

Budgetary review and recommendations report (BRRR) Portfolio Committee on Women, Youth and Persons with Disabilities

10 October 2023

PFMA
2022-23



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

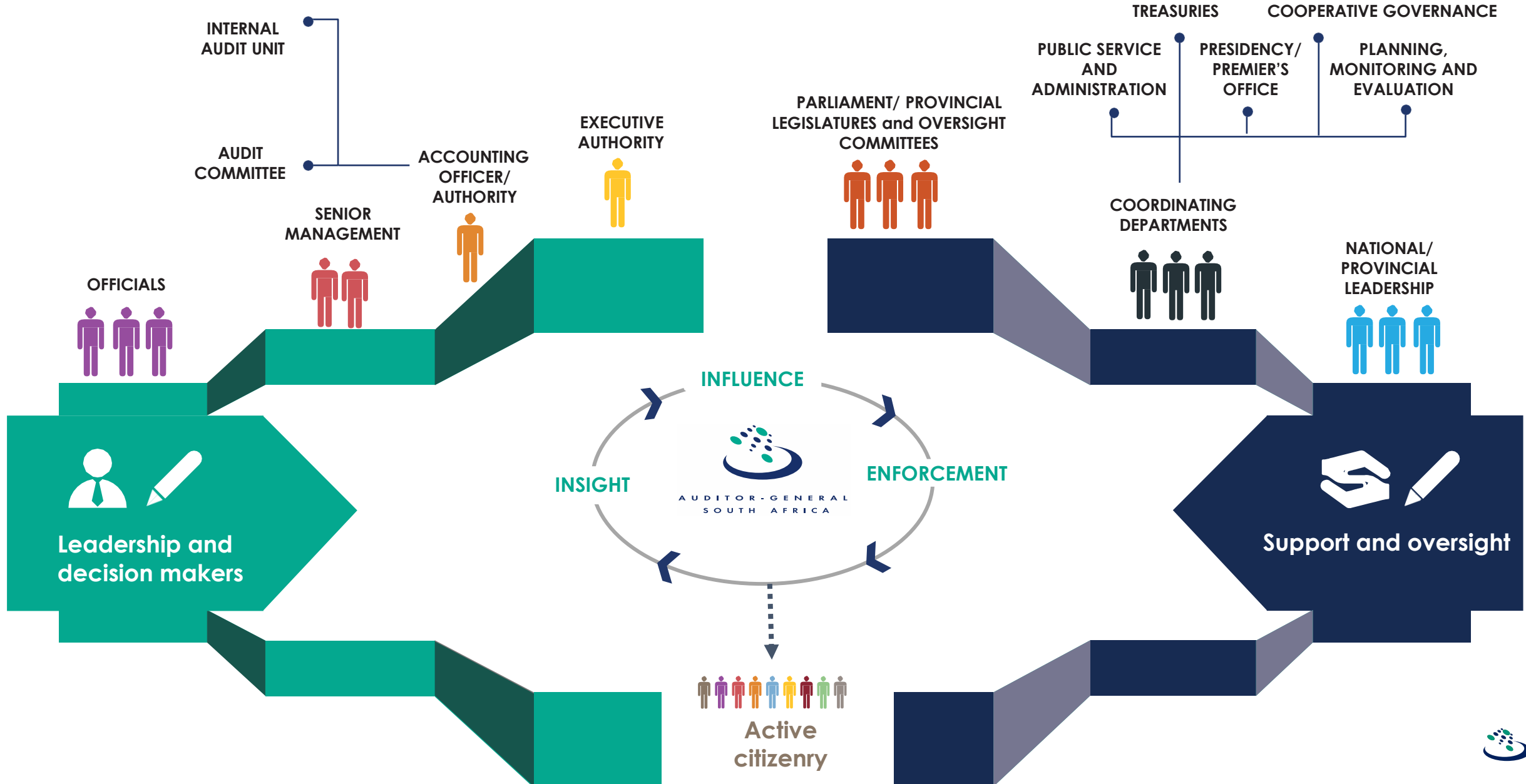
To be recognised by all our stakeholders as a relevant supreme audit **institution** that enhances public sector accountability.



