



**PFMA
2021-22**

AGSA Briefing to the Portfolio Committee on Home Affairs

May 2023



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.

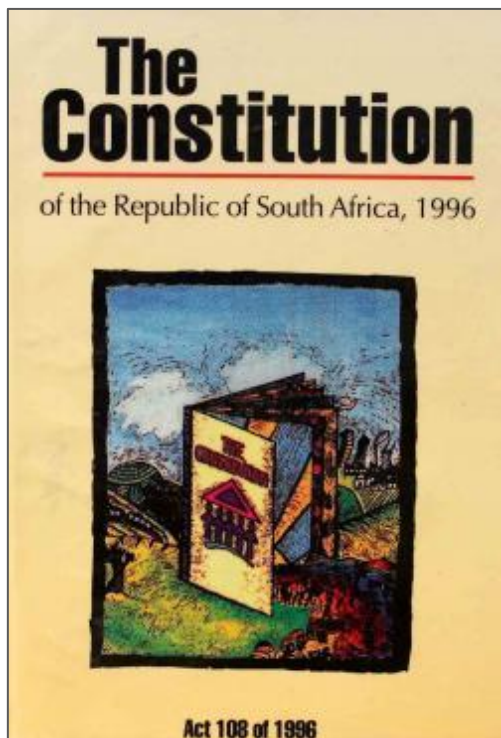


VISION

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



Constitution of the Republic of South Africa, Chapter 9 defines our mandate to strengthen the constitutional democracy in the Republic



Chapter 3: Section 41

*All organs of state must **secure the well-being of the people** of the Republic*

Chapter 3: Section 41

*All organs of state must provide **effective, transparent, accountable and coherent government** for the Republic as a whole*

Chapter 9

*The AGSA mandate: **Strengthen constitutional democracy** in the Republic*

Status and functions of the Auditor General: (Public Audit Act)

General: (Public Audit Act)

The AG has the power to:

- Perform an appropriate audit to ... determine whether appropriate and adequate measures have been implemented to ensure that resources are procured economically and utilised efficiently and effectively*
- Take any appropriate remedial action, and*
- Issue a certificate of debt ...where an AO or AA has failed to comply with remedial action*



