and wasteful expenditure.
- The accounting officer to report on filling of key vacancies.



Overall reflections on implementation of recommendations:

Portfolio Committee performed oversight during meetings as the department reported on the progress of implementing of audit action plans and consequence management.

Key messages going forward:

- 1 Continue to obtain regular feedback from accounting officer on the implementation of the audit action plan.
- 2 Obtain progress reports from leadership to confirm that key controls deficiencies are improved within supply chain management to reduce the non-compliance of legislation that result in either irregular or fruitless and wasteful expenditure.
- 3 Obtain progress reports from the accounting officer to confirm that consequence management takes place and timely investigation and disciplinary steps are taken against implicated officials.
- 4 Obtain progress reports from the accounting officer to confirm that effective HR management takes place to fill the key vacancies with skilled resources.
- 5 Request feedback on the outcome of the departmental investigation into the material irregularity.



THANK YOU



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