



AUDITOR-GENERAL
SOUTH AFRICA

HUMAN SETTLEMENTS

> > > > > > > > > > > > >

Portfolio Committee Meeting

17 May 2023



MISSION

“The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it 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.”



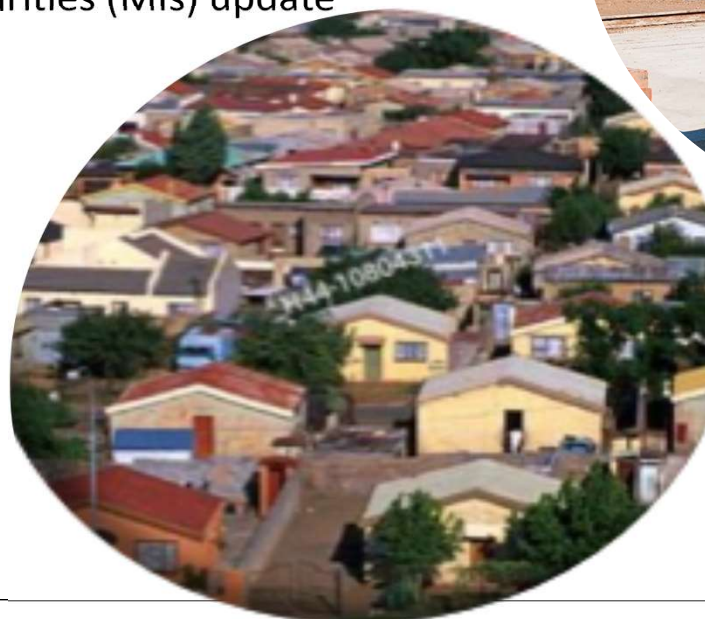
Topics for discussion

Contents

Accountability ecosystem

Pro-active review 2023-24 APPs

HS sector material irregularities (MIs) update



#cultureshift 2030 strategy

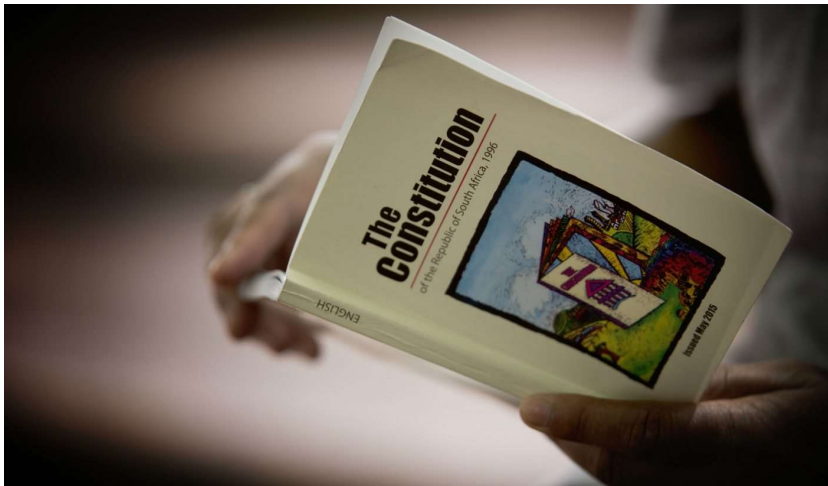
AGSA STRATEGY

#cultureshift2030

SHIFTING PUBLIC
SECTOR CULTURE
THROUGH INSIGHT,
INFLUENCE AND
ENFORCEMENT



Having reflected on our South African context and the root causes of the persistent undesirable outcomes, we have resolved that as long as there is no focus on improving the public sector culture, outcomes will not change materially



