



**PFMA  
2022-23**

# Budgetary review and recommendations report (BRRR) **Portfolio Committee on Planning, Monitoring and Evaluation**

13 October 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.

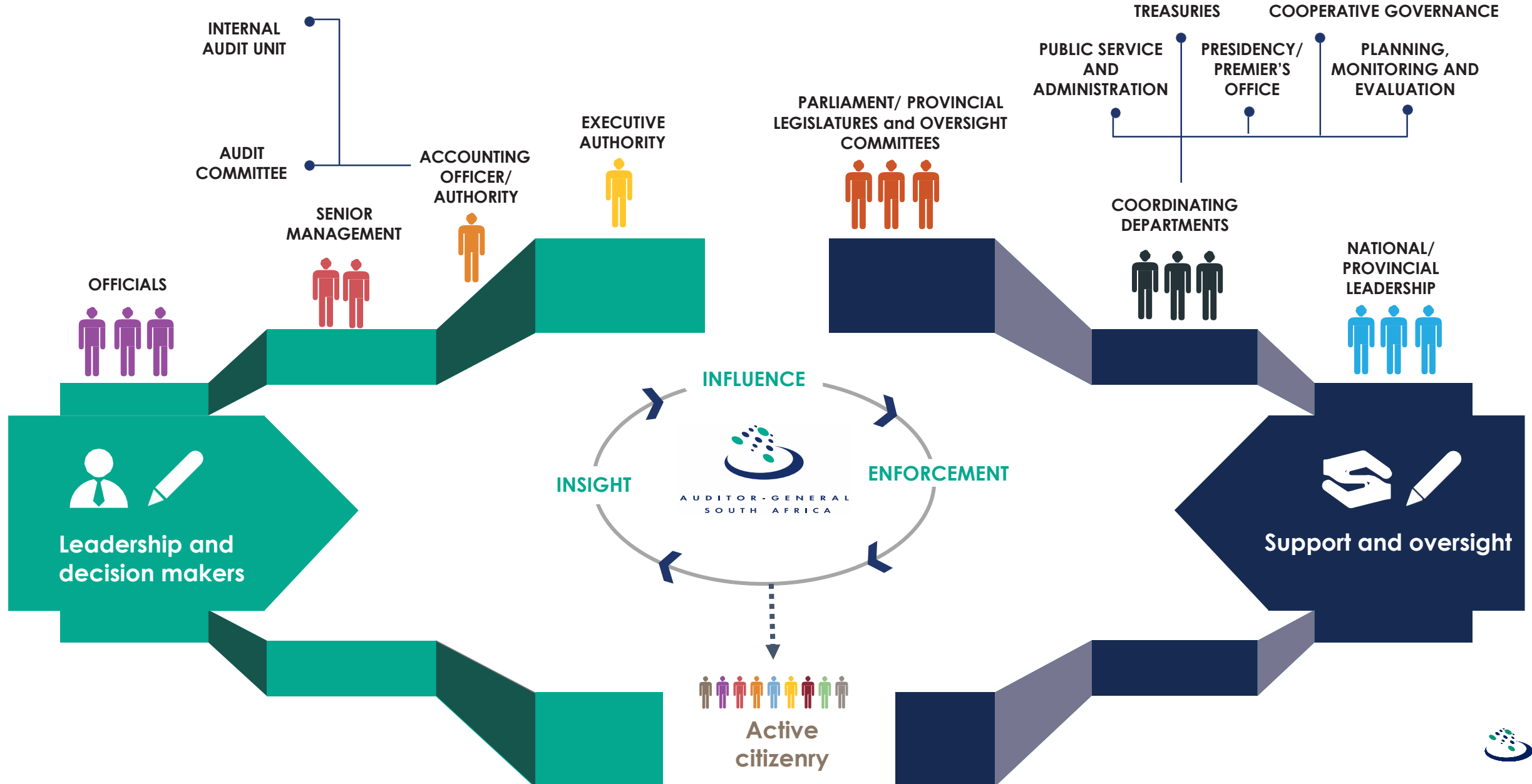


## VISION

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



# We all have a role to play in accountability ecosystem



## In 2021-22, we recommended the following:

1. Ensure that the Department of Planning, Monitoring and Evaluation (DPME) is invited to be present in Parliament for all annual performance plans (APPs) tabling to ensure that DPME's inputs from the draft APP review process have been considered in the final APP.
2. Ensure that DPME is invited to be present in Parliament for all annual reports tabling to ensure that the portfolio/department's performance is aligned to DPME's assessments.
3. Influence other committees to ensure that acting incumbents in the Director-General (DG)/Head of Department (HoD) positions do not act for long and that vacant positions are advertised and filled timeously.
4. Revise the DPSA's performance management development system (PMDS) for heads of department to include acting incumbents for tracking purposes
5. Revise the head of department's key responsibility areas (KRAs) to have more weight in audit outcomes and service delivery.
6. Expedite the finalisation of the merger between Brand SA and SA Tourism – the delay is negatively affecting the performance of Brand SA because key positions cannot be filled due to the moratorium in place, which negatively affects the day-to-day running of the entity.

### Overall reflections on implementation of recommendations:

- **In progress:** DPME committed to the portfolio committee that it was trying to have a ministerial intervention to have Parliament know of the recommendations of DPME to the respective government departments. This is to offset a situation whereby the DPME does everything including provision of feedback and strategies to plans, yet what comes as feedback to Parliament was not signed on by the DPME.

### Performance management for DGs and HoDs

- **Not implemented:** Acting incumbents are still not required to sign performance agreements.
- **In progress:** The key responsibility areas for some HODs still do have sufficient weight in audit outcomes and service delivery.
- **Merger of Brand SA and South African Tourism**
- **Not implemented:** The finalisation of the merger between Brand SA and South African Tourism has not been finalised due to a pending cabinet approval for the merger. Key positions at Brand SA are still vacant (CEO and CFO).