A **SHIFT ON THE IMPACT** of the lived realities faced by the ordinary South African citizens, is that which we aim to be represented by our audit insights and outcomes



All have a role to play in accountability ecosystem



No change over administration term

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2019-20 FIRST YEAR OF ADMINISTRATION	1	2	0	0	0	0	3
2021-22	1	2	0	0	0	0	3
2022-23	1	2	0	0	0	0	3

MOVEMENTS FROM PREVIOUS YEAR:
0 ↑ 0 ↓

FROM FIRST YEAR OF ADMINISTRATION:
0 ↑ 0 ↓

National Youth Development Agency (NYDA)

Department of Women, Youth and Persons with Disabilities (DWYPD)
The Commission on Gender Equality (CGE)

Submission of financial statements by legislated date for portfolio remained at 100%

Reflections on audit outcomes

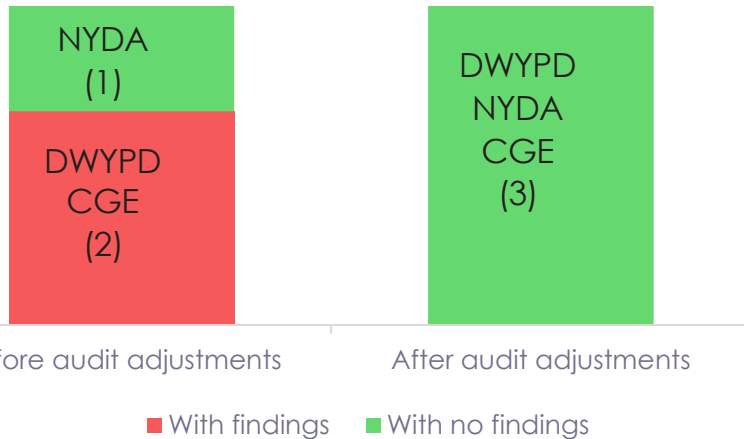
- **Improvements in the number of findings** at the department over the administration term
- No change in overall outcomes, however, increase **number of compliance findings** for **CGE** were identified
- No AFS findings in the portfolio, however, identified **material misstatements at CGE** which were subsequently corrected through the audit process



Portfolio performance



Quality of performance reports before and after audit



Findings: Reporting

- **CGE** - Reported performance information were **not accurate based on evidence submitted for audit**. The corrections effected resulted in some target not being met.
- **DWYPD** – The adjustments did not result in non-achievement of the key performance indicators and targets

Impact

- **CGE** – ability to deliver the mandate is compromised if the performance reporting processes are not adequately functional
- **CGE** - The credibility of the Commission is compromised if they are unable to produce quality performance reports that reflect its transparency and accountability on the reported performance targets.

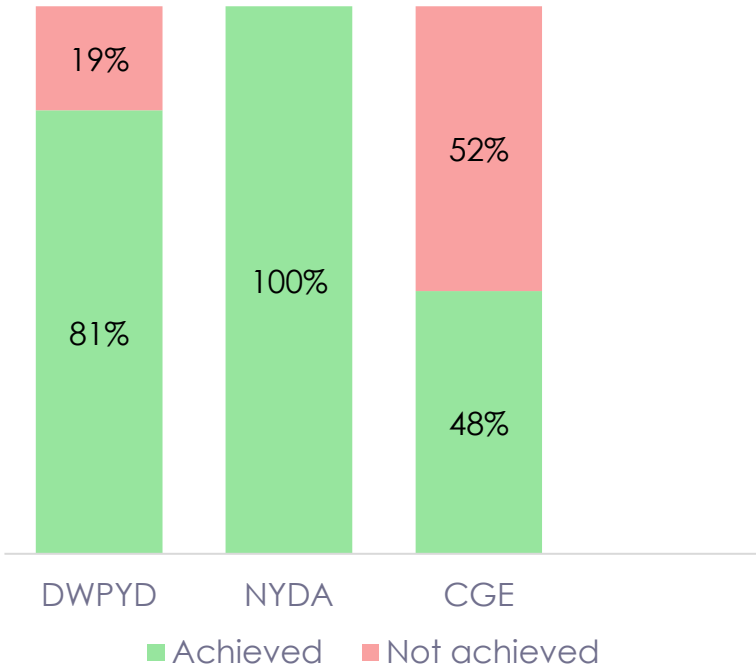
Reflections on quality of APR

- **Inadequate** systems and policies to collate evidence that supports the reported (CGE)
- Overall weakness in the control environment due to management instability (CGE)
- Inadequate consequence management, as some of the findings were repeat (CGE)
- Inadequate review processes on reported targets (DWYPD)