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

AGSA's mandate: **Strengthen constitutional democracy in the Republic**

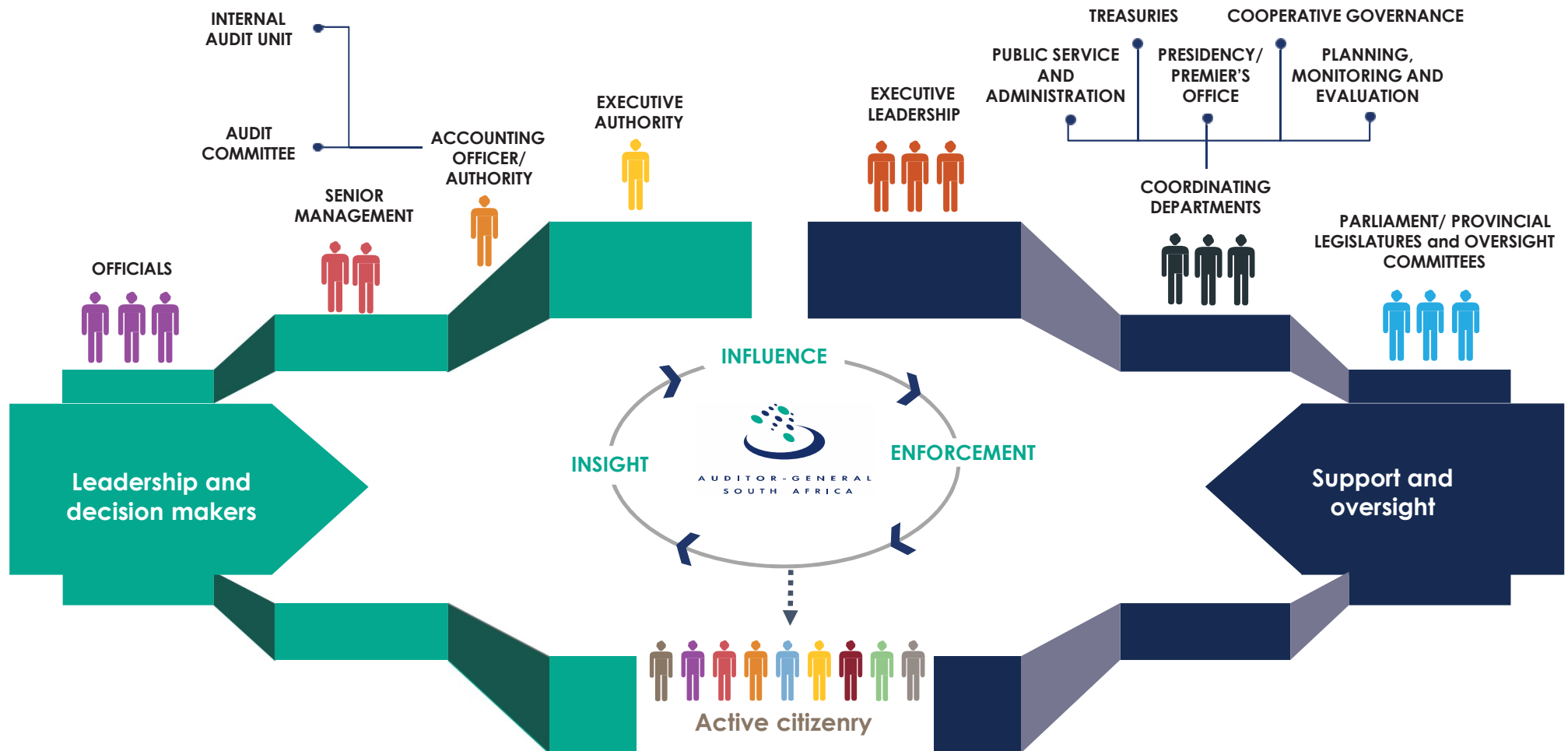
Status and functions of the AGSA

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

EVERYONE HAS A ROLE TO PLAY IN THE ACCOUNTABILITY ECOSYSTEM

6



Pro-active Review of 2023-24 APPs

> > > > > > > > > > > >



Purpose of the Pro-active Interim Reviews of 2023-24 APPs

Understand **preparation and revision process** of updated five-year plans and final draft annual performance plans as well as **alignment to MTSF**.

Determine whether the **prior year's material misstatements**, as detailed in the 2021-22 audit outcomes, were considered in new draft plans.

Assess the **completeness of relevant indicators** relating to core functions, **mandate** and **service delivery expectations** of citizens.

Assess the **measurability, relevance and quality of the indicators** and targets planned to achieve the **mandate** and desired **service delivery for citizens**.

Enable insights to AA/AO, executive authorities and oversight through discussions of the pro-active findings.

This will eventually **empower the Minister before approval of the plans**.

NOTE: Pro-active review findings **will not have an impact on the audit conclusion** of the scoped in subject matter for the year under review (2022-23).

HDA's APP was not reviewed as we only took it back towards the end of February 2023.

NHFC's APP review was not performed as it was not scoped-in.