 Implemented

 In progress

 Not implemented



# Improvement over the administration term

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

**MOVEMENTS FROM PREVIOUS YEAR:**  
 1 ↑ 0 ↓

**FROM FIRST YEAR OF ADMINISTRATION:**  
 1 ↑ 0 ↓

Brand South Africa Trust (Brand SA)  
 Department of Planning, Monitoring and Evaluation (DPME)

Statistics South Africa (Stats SA)

No audit qualified with findings

No audit with adverse findings

No disclaimed audit

The submission of financial statements by legislated date for portfolio remained the same at **100%**.



# Overall portfolio message

The overall audit outcomes for the Planning, Monitoring and Evaluation portfolio has **improved** from the prior year. The improvement is largely driven by the improvement at Brand South Africa Trust (Brand SA). The Department of Planning, Monitoring and Evaluation (DPME) **sustained a clean audit outcome** while Stats SA remain unchanged as unqualified opinion with findings on compliance with legislation. The material non-compliance reported at Stats SA relates to procurement and contract management, expenditure management and consequence management. This was due to lack of adequate oversight and monitoring of compliance with legislation.

## Quality of submitted annual financial statements

The annual financial statements submitted by DPME, Stats SA and Brand SA did not contain material misstatements. We commend the accounting officers and the accounting authority for the **good financial management discipline** which underpin the preparation of the annual financial statements.

## Quality of submitted annual performance report

Brand SA and Stats SA submitted annual performance reports of good quality, this was attributed to adequate and timely review processes in place. The annual performance report submitted by DPME contained material misstatements. Misstatements were identified in two Indicators in Programme 2A namely **Number of Stakeholder engagement reports** and **Annual report on the work of the NPC** as well as one indicator in Programme 4, **Number of SOE contributing towards the MTSF monitored**. This was due to inadequate review of the annual performance report and underlying supporting information. As the DPME corrected all misstatements, no material findings were reported in the audit report. Management should enhance review processes to ensure that performance information submitted for audit is useful and reliable.