Performance against targets

Achievement of annual targets as reported in annual performance report (all indicators) – 2022-23



Reflections of 100% achieved targets

NYDA

- Impact realized on paid service opportunities and young people who participated in the various Youth initiatives lead by the NYDA (CWP, Jobs fund)
- Due to the temporary nature of these opportunities, there's still minimal impact on the reduction of youth unemployment

Key targets not achieved include:

DWYPD

- Number of progress reports on implementation of Sanitary Dignity Implementation Framework by provinces produced
- Number of GBVF Rapid Response Teams (RRTs) established

CGE

- 540 000 people reached through community radio education outreach and a report thereof.
- Number of courts monitored
- Number of SAPS and TCCs monitored

Key targets achieved include:

NYDA

- Number of young people securing paid service opportunities
- Number of young people participating in CWP programmes
- Number of young people participating in NYS Expanded Volunteer Projects

Reflections on impact of non-achievement

DWYPD

- Implementation of Sanitary Dignity Implementation Framework by provinces means that young girls may be marginalized.
- Number of GBVF RRTs establish means slow progress on addressing issues of gender based violence.

CGE

- Ineffective awareness of the mandate of the commission to the citizens, who can benefit from the initiatives of the Commission, specifically on gender related matters
- Slow progress on reduction of levels of marginalisation, stigmatisation and discrimination and violence against women, girls and persons with disabilities

Achieving key performance targets – summarised information from performance report

Key target in medium-term strategic framework for portfolio

- Number of government entities implementing Gender, Youth and Disability Responsive Planning, Budgeting, Interventions, Policies and legislations
- Number of national government department strategic plans which include WYPD priorities

MTSF Target	Actual achievement reported in the APR
100% implementation by 2024	Achieved 93.75 % of national departments implementing the GRPBMEAF

Reflection of reported achievement against MTSF targets

- MTSF indicator includes government entities and national governments departments
- However, the cumulative reported achievements focuses on national departments,
- Therefore, a reflection of a possible non-achievement of overall MTSF target considering the remaining MTSF period.



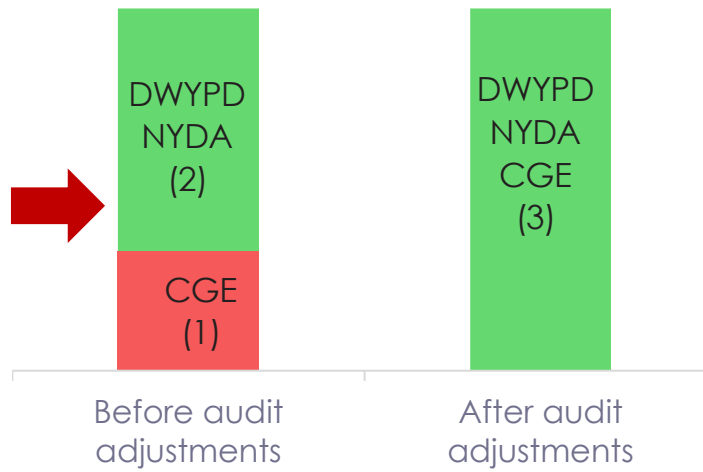
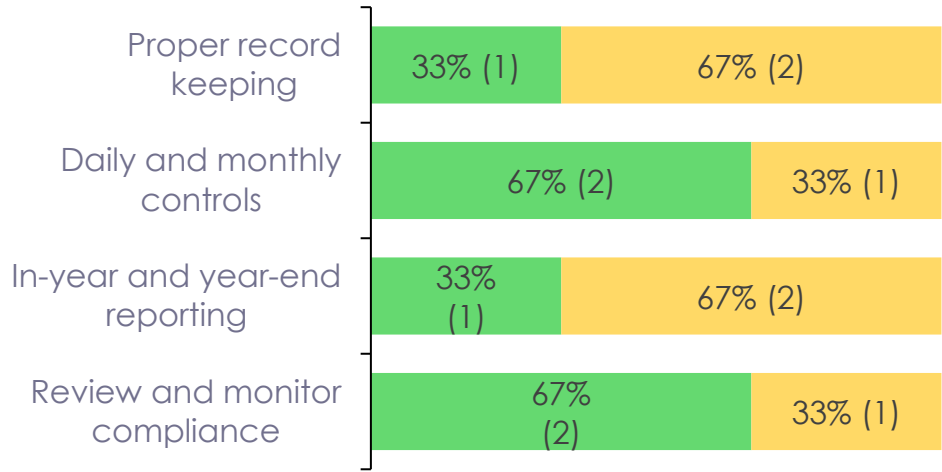