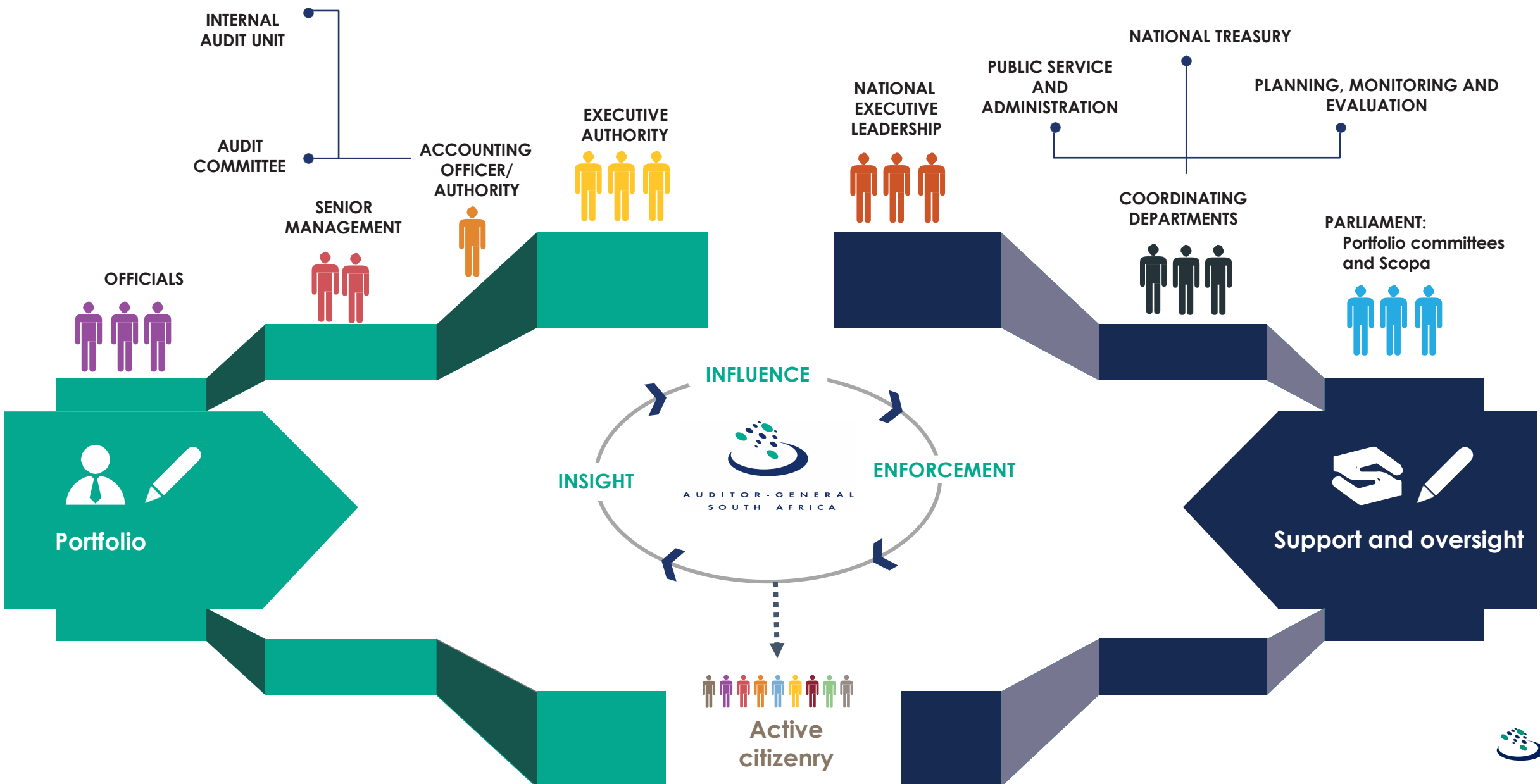
STRATEGIC PLAN #cultureshift2030

OF THE AUDITOR-GENERAL
SOUTH AFRICA
2022-30

Our strategic aspiration

Our strategic aspiration is to have a more direct, stronger and consistent impact on improving the lives of ordinary South Africans by helping to improve the public sector culture through insight, influence and enforcement. Success in this regard does not only rest on our ability to fulfil our mandate, but also on the extent to which we are able to mobilise and bring the collective influence of the accountability ecosystem (referring to the whole network of stakeholders responsible for public sector accountability) to drive positive change.

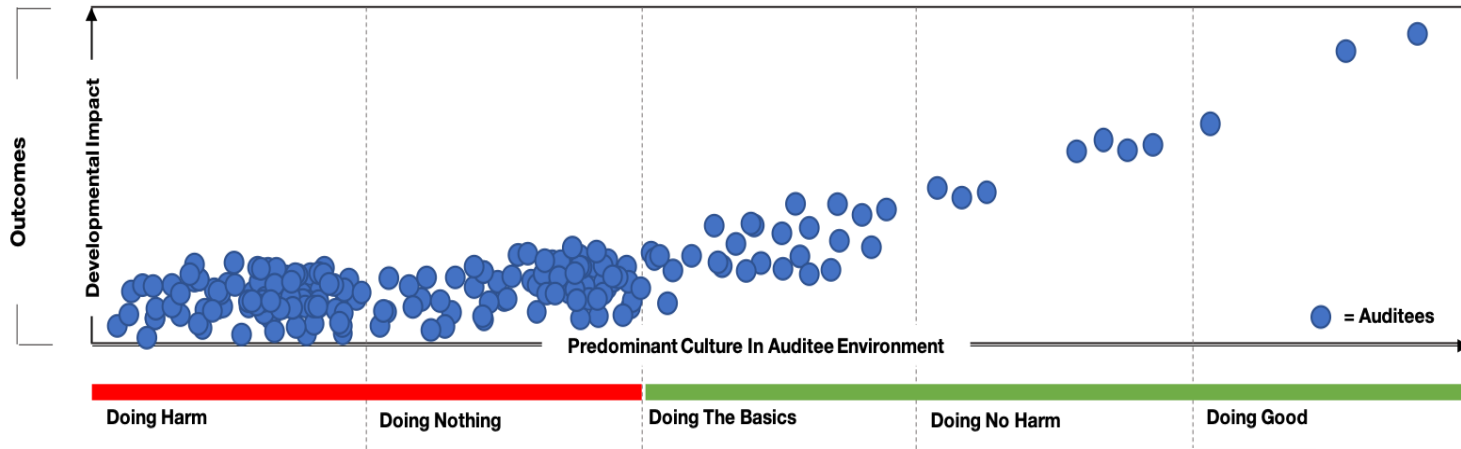
All have role to play in national government accountability ecosystem



