



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

PRESENTATION OF THE AUDITOR-GENERAL

TO THE PORTFOLIO COMMITTEE

ON A PERFORMANCE AUDIT OF THE USE OF CONSULTANTS AT THE DEPARTMENT OF CORRECTIONAL SERVICES

MARCH 2013

Reputation promise/mission



A U D I T O R - G E N E R A L
S O U T H A F R I C A

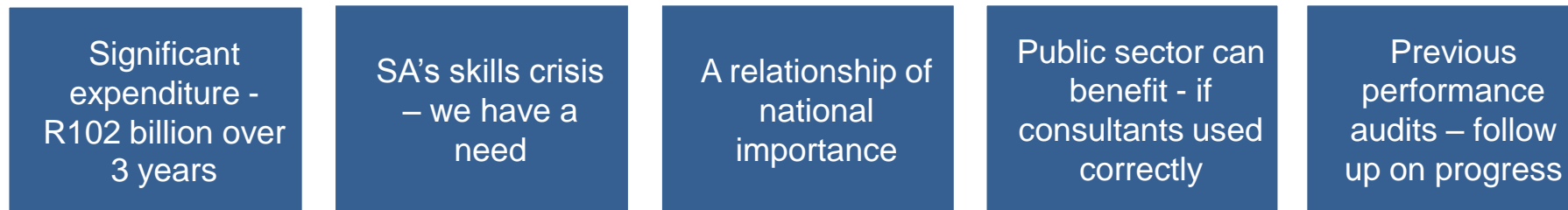
The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

Performance auditing

An independent auditing process to evaluate the measures put in place by management to ensure that resources have been procured economically and used efficiently and effectively.

Performance audit at a glance

Why a performance audit on the use of consultants by government



How do performance audits differ from other audits?