## Expenditure management

A material non-compliance due to failure to prevent irregular expenditure was identified at **Stats SA mainly relating to Census project related contracts**. The total irregular expenditure incurred by the portfolio was R253.5 million of which 99% (R253 million) was incurred by Stats SA. The majority of the irregular expenditure was as a result of contracts awarded to bidders who did not meet the minimum score for functionality. This was due **lack of effective and appropriate steps to prevent irregular expenditure**. The accounting officer should implement preventative controls to prevent instances of non-compliance with supply chain management (SCM) prescripts at Stats SA.

## Procurement and contract management

**Stats SA** had material findings on procurement and contract management. Contracts were awarded to bidders who did not submit declarations on whether they are employed by the state or connected to any person employed by the state. The identified instances of non-compliance were **due to lack of adequate oversight and monitoring** over compliance with laws and regulations.

## Consequence management

At **Stats SA**, some instances of irregular and fruitless and wasteful expenditure from the prior year were **not investigated**. This was a regression as the department did not have material non-compliance in the area of consequence management in the prior year. This was due to the department taking longer to investigate cases for irregular and fruitless and wasteful expenditure. It is recommended that management **promptly investigate cases** to determine if any person is liable for the expenditure.



## Coordinating ministries

As AGSA we advocate for continued collaboration with coordinating ministries to drive the necessary influence to assist in improving the lived experiences of citizens. We have identified DPME as a strategic partner in shifting the public sector culture. In the prior year we shared insights with management and executive authority on matters such as alignment of annual performance plans to medium and long-term government planning documents, including the Medium-Term Strategic Framework (MTSF) and National Development Plan (NDP), legislated mandate and service delivery. In the implementation of the culture shift strategy, our refined focus included the following:

- **Review of draft APPs for national and provincial departments:** There has been **improvements in the overall quality** of draft annual performance plans (APP) submitted by departments to AGSA post DPME review. We noted that DPME may not be able to enforce the implementation of its recommendations on the review of Strategic Plans and APPs due to lack of enforcement powers.
- **Integrated planning:** Continued fragmented planning within the public sector can lead to inefficient use of state resources where funds are being spent without achieving the desired outcomes due to inadequacies in the planning processes.
- **Ministerial, DGs and Heads of Departments' Performance Management:** DPME is tasked with coordinating the signing of performance agreements and reviews as part of its monitoring function. The DPME is also tasked with developing the requisite tools such as the framework to manage Ministers performance. DPME **assessed the performance of ministers** as required and submitted reports to Presidency.
- Ninety-two (92) of the one hundred and nine (109) performance agreements with Directors-General (DGs) and Heads of Departments (HoDs) were signed in 2022-23 (84%). Acting DGs and HoDs are not required to complete and submit performance agreements and performance assessments as per the current guidelines. Based on reporting by the DPME, there are individuals who occupy acting roles beyond the recommended six (6) months. This creates an extended period where performance or lack thereof and the resulting impact on **service delivery and achievement of MTSF targets** cannot be adequately assessed and gaps addressed, where necessary. The DPME does not have **legislative powers** to make amendments to the guidelines that govern the performance management processes and therefore the department is not in a position to unilaterally make amendments thereto.

The portfolio committee should monitor and regularly follow up with the executive authority and the accounting officer on progress made in the development and implementation of **audit action plans at Stats SA** as well as the implementation of appropriate **preventative controls** to prevent instances of non-compliance with supply chain management prescripts and consequence management. The portfolio committee should also monitor and regularly follow up on the filling of key vacant positions at Brand SA and advocate for collaborative work between DPME and DPSA to enhance the **performance management** process for heads of department and directors general.