Financial management and compliance



Impact on quality of financial statements submitted for auditing

Financial management controls



■ Good
 ■ Of concern
 ■ Intervention required

■ Unmodified
 ■ Modified

Impact

- **Increase reliance** on audit processes to prepare AFS at CGE due to material corrections
- Overall the portfolio produced AFS **with quality**, no material uncorrected misstatements
- Sound financial management controls, provides an opportunity for the portfolio to increase **focus on key service delivery**



Revenue



Expenditure



Debt-collection period > 90 days at **0** auditees
Average debt-collection period = **13 days**
More than 10% of debt irrecoverable at **0** auditees

R1 450 468 of expenditure was **fruitless and wasteful** (1 auditee (CGE))
Creditor-payment period > 30 days at **1** auditee (CGE)
Creditors greater than available cash at year-end at **2** auditees (DWYPD & NYDA)
Average creditor-payment period = 35 days

Impact



33% auditees (NYDA) **ended year in deficit** (expenditure more than revenue)
Next year's budget will pay for expenditure of previous year(s) – at **0%** auditees it will be **more than half of their budgets**
0 (0%) auditees incurred **unauthorised expenditure** totalling Rxx billion; **R0 million (0%)** was non-cash items (includes outstanding audits)
0 (0%) 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 going concern

The portfolio is managing its finance well, as there are no going concern issues identified





2022-23



● No material findings ● Material findings



Most common areas of non-compliance

	DWYPD	NYDA	CGE
Procurement and contract management			X
Quality of financial statements			X
Prevention of irregular, unauthorised, and fruitless and wasteful expenditure			X
Effecting consequences	X		X

Reflections

- Weaknesses in internal control environment at the CGE, which requires intervention, this can be attributed to:
 - Instability at management level
 - Lack of consequence management
 - Inadequate reviews on the application of laws and regulations relating to procurement and contract management



Status of compliance with legislation on procurement and contract management



2022-23

NYDA

DWYPD

CGE

● With no findings ● With findings ● With material findings

MOVEMENTS FROM PREVIOUS YEAR:

0 ↑ 1 ↓

FROM FIRST YEAR OF ADMINISTRATION:

0 ↑ 1 ↓

Details of procurement findings	DWYPD	NYDA	CGE
Uncompetitive and unfair procurement processes			X
Prohibited awards to employees			R 0,643 m
Awards to bidders who did not meet functionality criteria			R 0,327 m

Reflections on procurement matters – for oversight intervention

- Non-compliance with some SCM prescripts, resulting in irregular expenditure, due to weaknesses in the SCM environment
- Some deviations approved were not in line with SCM policies

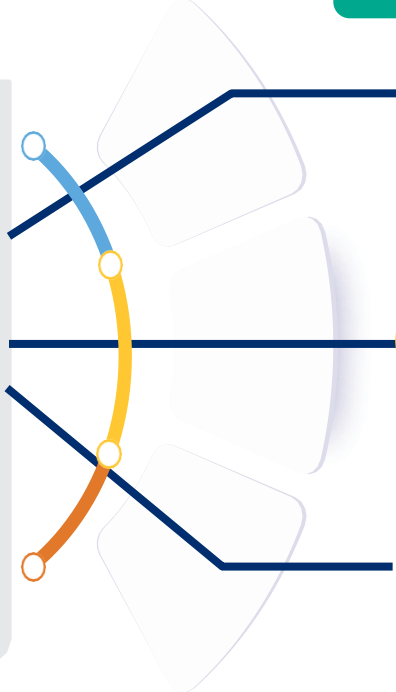


National Treasury Instruction No. 4 of 2022/2023: **PFMA Compliance and Reporting Framework** (Instruction) which came into effect on **03 January 2023**, was issued in terms of section 76(1)(b), (e) and (f), (2)(e) and (4)(a) and (c) of the PFMA

Public objective of the Instruction note is to prescribe the **principles and compliance reporting requirements** for PFMA institutions to the Public Finance Management Act, 1999 regarding **unauthorised, irregular and fruitless and wasteful expenditure** (UIF&WE).