Focus on performance – the three Es

- **E**conomy
- **E**fficiency
- **E**ffectiveness

Done when problems are identified



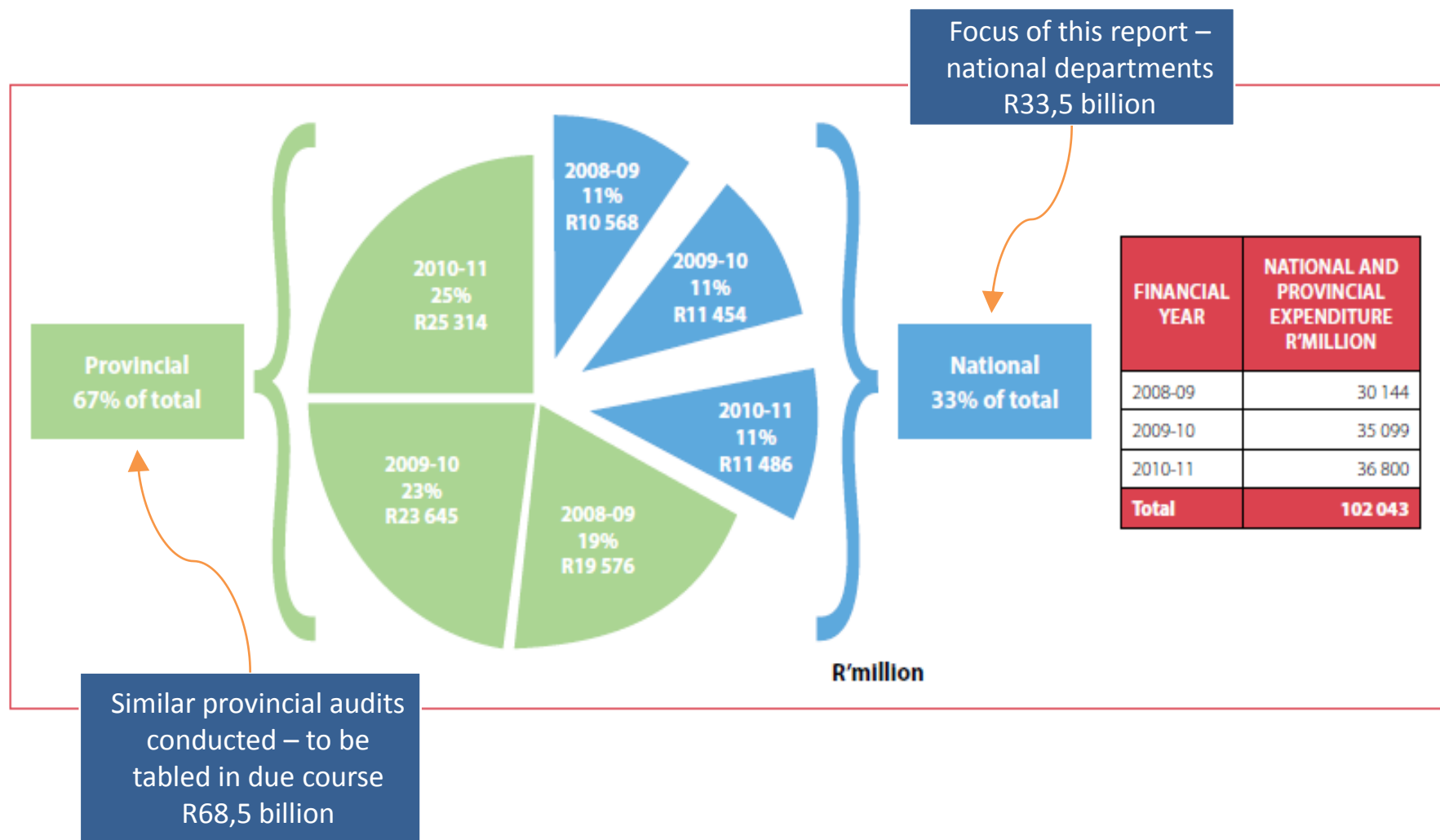
Focus on finances

- Financial statements