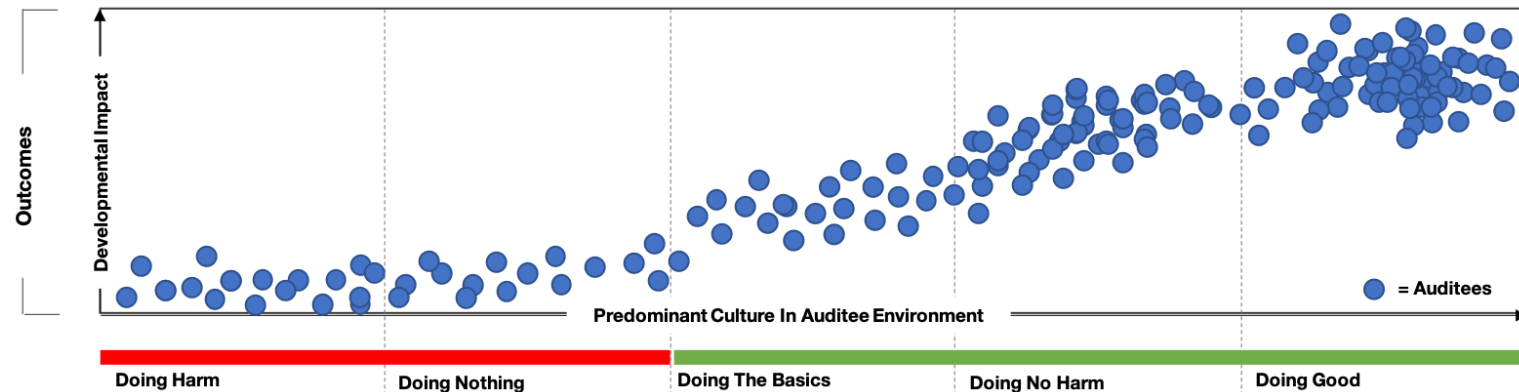
#cultureshift2030: making a difference in the lives of our people

Today

Only a small number of our auditees do good



2030
A critical mass of our auditees moved towards cultures characterised by **performance, accountability, transparency and integrity**