Framework

The new framework brought **significant changes** in relation to the disclosure of **irregular, and fruitless and wasteful expenditure** (IFWE). These changes are as follows:



- 1** **Movement** in the disclosure note of IFWE has been moved from annual financial statements to the annual report.
- 2** **PFMA institutions** will only disclose IFWE incurred in the current year, with a one-year comparative analysis.
- 3** **Historical balances (i.e., opening balances)** have been completely removed from the annual financial statements

Message to portfolio committee

The fact that the disclosure of IFWE (historical balances and movements) is **no longer required on the annual financial statements** and **no audit assurance is provided** thereon, the oversight structures would need to engage **directly with the information disclosed in the annual report** to exercise their oversight responsibility.

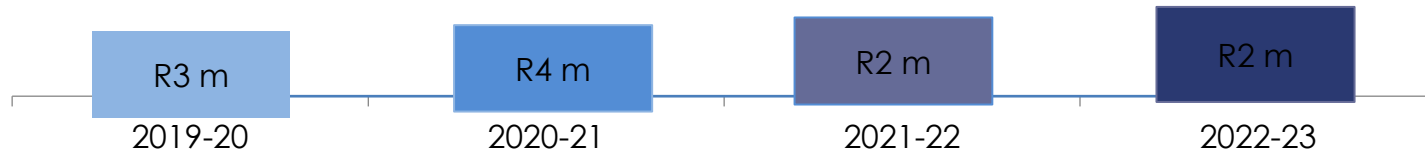
AGSA refined its audit approach to uphold transparency by continuing to audit the IFWE disclosure in the annual report

There is a clear messaging in the audit report on reliability of the IFWE disclosure in the annual report

The objective was to ensure that we could still be in a position to report to users of the AFS in cases where these historic balances of IFWE are not complete and accurate. This had no impact on the audit opinion.



Annual irregular expenditure



Top contributors



Impact of irregular expenditure incurred

Other: no value for money: 1 (CGE) R508 000 (Salaries for Commissioners' PAs - Incurred in contravention of Recruitment Policies)

Breach of five pillars of procurement – equitable, fair, cost-effective, transparent, and competitive: 2 (CGE, DWYPD):
(Fairness - Awards made to legal panel members in contravention of PPPFA regulation by CGE = R 327 000); Three quotations not obtained = R12 000

(Competitiveness - Procurement of Deloitte and Telkom services by CGE = R55 000)

(SCM Other – approval not by delegated official DWYPD = R719 000 – Non-compliance from PY, CGE = R65 000) = R35 000
Payment with no invoice

Reflections on IE:

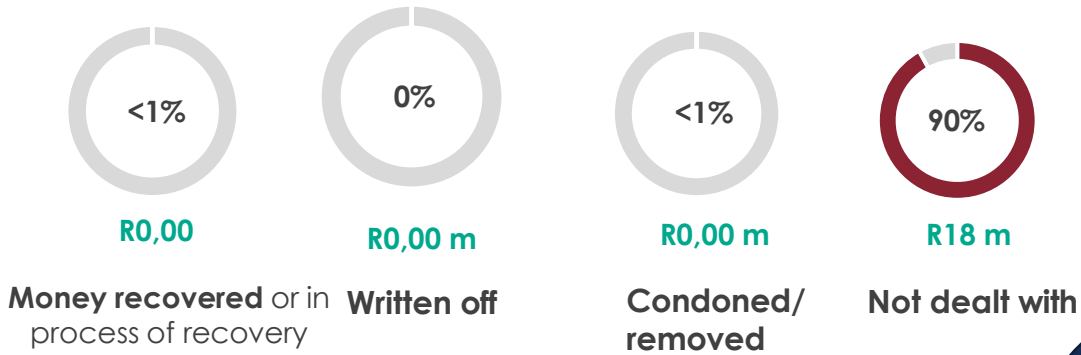
- Strengthening oversight on matters related to compliance with laws and regulations
- Monitor Implementation of consequence management