- Financial management
- Accounts true and fair

Done annually

Scope of the audit

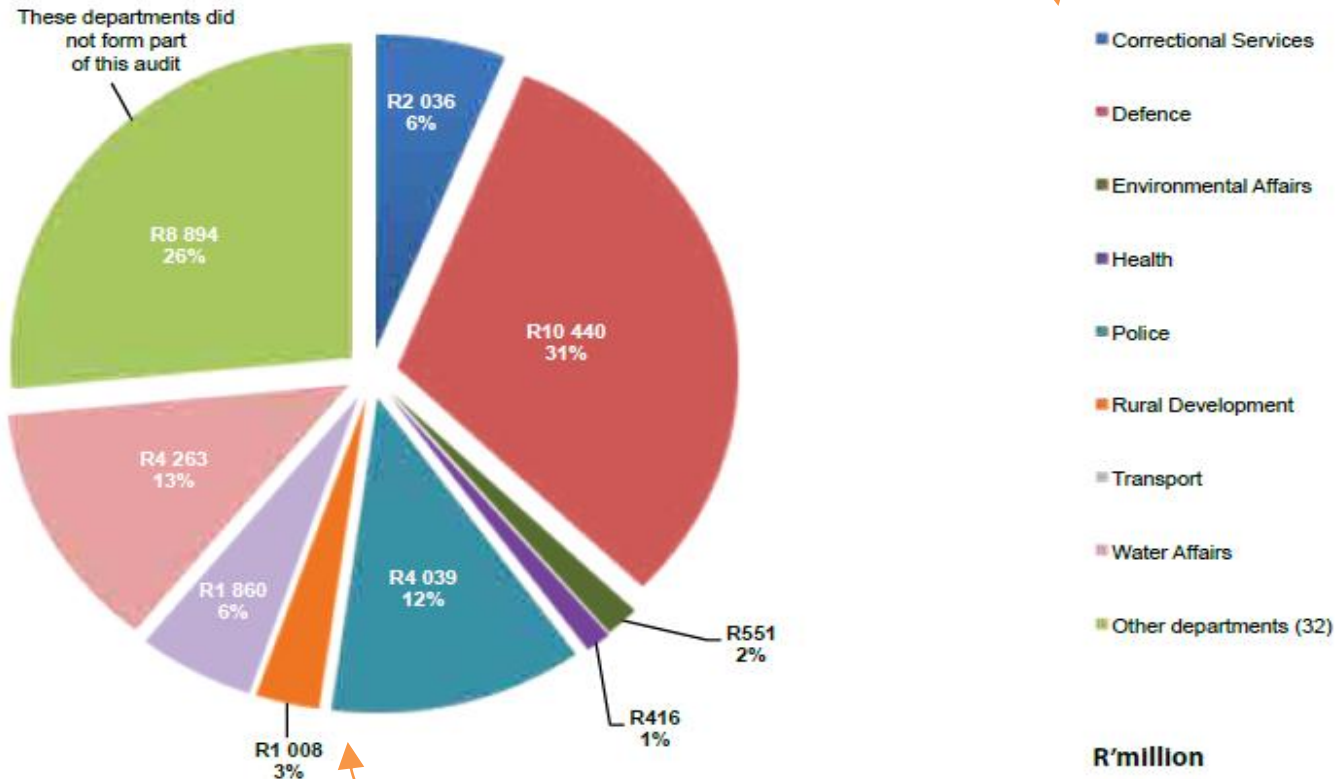
The departments we audited and why others were not audited