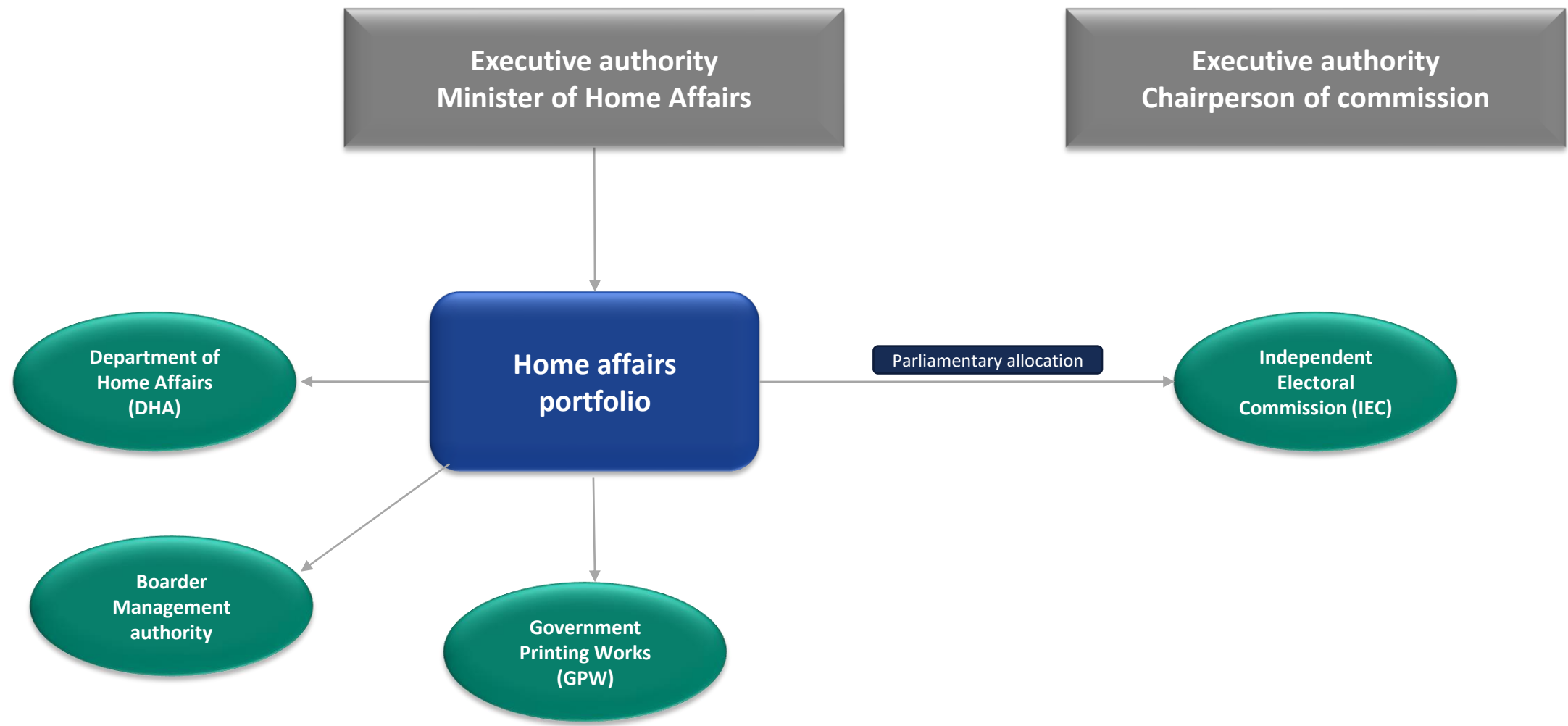


In conclusion

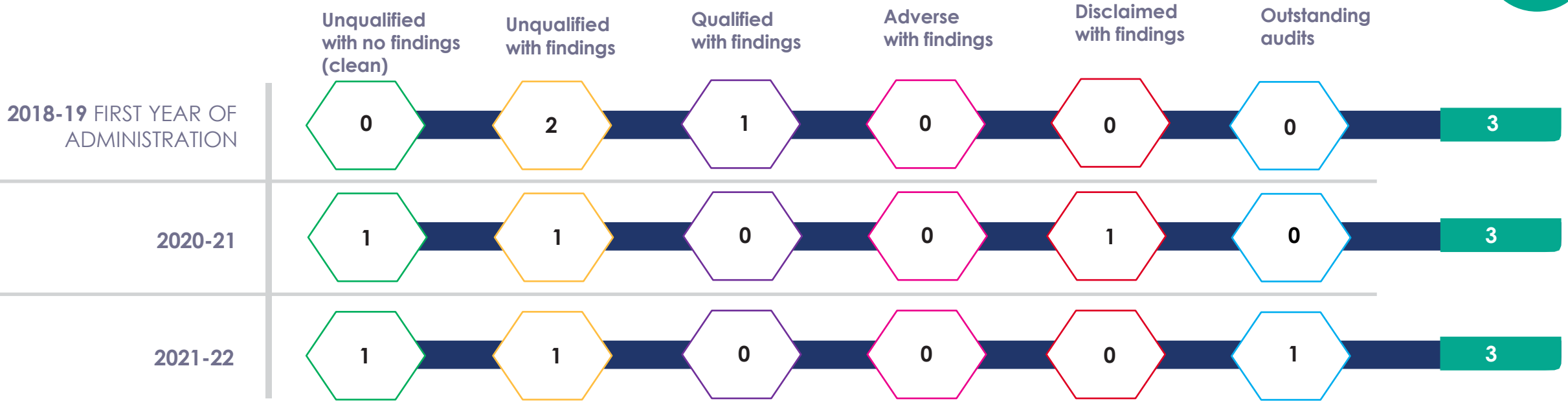
Undoubtedly our new strategy is *ambitious*, its intention is *noble*, and its implementation will be *challenging*. Throughout this journey, though, we will continue to provide the citizens and the public sector players with the products and services we are known for but in a better way and with higher purpose and intensity.

#cultureshift2030

Ultimately, success would be us, in partnership with other stakeholders, causing a shift in a critical mass of auditees to cultures that are predominantly characterised by performance, accountability, transparency and integrity, resulting in meaningful improvements in the lived reality of ordinary South Africans.



Recap of the audit outcome



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 the audit is underway.



Submission of AFS

The financial statements for the 2021-22 financial year were received on xx and the audit is still in progress.