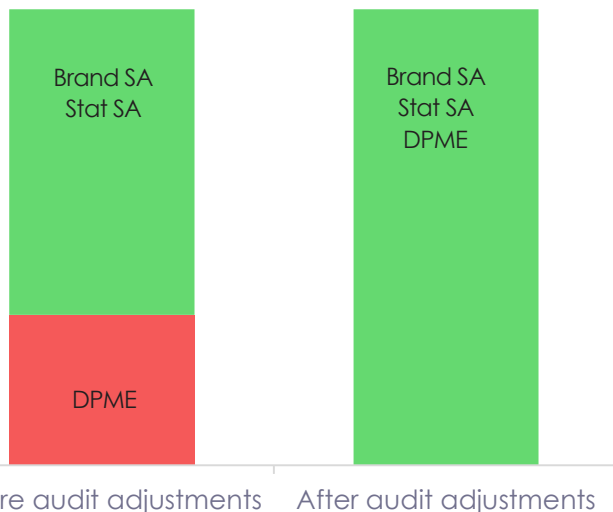


# Portfolio performance





## Quality of performance reports before and after audit



■ With findings ■ With no findings

### Findings: Reporting

#### Programme 2A: National Planning Commission (NPC)

##### Indicator 3 : *Number of stakeholder engagement reports*

The reported achievement is consistent with the planned target as per the annual performance plan, however it was not consistent with the planned target as per the annual performance report

##### Indicator 4: *Annual report on the work of the NPC*

Reported achievement was not consistent with the planned target as per the Annual Performance Report

#### Programme 4: Public sector monitoring and capacity development

##### Indicator 4: *Number of State-owned enterprise (SOE) contributing towards the medium term strategic framework (MTSF) monitored*

The achievement reported in the annual report did not agree to supporting documentation.

### Impact

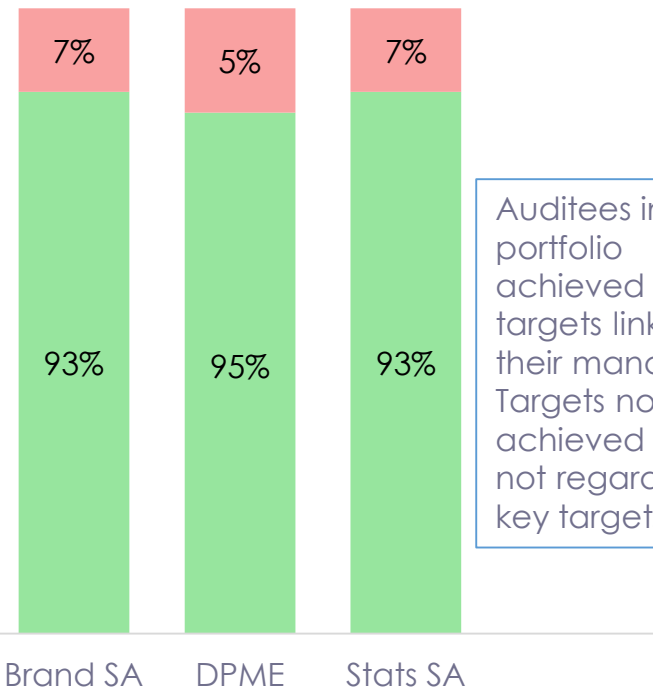
DPME: The usefulness and reliability findings were corrected. Consequently, no material findings were reported in the audit report.



## Key targets in medium term strategic framework for portfolio

- Increased attractiveness and thereby competitiveness of nation brand (Brand SA)
- 100% of submitted plans aligned to the revised framework for strategic plans and APPs (DPME)
- Annual ministerial scorecards to enhance executive accountability (DPME)
- Insightful data (Stats SA)

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



Auditees in the portfolio achieved all **key** targets linked to their mandate. Targets not achieved were not regarded as key targets.

## Progress on achieving MTSF targets

- **Nation brand** - Brand SA is achieving MTSF targets as it has consistently met and exceeded targets for positioning the country positively. (e.g The positioning of SA at the World Economic Forum in Davos)
- **Review of submitted strategic plans and annual performance plans** - DPME reviewed and provided feedback on all plans submitted by institutions for alignment to the Revised Framework For Strategic Plans and APPs, budget priorities and SONA priorities.
- **Ministerial scorecards** - All performance agreements of ministers have been signed by the President and his cabinet ministers and have been published in the DPME/Government Communications website for transparency and accountability to the nation.
- **Insightful data** - Stats SA is achieving its target as it publishes insightful data and information that is responsive to user demands and bring deeper understanding and insight for informed decisions (e.g. economic statistics).