Scope of the audit

The departments we audited and why others were not audited

Eight national departments were audited - total expenditure on consultants R24,6 billion over 3 years



Selection also guided by outcomes of financial audits and other assessments

20% of national departments represent 74% of the total national expenditure on consultants over the 3 years

Key focus areas of the audit

**Focus areas
crucial in ensuring
the Economical,
Efficient and
Effective use of
consultants by
departments**



Key challenges across departments

Planning and appointment process

- Comprehensive needs assessments not done
- Competitive procurement processes not followed
- Expectations on milestones, timelines and cost not clearly specified

Internal capacity

- Consultants appointed where permanent capacity should have been created
- Consultants appointed due to lack of internal staff capacity

Training and transfer of skills

- Skills transfer was ineffective

Performance management and monitoring

- Effective oversight and internal controls not executed prior to payments
- Lack of proper project management and monitoring
- Cost overruns not motivated and approved

Extension of contracts

- Contracts extended due to lack of project management and monitoring

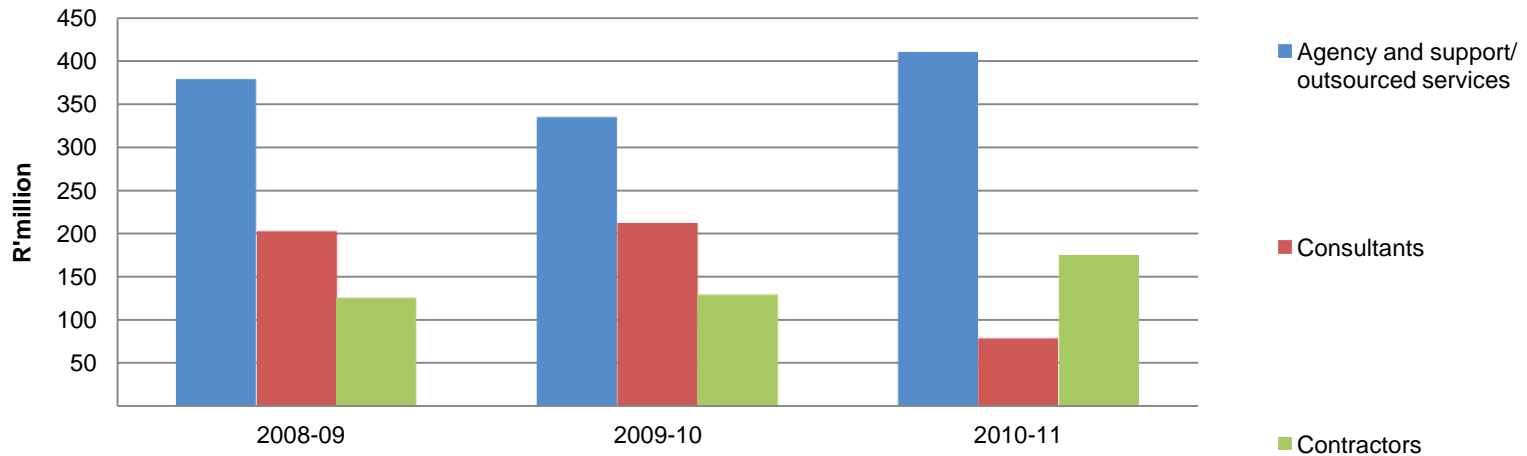
Closing and finalising projects

- Failure to retrospectively analyse projects

Department of Correctional Services

Total expenditure on consultants (2008-09 to 2010-11)	R2,036 billion
Number of projects audited	27
Value of projects audited	R214,1 million
Average vacancy rate (2009-10 to 2010-11)	14%

Total expenditure per year at Correctional Services



Audit findings

DEPARTMENT OF CORRECTIONAL SERVICES

DEPARTMENT OF CORRECTIONAL SERVICES				Classification			Areas where deficiencies were identified during the audit						E affected		
	Consultants per contract audited	Best available value of contracts	Period of contract / service	Consultants	Contractors	Agency/outsourced services	Planning and appointment	Internal capacity	Training and transfer of skills	Performance management and monitoring	Extension of contracts	Closing and finalising of projects	Economy	Efficiency	Effectiveness
	System development	36 480 000													
1.	SITA-System Development 2007-08	18 240 000	Apr 2007 - Mar 2008			✓	✓	✓	✓	✓			✓	✓	
2.	SITA-Systems Development 2008-09	18 240 000	Apr 2008 - Mar 2009			✓	✓	✓	✓	✓			✓	✓	
	Customer relationship management	21 686 446													
3.	SITA-Customer Relationship Management 2007-08	8 686 446	Apr 2007 - Mar 2008			✓	✓	✓	✓	✓			✓	✓	
4.	SITA-Customer Relationship Management 2008-09	13 000 000	Apr 2008 - Mar 2009			✓	✓	✓	✓	✓			✓	✓	
	Virtualisation project	11 706 891													
5.	Stortech	11 706 891	Feb 2009 - not complete as at Jan 2012	✓			✓					✓	✓		✓
	Open view project	21 107 789													
6.	Hewlett-Packard	21 107 789	Dec 2006 - not complete as at Jan 2012	✓			✓					✓	✓		✓
	Development of Image Turnaround Campaign	2 880 000													
7.	The Communications Firm	2 880 000	Oct 2006 -Oct 2008	✓			✓			✓		✓	✓	✓	✓

Audit findings (continued)

DEPARTMENT OF CORRECTIONAL SERVICES				Classification			Areas where deficiencies were identified during the audit						E affected		
	Consultants per contract audited	Best available value of contracts	Period of contract / service	Consultants	Contractors	Agency/outourced services	Planning and appointment	Internal capacity	Training and transfer of skills	Performance management and monitoring	Extension of contracts	Closing and finalising of projects	Economy	Efficiency	Effectiveness
	Media monitoring services	1 881 000													
8.	Ornico Media Information	1 881 000	Sep 2006 - Aug 2008			✓	✓			✓		✓	✓	✓	✓
	Management development training programme	5 287 000													
9.	North West University / Zwanaka Marketing and Management Solutions	5 287 000	Aug 2007 - Aug 2009	✓			✓						✓		
	Training interventions	12 342 127													
10.	Nascence Education (Pty) Ltd	660 954	Jul 2007 - Nov 2007	✓			✓			✓			✓	✓	
11.	Joint Venture of Hlaniki Investment Holdings and Wits Business School	4 362 500	Aug 2007 - Oct 2009	✓			✓			✓			✓	✓	
12.	Continuing Education at University of Pretoria	1 583 000	Jun 2007 - Dec 2007	✓			✓						✓		
13.	Continuing Education at University of Pretoria	2 080 000	Jul 2007 - Oct 2007	✓			✓						✓		
14.	Talent Emporium	1 843 173	Feb 2007 - Aug 2007	✓			✓			✓			✓	✓	
15.	Hospitality Centre: Academy and Management Services	1 812 500	Mar 2006 - Mar 2008	✓			✓			✓			✓	✓	