Challenges experienced

- The data lost in February 2021 and in March 2022, has not been recovered and continues to have a negative impact on the financial statement of GPW as the supporting schedules relating to the comparative figures 2020-21 is not available.
- The status of IT controls continues to require intervention as the matters raised during the 2020-21 have not been appropriately addressed. These include:
 - Critical data centre controls were not functioning effectively including the regular maintenance of the UPSes that would have protected GPW's Server infrastructure from the power surge that resulted in the data loss.
 - In the current review cycle management was not able to provide the information requested by ICT auditors timely indicating an inadequate record-keeping process or lack of implementation of the items that were being requested.
 - Systems experienced periods of unavailability during 2021/22, resulting in disruption to critical business operations, and downtime impacting employee productivity and data integrity.
 - GPW is not able to appropriately support the figures in the financial statement.
 - GPW attempted to implement controls surrounding the transactions in the production environment during downtime, the transactions were captured in a database outside of the system. The controls were inadequate as a number of exceptions were identified for which an appropriate explanation could not be provided e.g. information keep outside system was not fully uploaded when system becomes live.
 - Also there are concerns around data cleansing on the system prior to using resuscitated system, it come with old data that is distorting genuine financial figures for 2021/22.



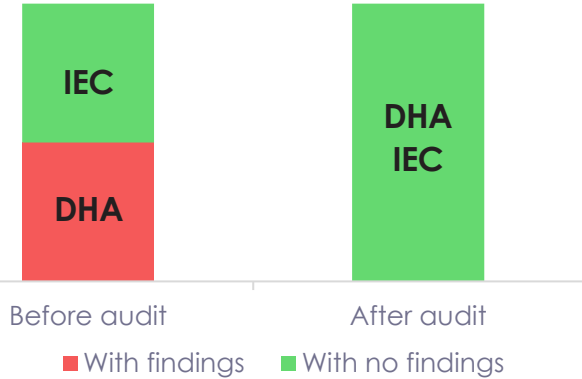


Recap of 2021/22 Portfolio performance – message shared during BRRR process



Performance against targets

Quality of performance reports before and after audit



Findings corrected:

Misstatements identified on the APR submitted for auditing were corrected. The APP was reported on in the APR, resulting in reported performance not being consistent (APR corrected).

Key targets in medium-term strategic framework for portfolio

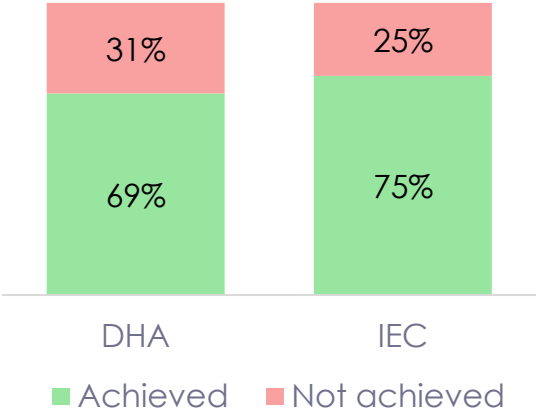
DHA

- 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 - 2023/2024 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 include:

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



Achieving key performance targets – summarised information from performance report - DHA

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 full 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.



Observation and Impact

Significant control deficiencies regarding the operating effectiveness of the system and deployment were noted as follows:

- E-Visa and BMCS deployed into production without user acceptance sign-off and no user acceptance testing performed
- System design not in line with business requirements
- No processing of fingerprints analysis cases of travelers captured at the ports entries
- E-Visa and the BMCS systems rolled out onto infrastructure that was not secure
- BMCS rolled out onto workstations not protected with 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**, and if the issues are not addressed, then no progress will be seen with regards to the DHA IT control environment. DHA will still be exposed to the current risks and if these systems are not operating as intended, it will result to material losses by the department.

Cause

Poor project management and governance processes over the project.

Actions/Recommendations

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



Modernisation (e-Visa) and (BMCS)



Observation

Project timelines

- Significant delays of 3 years and 4 months as at 31 March 2022
- A number of extensions were approved however phase 1 is not complete.
- Penalties were invoked against EOH (62 mil) and IDEMIA (3mil) for the delays

Project cost

- Initial project budget was R410 million – increased to R475 million as a result of the delays
- R294 million (90%) has been spent on phase 1 against a budget of R 328 million.
- With project the delays caused by technical complexities related to data migration and Interfaces, the department is at risk of exceeding this 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 is still in progress due to interface exceptions being investigated

Non implementation of this project will have a nationwide adverse impact and the department would suffer irreparable harm should this project not be finalised. ABIS is critical to some of the risks faced by DHA and South African security as a whole, having an impact on DHA services, the economy and on 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, that the project is seen to finality and that set deadlines are complied with to avoid losses.