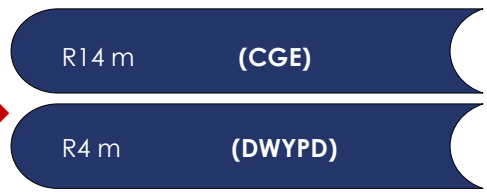
Closing balance of irregular expenditure continues to increase



How have auditees dealt with irregular expenditure



Top contributors (R14 million) to irregular expenditure not dealt with constitute 76% of R18 million



Reflections on consequence management

- Oversight monitoring on fast-tracking IE investigations and IE balances awaiting condonation

Reasons for IE not dealt with:

- Investigated and awaiting condonement
 - NYDA
 - DWYPD
 - Not yet investigated DWYPD
 - The transactions that the DWYPD couldn't investigate was due to supporting evidence missing since most of the transactions are older than 5 years and they didn't have enough capacity to retrieve all supporting information on time.
- CGE
- No capacity, internal audit was unable to perform the investigation of UIFW



Conclusions and recommendations



In 2021-22, we recommended the following:

DWYPD

Taking into consideration cost/benefit analysis, the department must consider temporary resources to retrieve supporting information to allow them to start investigations for consequence management.

CGE

The policies and procedures for consequence management or investigating must be updated to be process dependent and not people or position dependent.



Overall reflections on implementation of recommendations:

- **Partial implementation** at the department, as it was unable to attend to the remaining balance at year end.
- The department intends to apply impracticability provision of the 2022 PFMA compliance framework in order to deal with the transactions for which there is no information to allow the department to address the remaining irregular expenditure balance.
- The CGE **did not adequately implement** prior year recommendations, resulting in repeat audit findings

 Implemented

 In progress

 Not implemented



Root causes, recommendations and commitments

Key root causes

- Slow response in implementing audit action plan, to avoid repeat findings (CGE & DWYPD)
- Leadership instability (CGE)
- Lack of consequence management on those who cause transgressions (CGE)
- Weakness over financial controls and performance reporting (CGE)

Key recommendations

- Stability in leadership level that will improve the overall control environment (CGE)
- Enhanced monitoring and oversight on compliance with laws and regulations (CGE)
- Monitor implementation of consequence management (CGE & DWYPD)
- Strengthened internal control reviews by Internal audit

Commitments by executive authority

- Implement mechanisms that will result in realising an impact on the lives of the citizens through the mandate of the portfolio



Overall message

1

Financial management and reporting matters are prevalent at the CGE as well as non-compliance matters with laws and regulations. **Oversight intervention** is required to **ensure stability** at the Commission and **adequate control measures** are implemented, including consequence management

2

The department and NYDA have not received material findings on the Annual Financial Statement over the past 2 years – this can be attributed to **sound financial management processes and governance structures**. The **timeous implementation of audit action plan** has also contributed to the overall clean administration

3

The portfolio achieved majority of its planned performance targets, with the exception of the CGE. Although performance targets are achieved in the portfolio, there is still **minimal impact** on the lived experiences of the citizens.

Our call to action is for **increase collaboration** with all responsible **role players** within the **eco-system** to realise a positive impact on the lives of the citizens.



- DG requested AGSA to be collaborate with the DWYPD in achieving the implementation of the **Gender Responsive Planning, Budgeting, Monitoring & Auditing (GRPBMEA)** framework - through Gender Responsive Auditing

17 Feb 23



- AGSA and the department met to discuss how the two institutions can collaborate in an effort to achieve the objective of the framework. The discussions of the day were not concluded, and a follow up workshop will be held.

5 May 23



- A workshop was held to enable both AGSA and DWYPD to deliberate extensively on how Gender Responsive Auditing can be phased into the audit scope of the AGSA.
- Commitments were made to pave the way forward for this collaboration

1 June 23



- Phase 1 of the GRA was implemented and reported – which focused on coordinating Ministries
- Phase 2 will be followed in the next audit cycle

31 July 23



Key **recommendations** and take-aways from the workshop:

- > **Influence** AGSA methodology to expand gender auditing (AOPO)
- > **Collaborate** with **NT** to strengthen **enforcement** legislation on gender inclusivity
- > **Partnership** with other coordinating ministries (**DPME, Cogta, DPSA**) to strengthen their monitoring roles on implementing gender matters
- > Workshop was successful and **commitments** from both AGSA and the department were made and will be tracked.



THANK YOU



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