Audit findings (continued)

DEPARTMENT OF CORRECTIONAL SERVICES

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				Consultants	Contractors	Agency/outsourced services	Planning and appointment	Internal capacity	Training and transfer of skills	Performance management and monitoring	Extension of contracts	Closing and finalising of projects	Economy	Efficiency	Effectiveness
16.	Training of the occupational health and safety representatives for the DCS AK Progressive Training (note 1)	568 262 568 262	Jan 2008 - Feb 2008	✓			✓						✓		
17.	Internal investigations Special Investigations Unit (note 2)	20 499 434 20 499 434	From 2003 - Mar 2009	✓			✓						✓		
18.	Compliance and IT audits PricewaterhouseCoopers Inc / Sizwe Ntsaluba VSP (note 1)	2 632 420 2 632 420	Jan 2006 - Apr 2006			✓	✓						✓		
19.	Management development training programme Chantmerc Investment cc / Burgers Park Hotel (note 1)	14 130 069 14 130 069	Jan 2008 - Feb 2009		✓		✓						✓		
20.	Training of trainers on facilitation and presentation skills Basetsana Consulting Services (note 1)	690 429 690 429	May 2007 - Jul 2007	✓			✓				✓		✓	✓	
21.	Training interventions Deloitte & Touche (note 1)	1 710 000 1 710 000	Dec 2007 - Jul 2008	✓			✓				✓		✓	✓	
22.	Transaction advisors Kagiso Financial Services / Perekisano Mmogo Consortium (note 1)	42 410 394 42 410 394	Apr 2004 - not completed as at Dec 2009	✓			✓				✓		✓	✓	

Audit findings (continued)

DEPARTMENT OF CORRECTIONAL SERVICES				Classification			Areas where deficiencies were identified during the audit						E affected		
	Consultants	Best available value of contracts	Period of contract / service	Consultants	Contractors / Agencies / Outsourced		Planning and appointment	Internal capacity	Training and transfer of skills	Performance management and monitoring	Extension of contracts	Closing and finalising of projects	Economy	Efficiency	Effectiveness
	Investigation into allegations made against the Free State and Northern Cape regional commissioners	100 320													
23.	Nkonki Consulting (note 1)	100 320	Jun 2008 - Sep 2008	✓			✓						✓		
	Feasibility study for the outsourcing of pharmaceutical services	2 429 650													
24.	Pholela Health Logistics (note 1)	2 429 650	Jul 2008 - Aug 2009	✓			✓					✓	✓		
	Evaluation and refinement of corporate services policies and procedures	170 280													
25.	Sekela Consulting (note 1)	170 280	Feb 2007 - Mar 2007	✓			✓					✓	✓		✓
	Unknown	15 389 470													
26.	Angela Projects and Properties (note 2)	276 495	SIU has files - no documentation				✓						✓		
27.	Bosasa Operations (Pty) Ltd (note 2)	15 112 975	SIU has files - no documentation				✓						✓		
	Total	214 101 981					27	4	4	13	0	7			