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



Modernisation (ABIS)





Government Printing Works

AGSA performed an Internal and External Penetration Test

Impact:

These vulnerabilities can be exploited by attackers to gain unauthorized access to the GPW's ICT Environment and cause denial-of-service conditions, access sensitive information, alter functions on key applications to all them to abuse these systems further as well as render them unusable as and when they wish.

The attackers can also use these weaknesses to apply ransomware to the GPW's infrastructure.

Cause:

Inadequate Cyber Security Controls and lack of human resources.

Recommendations to AO/AA:

Implement the recommendations in the Internal Penetration Test Report as a matter of urgency

(Overall ICT message)

Key vulnerabilities detected during the internal penetration test

Overall, GPW was found have a WEAK security posture

Outdated Software

GPW was found to use servers that were running unsupported software versions such as Windows 7, PHP7, Windows Server 2003 and Windows Server 2008. The auditor managed to find a lot of vulnerabilities associated with these outdated software packages. Outdated software was found to be in use in GPW's external environment. The vulnerable software could possibly allow threat actors to gain access to the internal network.

Misconfigured Services

The auditor discovered that a lot of services were not properly configured. Services such as SMB, SNMP. Critically, the auditor found LLNMR enabled which allows an attacker who is in the network to sniff password hashes. The System Center Endpoint Protection tool used for Anti-Malware and Threat Detection was found to be inadequately configured to allow a user to disable it.

Password Policy Weaknesses

The auditors managed to obtain Domain Administrative privileges during the Internal Penetration Test, meaning they managed to get full control of the GPW's Network.

Detection capabilities

It was noted that there was lack of detection capability within GPW. The auditor was able to connect an unauthorised device onto the network due to the lack of MAC filtering. Additionally, it must be noted that the System Center Endpoint Protection solution was found to be inadequate as it was easily bypassed, and the auditor was able to execute malicious PowerShell scripts.

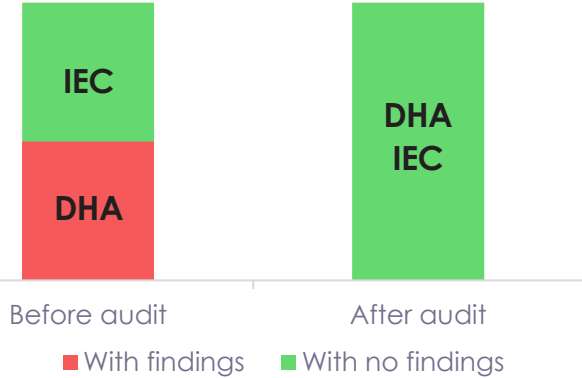
Clear-text Traffic Protocols

During testing, it was discovered that GPW's main web application uses the unencrypted HTTP protocol for transmission of information. Additionally, there is an SMTP server that is also transmitting information in clear text



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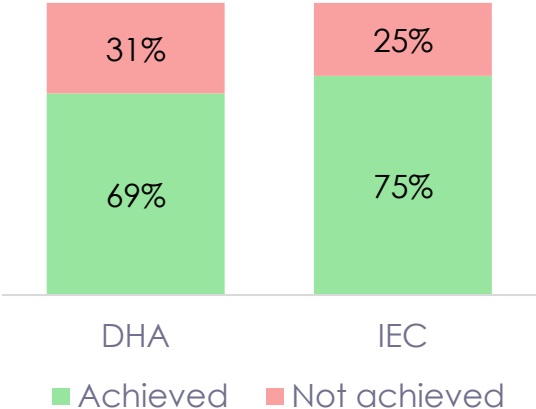
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Review of 2023-24 draft annual performance plans



As part of the value add projects done by AGSA, the 2023/24 Draft annual performance plan (APP) for DHA and BMA were reviewed. Findings identified from the review performed were discussed with management and considered in the final APPs. The final APPs were also reviewed to verify whether the issues were resolved.

Department of Home Affairs

- The review of the 2023/24 Annual performance plan was done in collaboration with the internal audit. Internal audit reviewed programme 1 and programme 3. While the AGSA reviewed programme 2: Citizen Affairs.