**Role:** DPME to ensure alignment of plans, monitor and evaluate outcomes

**Focus:** The focus was on the assessment of draft APPs of national and 6 provincial departments against revised 2019-2024 MTSF targets, performance assessments for ministers and the signing of performance agreements for DGs and HODs



### Mandate

➤ DPME **assesses the draft APPs of national and provincial departments for six provinces** (Excluding Gauteng, KwaZulu-Natal and Western Cape) against the Revised 2019-2024 Medium Term Strategic Framework (MTSF). Draft APPs provincial departments in Gauteng, KwaZulu-Natal and Western Cape are performed by their respective Office of the Premier.



### Performance management for ministers

➤ DPME is tasked with **coordinating the signing of performance agreements and reviews for ministers** as part of its monitoring aspect of its mandate. The DPME is also tasked with developing the requisite tools such as the framework to Manage Ministers Performance. Furthermore, it conducts quality assurance of data and evidence provided and develops performance score-cards for Ministers.



### Performance management for DGs and HODs

➤ DPME is tasked with **coordinating the signing of performance agreements and reviews for DGs and HODs** as part of its monitoring aspect of its mandate. The DPME is also tasked with developing the requisite tools such as the framework to Manage Ministers Performance. Furthermore, it conducts quality assurance of data and evidence provided and develops performance score-cards.

### What we found - Impact

- There has been **improvements in the overall quality** of draft APPs submitted by departments to AGSA post DPME review. However, DPME has no legislative powers to **enforce the implementation of recommendations** made in the Strategic Plans and APPs review processes.
- DPME assessed the performance of Ministers, with the exception of minister in the Presidency due to sensitivity of information.
- Ninety-two (92) of the one hundred and nine (109) performance agreements with DGs and HODs were signed in 2022/23 (84%). **Acting DGs/HODs are not required to complete and submit performance agreements** and performance assessments as per the current guidelines.

### What we found – Root causes

- The challenges with **lack of consequence management** processes for departments who fail to implement recommendations made by the DPME.
- Inability of the DPME to make amendments to the DG/HOD performance management guidelines.

### Recommendations

- Advocate for integrated planning across all spheres of government to promote **better coordination, collaboration and alignment of planning, monitoring and evaluation** across the national, provincial and local spheres of government.
- The DPME and DPSA should jointly **enhance the performance management** process for heads of department.
- Revising the DPSA's Performance Management Development System (PMDS) for heads of department to **include acting incumbents for performance.**



# Material irregularities (MIs)



# Implementation of material irregularity (MI) process

The material irregularity (MI) process was implemented at DPME, Stats SA and Brand SA.

No MIs were identified in the portfolio.

If **accounting officer / authority** does not appropriately deal with material irregularities, our expanded mandate allows us to:



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

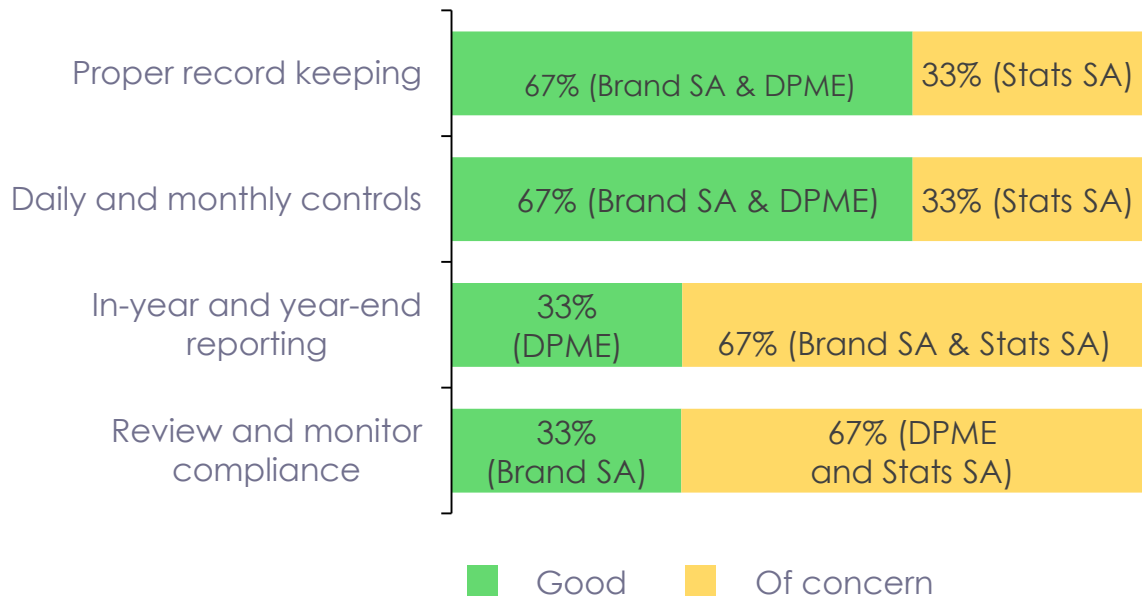




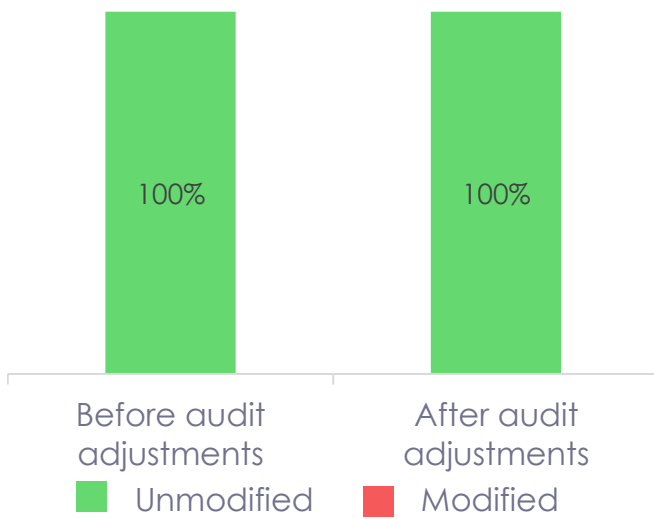
# Financial management and compliance



## Financial management controls



## Impact on quality of financial statements submitted for auditing



**Impact**

- The portfolio submitted annual financial statements that are free from material misstatements. This was due to sound financial management discipline adopted by the auditees in the portfolio which included adequate review of the annual financial statements by all role players.



## Revenue

Debt-collection period > 90 days at **one (1)** auditee (**Brand SA**)  
Average debt-collection period = 175 day (Brand SA)

## Expenditure

**R186 867** of expenditure was **fruitless and wasteful** (2 auditee i.e. Brand SA and Stats SA)  
Brand SA - **R15 867**  
Stats SA - **R171 000**  
**Average creditor-payment period = 13 days**

- DPME – 18 days
- Brand SA - 12 days
- Stats SA - 8 days

## Impact

**Stats SA ended year in deficit** (expenditure more than revenue)  
**Stats SA** incurred **unauthorised expenditure** totalling **R808 million**.  
**Stats SA** has a year -end cash balance in **overdraft of R1.04 billion**

There were **concerning indicators** identified while assessing the financial health of **Stats SA**. This included overspending due to the **Census 2022 project**, resulting in the department having an overdraft and unauthorised expenditure.

In the prior year, Stats SA conducted a census project which required resources in the form of personnel and assets such as motor vehicles and tablets. Most of the tablets were donated to the Department of Basic Education (DBE) at the end of the Census project.





## Status of compliance with legislation on procurement and contract management



2022-23



● With no findings   ● With findings   ● With material findings

Details of procurement findings	Brand SA	DPME	STATS SA
Uncompetitive and unfair procurement processes	X		X
Prohibited awards to other state officials			R0,23 m

We did not identify payments for goods and services not received or of poor quality in the DPME portfolio.