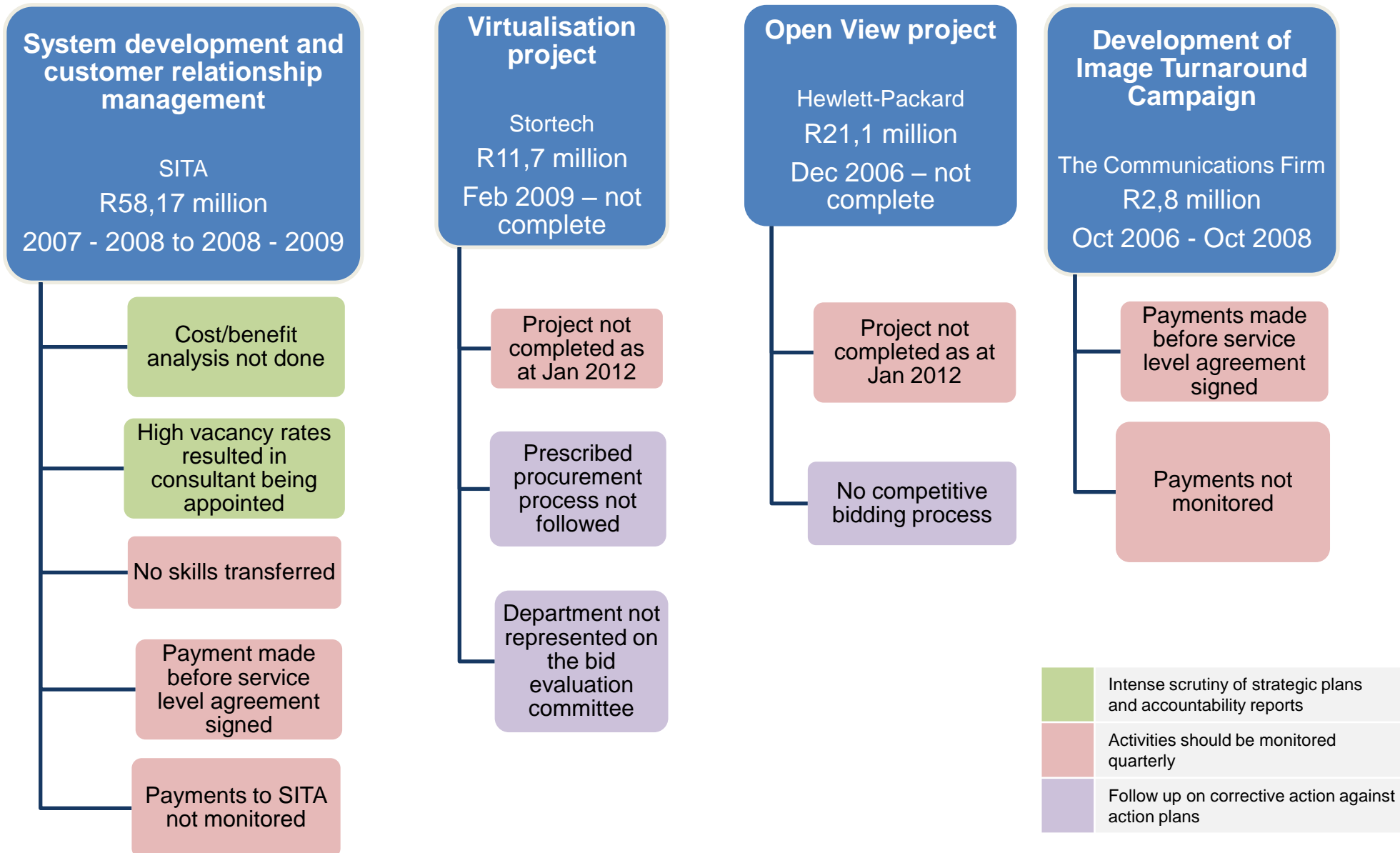
Note 1: Due to the non-material nature of the findings the consultant was not included in the public report