Pro-active review of 2023-24 APPs

High level observations from the review of 2023-24 APPs across the Human Settlements Portfolio:

- DHS - Department of Human Settlements, CSOS - Community Schemes Ombud Service, NHBRC - National Home Builders Registration Council and PPRA - Property Practitioners Regulatory Authority

Usefulness findings	DHS	PPRA	NHBRC	CSOC
Indicators not well defined	2 Misalignment between target & indicator	15 Indicators title in TID differs from titles in programme	1 Indicator title in TID differs from title in programme	2 Indicators title in TID differs from titles in programme
Indicators not measurable		6 Source of data / Method of calculation not clear	5 Source of data / Method of calculation not clear	1 Quarterly targets not adding up to annual target
Completeness of the indicators in the APP	2 MTSF indicators not included in APP			1 Included in TID but not in programme
Indicators not verifiable		3 Processes and systems that produce the indicator are not clear		
Relevance	7 The department is measuring the number of reports.			



Pro-active review of 2023-24 APPs cont....

Detailed observations from the reviews:

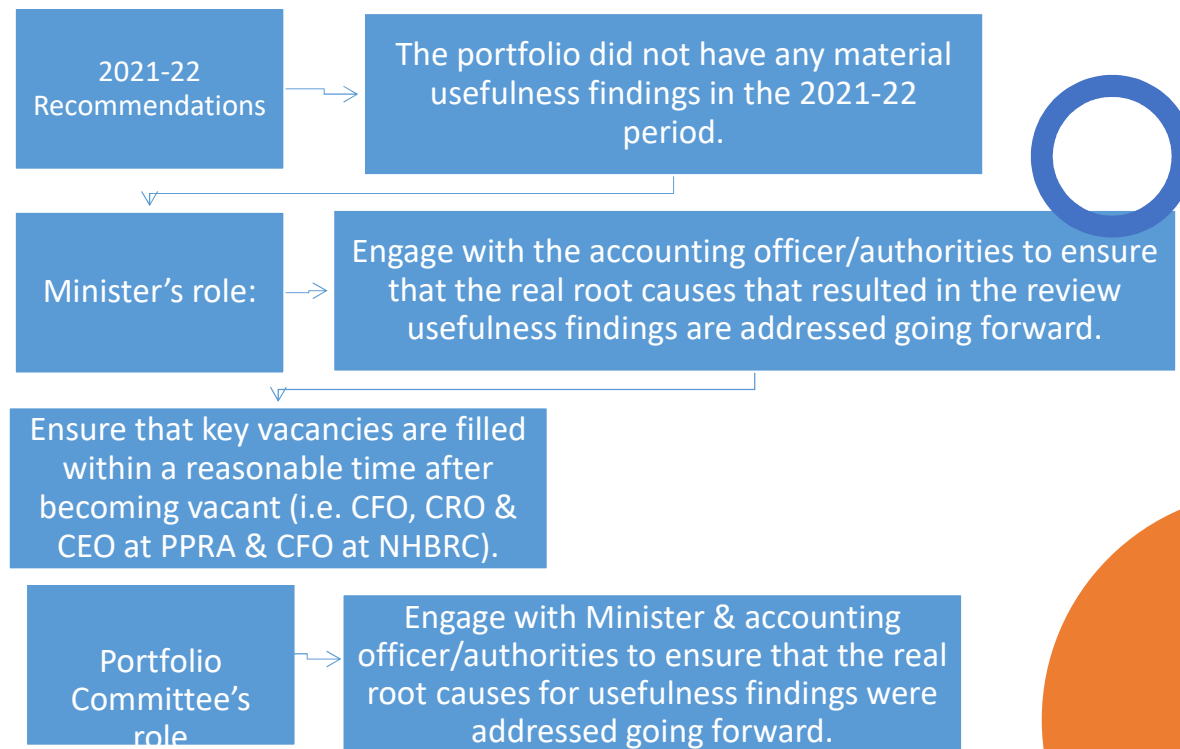
- **Misalignment** between the APP and Technical Indicator Descriptions (TIDs). The revised framework requires the indicator title in a TID to be aligned verbatim to title in the programme. (DHS, PPRA, NHBRC & CSOS)
- **Ambiguous indicator titles** with no corresponding descriptions and explanations on the TID. This leads to **inconsistencies and misunderstanding during reporting** as there is no clear guidance of what needs to be done or considered for reporting purposes. (PPRA & CSOS)
- Indicators that **do not have appropriate methods of calculation**. This may result in **challenges in calculating the performance** during reporting time. (NHBRC, PPRA & CSOS).
- Instances where **actual performance source data was not clear and specific** on the TID. This results in **inconsistencies during reporting** for example where a source of data is defined as SAP download, it can be any download. (DHS, PPRA & NHBRC)
- Instance where an indicator was **omitted from the APP** but **included on the TID**. This will **affect service delivery negatively** as the indicator and its target will not be implemented and measured. (CSOS)
- Two (2) **MTSF indicators were not included in the APP**. MTSF targets **may not be met** leading to **negative impact on affected citizens**: (DHS)
 - Number of integrated implementation plans for PDAs completed.
 - Number of PDAs invested in are not included in the APP.
- Misalignment between the Strategic Plan and the Draft 2023-24 APP as the public entity omitted to update three (3) programmes from the APP to the Strategic Plan. (PPRA)