Most common areas of non-compliance	Brand SA	DPME	STATS SA
Procurement and contract management			X
Prevention of irregular expenditure			X
Effecting consequences			X

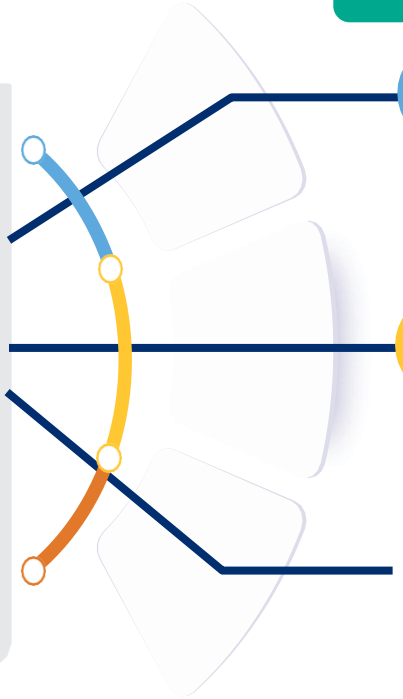


National Treasury Instruction No. 4 of 2022/2023: **PFMA Compliance and Reporting Framework** (instruction) which came into effect on **3 January 2023**, was issued in terms of section 76(1)(b), (e) and (f), (2)(e) and (4)(a) and (c) of the PFMA

Public objective of the Instruction note is to prescribe the **principles and compliance reporting requirements** for 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 executive authority

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 or request the information on historical balances directly from the relevant institution where not disclosed in the annual report to exercise their oversight responsibility.

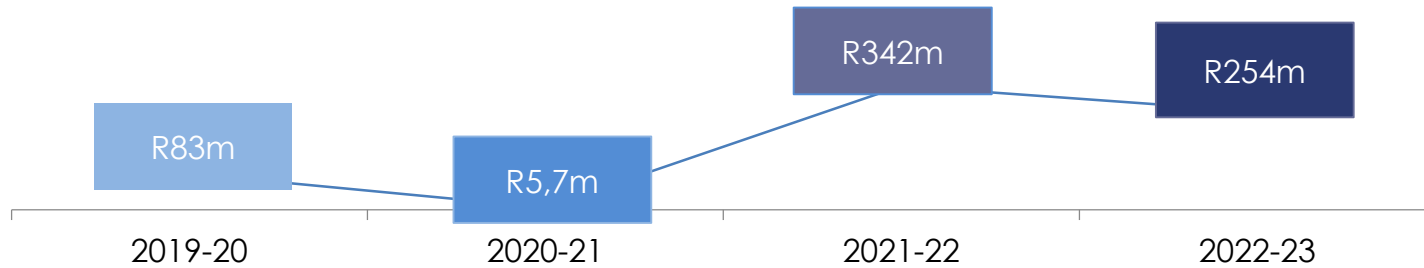
AGSA refined its audit approach to uphold transparency by continuing to audit the IFWE disclosure in the annual report

There is a clear messaging in the audit report on 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

- R253 m Stats SA** 
- R491 k DPME** 
- R63 k Brand SA** 

## Impact of irregular expenditure incurred

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

#### 1. Competitive :

Stats SA: Three (3) quotations not obtained - reason for deviation not justifiable **(R243 000)**  
Stats SA: Contract awarded without following competitive bidding process (Census project) **(R253 million)**  
DPME : Deviations not approved by the correct officials **(R 491 000)**

#### 2. Cost effective:

None

#### 3. Fairness:

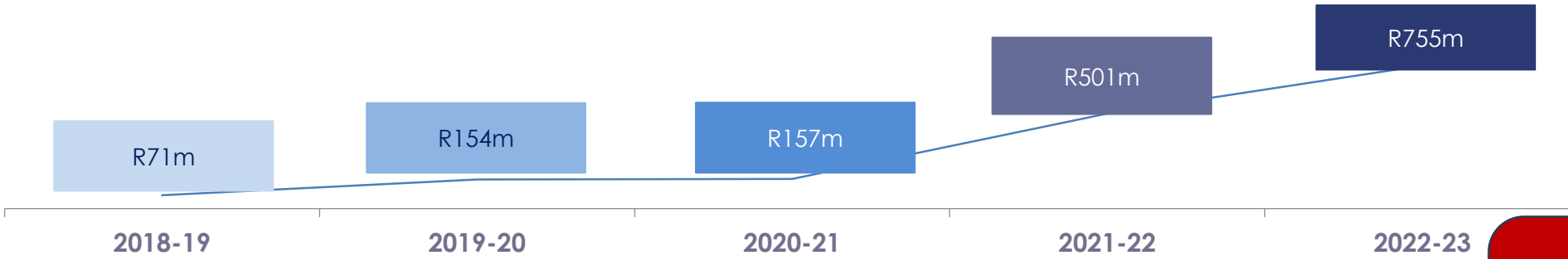
Stats SA: Evergreen contract **(R29 895)**  
Brand SA: Awards to bidder who was not initially invited to bid **(R63 000)**

