Performance planning and reporting have impact on service delivery

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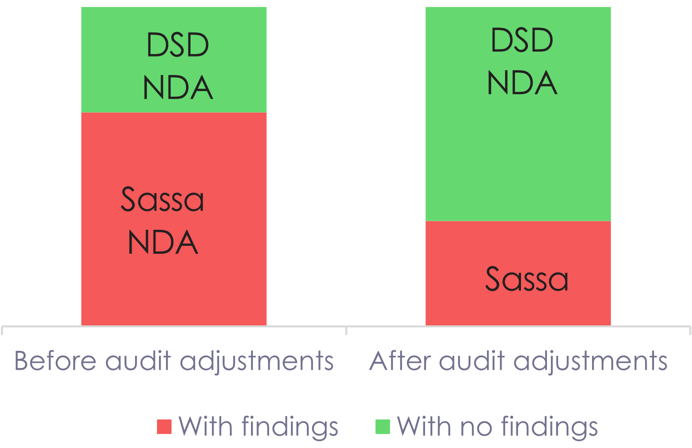
Quality of performance reports before and after audit



***The funds are not required to prepare separate performance reports

Findings: Reporting

Sassa

- The actual achievement reported for the percentage of enquiries resolved within stipulated timeframes differed from the supporting evidence provided for audit, with the result that the accuracy of the reported achievement for that indicator could not be confirmed.

Impact

- Sassa: The lack of adequate systems to track enquiries received from the public is aligned to the public outcry concerning the turnaround time for processing grant applications, resulting in a negative impact on the agency's efforts to improve service delivery.

MI process implemented and MIs identified (continued)

Sassa

Notified	Type	MI description	Status of MI	Status description
4 October 2021	Non-compliance	During June 2014, the entity made a payment of R316 million to a service provider that was appointed to administer grant payments at the time. The payment was made as part of a variation to the service level agreement with the service provider. However, this variation was concluded contrary to the entity's supply chain management and the services were part of the existing contract. The service provider was thus not entitled to the additional payment of R316 million. This resulted in non-compliance with section 51(1)(c) of the PFMA and likely financial loss of R316 million.	Resolved	The final investigation report was submitted to the accounting authority. The investigation and legal opinion found that the previous officials cannot be held responsible for the overpayment because the prescription period has lapsed. The liquidation process to recover the overpayment from the service provider is still in progress.
23 August 2021	Non-compliance	In April 2018, the entity made a payment of social assistance fees to a service provider in relation to grant payments to beneficiaries. The service provider was not entitled to the fees because the entity had made the relevant grant payments directly to the beneficiaries' bank accounts. Irregularity: Non-compliance with section 50(1)(a) of the PFMA Impact: R74 million financial loss.	The AA is taking appropriate actions	The final investigation report was submitted to the accounting authority. The accounting authority started with disciplinary steps against implicated officials. The liquidation process to recover the overpayment from the service provider is still in progress.

PFMA compliance and reporting framework

National Treasury Instruction No. 4 of 2022-23: **PFMA compliance and reporting framework** (Instruction) which came into effect on **3 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 institutions in terms of 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) in the annual financial statements is no longer required and that no audit assurance is provided thereon, the oversight structures would need to engage directly with the information disclosed in the annual report or request the information on historical balances directly from the relevant institution where not 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 the 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.