Pro-active review of 2023-24 APPs: Examples of usefulness findings identified

DHS - Usefulness		
Indicator:	Comment:	Service delivery impact:
Programme 2: Number of reports on entities performance monitored.	The performance of this indicator is measured according to reports and not the context of the report.	This indicator/ target will still be achieved even if the provinces are not meeting their targets.
Number of integrated implementation plans for PDAs completed.	This indicator was not included in the APP, though DHS is responsible to achieve 94 plans as per MTSF target.	MTSF target may not be met as the target was omitted.
Programme 5: Affordable Housing Programme National implementation plan for blocked projects implemented	The indicator is about implementation of the national implementation plan for blocked projects while the target is about the development of the national implementation plan for blocked projects.	The target is not consistent with the indicator. Thus, it will be difficult to measure performance.
NHBRC – Usefulness		
Programme 3: Consumer protection Evaluation and monitoring of constructed Green First Zero energy model house	TID relates to the construction of this type of house and the data to be collected refers to the construction project plan. TID does not describe what the monitoring and evaluation will entail.	The data to be collected for the evaluation and monitoring is not clear. Thus, it will be difficult to measure performance.
PPRA – Usefulness		
Programme 2: Licensing and compliance Percentage of compliant renewals processed within thirty (30) working days of payment reconciliation	TID definition is not aligned to the programme. The programme mentions renewals processed within 30 working days, however, the TID mentions renewals processed with 5 working days.	It will be difficult to assess performance as there will be inconsistencies between 5 and 30 working days.
Programme 8: Fidelity Fund Percentage of fully compliant claims paid within six months	The annual target refers to 90 days (3 months) however, the output target and indicator title refers to 6 months. There is a contradiction between output indicator and title.	It will be difficult to assess performance as there will be inconsistencies between 3 and 6 months.

Pro-active review of 2023-24 APPs cont....



HS Sector Material Irregularities (MIs) Update

> > > > > > > > > > > >



Why were our powers extended and what does it mean

14

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**

The original expanded mandate now finding its basis in our strategy



Enforcement

Apply powers to directly and indirectly recover resources lost to the state and taxpayers, and ensure application of consequences for wrongdoing – **#cultureshift2030**

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** in audit report to resolve the material irregularities
- 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 overall aim of our expanded mandate is to:

Instil a culture of accountability

Improve the protection of resources

Enhance public sector performance and encourage an ethical culture

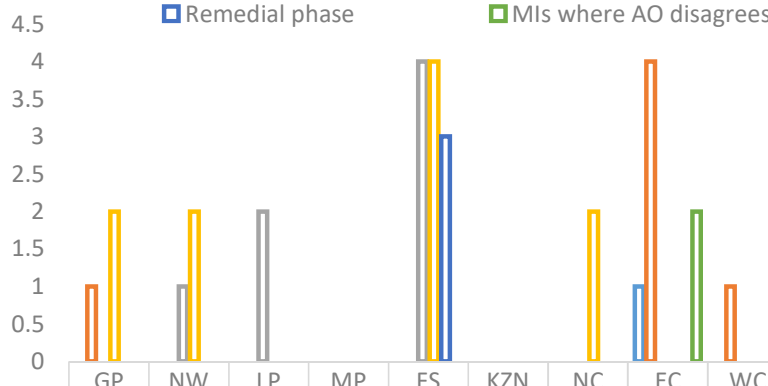
Strengthen public sector institutions to better serve the people of South Africa



Human Settlements Sector MIs – May 2023

Human Settlement status of MIs

■ Concluded as not MI ■ MI Resolved ■ Consultation stage
■ MI Notified ■ Remedial phase ■ MIs where AO disagrees