#### 4. Transparent:

Stats SA: Persons in service of other state institution conducted business with STATS SA **(R313 000)**

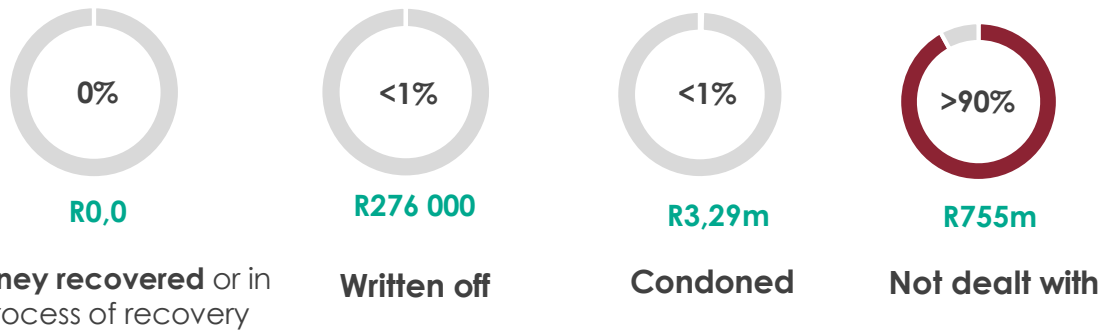


Closing balance of irregular expenditure continues to increase



**Top contributor (Stats SA) with R704 million of irregular expenditure not dealt with constitute 93% of R755 million**

How have auditees dealt with irregular expenditure



Reasons for IE not dealt with:

- Some investigations not concluded (Brand SA and DPME)
- Some investigations not conducted (STATS)



# Conclusions and recommendations



## Overall root causes of significant findings

- Lack of adequate oversight and monitoring over compliance with laws and regulations (**Stats SA**).
- Inadequate review of the annual performance report and underlying supporting information.
- DPME is not legally empowered to unilaterally amend the DG/HOD performance management guidelines, including acting incumbents.
- Fragmented planning and coordination across the spheres of government
- The challenges with lack of consequence management processes for departments who fail to implement recommendations on reviewed draft APPs made by the DPME.

## Key recommendations to, and commitments by, accounting officers and authorities

### Accounting officers/accounting authority

- All instances of irregular expenditure should be promptly investigated and the recommendations from the investigation actioned.
- Compile and implement audit action plans to address 2022-23 findings.
- Enhance reviews of the annual performance report and oversight role before submission for audit processes.
- The achievement of MTSF targets should be closely monitored.

### Executive authority

- Follow up with accounting officers and accounting authority to ensure that our recommendations are implemented.
- Advocate for integrated planning across all spheres of government to promote better coordination, collaboration and alignment of planning, monitoring and evaluation across the national, provincial and local spheres of government
- Jointly oversee and collaborate with the Minister of Public Service and Administration on the work between the DPME and DPSA to enhance the performance management process and include Acting incumbents.



## Key messages going forward

- 1** Monitor and regularly follow up with the executive authority and the accounting officer on progress made in the development and implementation of root cause focused audit action plans.
- 2** Monitor and regularly follow up with the executive authority on the lifting of the moratorium to fill vacancies, pending the merger of Brand SA and SA Tourism.
- 3** Monitor and regularly follow up enhancements on the performance management process of the heads of department and directors general by DPME and DPSA.
- 4** Advocate for integrated planning across all spheres of government to promote better coordination, collaboration and alignment of planning, monitoring and evaluation across the national, provincial and local spheres of government.





# THANK YOU



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