Boarder Management Agency

- The APP for BMA was reviewed for the programme: BMA operations. The observations are summarised in the slides that follow.



Indicators	Target	Review Outcome
Number of births registered within 30 calendar days per year	800 000	No findings
Number of smart ID cards issued to citizens 16 years of age and above per year	2 500 000	No findings
Percentage (%) of machine readable adult passports (live capture system) issued within 13 working days per year for applications collected and processed within the RSA	90%	No findings
Percentage (%) of machine readable passports for children (live capture system) issued within 18 working days per year for applications collected and processed within the RSA	90%	No findings



Indicators	Target	Review Outcome	Finding resolved/Not
NTC established	NTC established as per proposed operating model (business case)	Target does not meet “SMART” Principle/criteria. Management should set the target in such a way that the required level of performance can be clearly identified and measured.	Management has revised the TID to set the target in such a way that the required level of performance can be clearly identified and measured. Finding resolved.
Number of land border law enforcement area segments with Border Guards	BMA rolled out in phases along additional 2 segments of the land border law enforcement area. (incremental number of 10)	No finding raised	N/A
Number of additional CCPs established	BMA rolled out to one (1) additional CCP (incremental number of 2)	The target’s performance is obtained from the TID however it is not specifically described as such on the target title.	No changes made to the target title. Finding remains as internal control finding.
Percentage of detected illegitimate persons at the PoE processed for deportation per year	100% of detected illegitimate persons at the PoE processed for deportation	No finding raised	N/A



Indicators	Target	Review Outcome	Finding resolved/Not
Number of PoEs rendering port health services in compliance with International Health Regulations (2005) and National Environmental Health Norms and Standards (incremental approach)	30 PoE rendering port health services in compliance with International Health Regulations (2005) and National Environmental Health Norms and Standards.	No finding raised	N/A
Percentage of pre-booked CITES consignments that go through the PoE, endorsed	100% of pre-booked CITES consignments that go through the PoE, endorsed	Target does not meet “SMART” Principle/criteria. Management should set the target in such a way that the required level of performance can be clearly identified and measured.	Management revised the documentation in the TID, however the target in not set in such a way that the required level of performance can be clearly identified and measured. Finding remains.
Status of construction for the redevelopment of the six (6) land Ports of entry	Bid adjudication for selection of the preferred bidders concluded	No findings raised	N/A



Boarder Management authority - BMA OPERATIONS continued

Indicators	Target	Review Outcome	Finding resolved/Not
Number of signed implementation protocols with SAPS, SARS and SANDF monitored for implementation	3 signed implementation protocols with SAPS, SARS and SANDF monitored for implementation	No findings raised	N/A
Percentage of cooperation and coordination with other organs of state and border communities per year	25% increase in cooperation and coordination with other organs of state and border communities	The target is not measurable. Target is a new target, management cannot have an increment target as the target will be measured from the current year. Target should be measured as a number and not a percentage	Management correctly measured the target as a number and not a percentage. Finding resolved



Overall root causes of significant findings in BMA draft APP

BMA 2023-24 APP review

- There were inadequate reviews of the APP targets and indicators to ensure that they meet the SMART criteria.
- Lack of capacity to ensure that APP targets and indicators are adequately designed due to the entity still to be established and there is no baselines to refer to.

Key recommendations to accounting officer

Key recommendations to be addressed:

- As part of setting up structures to operationalise the BMA, it is important to already get the basics right from the start – this includes ensuring that the entity has appropriate capacity, skills and processes for effective strategic and performance planning.
- Management should prepare the annual performance plan in accordance with the DPME revised framework for strategic plan and annual performance plan to ensure that the indicators and targets meet the SMART criteria.



Material irregularities





We have long reported on **pervasive mismanagement/ leakage of public funds without consequences** and our **audit recommendations not receiving the required attention**, with little or no improvement noted in the status quo, leading to our relevance being questioned

Public outcry for increased **accountability and transparency**, saw calls from parliamentary oversight structures, civil society, organised labour, media and the public at large for the **AG to be empowered to hold accounting officers** entrusted with public funds **accountable for their actions**



Material irregularity

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 AO/AA does not appropriately deal with MIs, our expanded mandate allows us to:

- 1 Refer material irregularities** to relevant public bodies for further investigation
- 2 Recommend actions** to resolve material irregularities in audit report
- 3 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

The MI process was implemented at the following auditees: **No MIs have been identified to date**

- DHA; IEC; GPW



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