Concluded as not MI	0	0	0	0	0	0	0	1	0
MI Resolved	1	0	0	0	0	0	0	4	1
Consultation stage	0	1	2	0	4	0	0	0	0
MI Notified	2	2	0	0	4	0	2	0	0
Remedial phase	0	0	0	0	3	0	0	0	0
MIs where AO disagrees	0	0	0	0	0	0	0	2	0

Remedial Phase:

- **Overpayment on CRU G Hostel - Welkom Thabang G Hostel** found to have contravened TR8.1.1 and **caused a FL of R20 million (FS).**
- **Overpayment on a housing project in Kroonstad** found to have contravened TR8.1.1 **and caused a FL of R6.6 million (FS).**
- **Covid 19 claim F&W - Standing time payment to contractor, caused FL of R10.1 million (FS).**

MIs where AO disagrees:

- **Non-compliance with TR 8.1.1: Payment of Agency fees without value created and caused FL of R127.2 million (EC).**
- **Non-compliance with TR 8.1.1 - Payment for services not rendered in respect of TRU'S and caused FL of R16 million (EC).**

- **KZN and MP does not have any MIs.**
- **EC – Only 1 MI issued was concluded as not an MI.**
- **WC, GP and EC - 6 MIs were identified**, however these were resolved after the Accounting officers' actions were assessed as **adequate**.
- **FS has a highest number (11) of MIs** of which 4 of them are still on the pipeline.
- **EC: MIs where AOs disagreed are in process of being submitted to MIU.**



Mis that have been Issued

Payment made to an incorrect beneficiary which contravened TR8.1.1 causing **a FL of R2.5 millions (GP)**

Overpayment for PMU services on invoices for which services were not received which contravened TR8.1.1 causing **a FL of R3 million (NW)**

Extension of time claims relating to Covid-19 that could have been avoided which contravened PFMA Section 38(1)(c)(ii) causing **a FL of R5.3 million (FS)**

Fruitless expenditure incurred on a Red Ants contract due to late payments made which contravened TR8.2.3 causing **a FL of R116 millions (GP)**

Valuations indicated that the value of work executed is worth less than the amount paid which contravened TR8.1.1 causing **a FL of R6.76 million (NW)**

Extension of time claims relating to Covid-19 that could have been avoided which contravened PFMA Section 38(1)(c)(ii) causing **a FL of R6.58 million, R5.4 million and R1.76 million (FS)**

Payment for goods not delivered for Bhankara Bodulong 151 which contravened PFMA Section 45 (a) causing **a FL of R3.3 million (NC)**

Payments made on the Lerato Park CRUs for substandard work which contravened PFMA Section 45 (a) causing **a FL of R26.5 million (NC)**

Notes elevated:

- NC: AO agrees with the MIs, however, appropriate actions were not implemented to resolve the MI. Submission of MI to MIU for AR recommendations.
- NW: Amended **determination letter, technical consultation and MIU WB** have been completed for submission to the PC, as the auditee **has not implemented all steps** to address the MI as agreed in the action plan.
- GP: AO **still waiting for feedback** from NPA and Office of premier.



MATERIAL IRREGULARITY PROCESS IS MAKING AN IMPACT

17

Material irregularities identified could have been prevented by basic disciplines and processes.

Through material irregularity process we highlight these internal control weaknesses and track improvements to prevent recurrence.

IMPACT AND ACTIONS TAKEN BY AUDITEES

R0

Financial loss **recovered**

R23 m

Prevented financial loss from taking place

2

Internal controls and processes improved to prevent recurrence

0

Responsible officials identified and **disciplinary process** completed or in process

2

Fraud/criminal investigations instituted

2

Stopped supplier contracts where money is being lost

GOOD STORIES

EC: The provincial department **prevented over R23 million** worth of payments on contracts that were irregularly awarded as the MI was identified before payments were made.

GP: The AO is still awaiting the feedback from NPA regarding the court application for forfeiture in order to **recover a loss of R2,5 million**.

GP: The AO is awaiting the forensic report from the Office of the Premier for the **estimated loss amounting to R116 million**.

GP: One evergreen contract for TRU rental that was causing the **financial loss of R59 million was terminated**.

FS – One MI has been referred to the **DPCI for further investigation and recovery** where possible.

FS – All other issued MIs are at remedial phase with the **AO implementing remedial actions**.

Our social media platforms



www.agsa.co.za



@AuditorGen_SA



Auditor-General of South Africa



Auditor-General of South Africa