Note 2: Limitation of scope

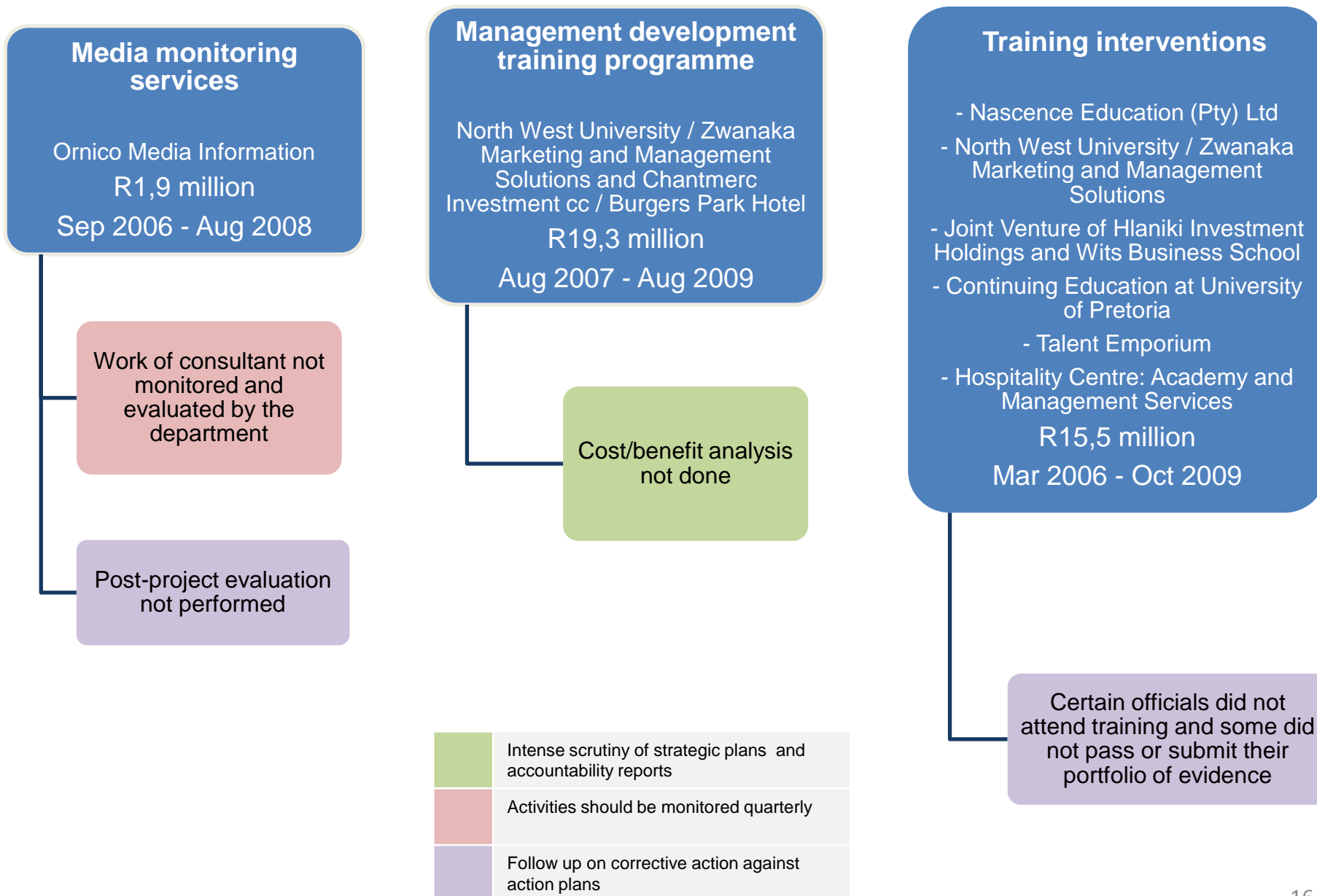
Variations per contract

Contractor	Original Amount of contract	Variation amount	Compliance with procurement policy	Comments
System development SITA - System Development 2007-08	R18 240 000	R3 562 224	No	Payments to SITA were not monitored by the department and the ceiling price was also not created on the financial system
System development SITA - Systems Development 2008-09	R18 240 000	R14 911 579	No	Payments to SITA were not monitored by the department and the ceiling price was also not created on the financial system

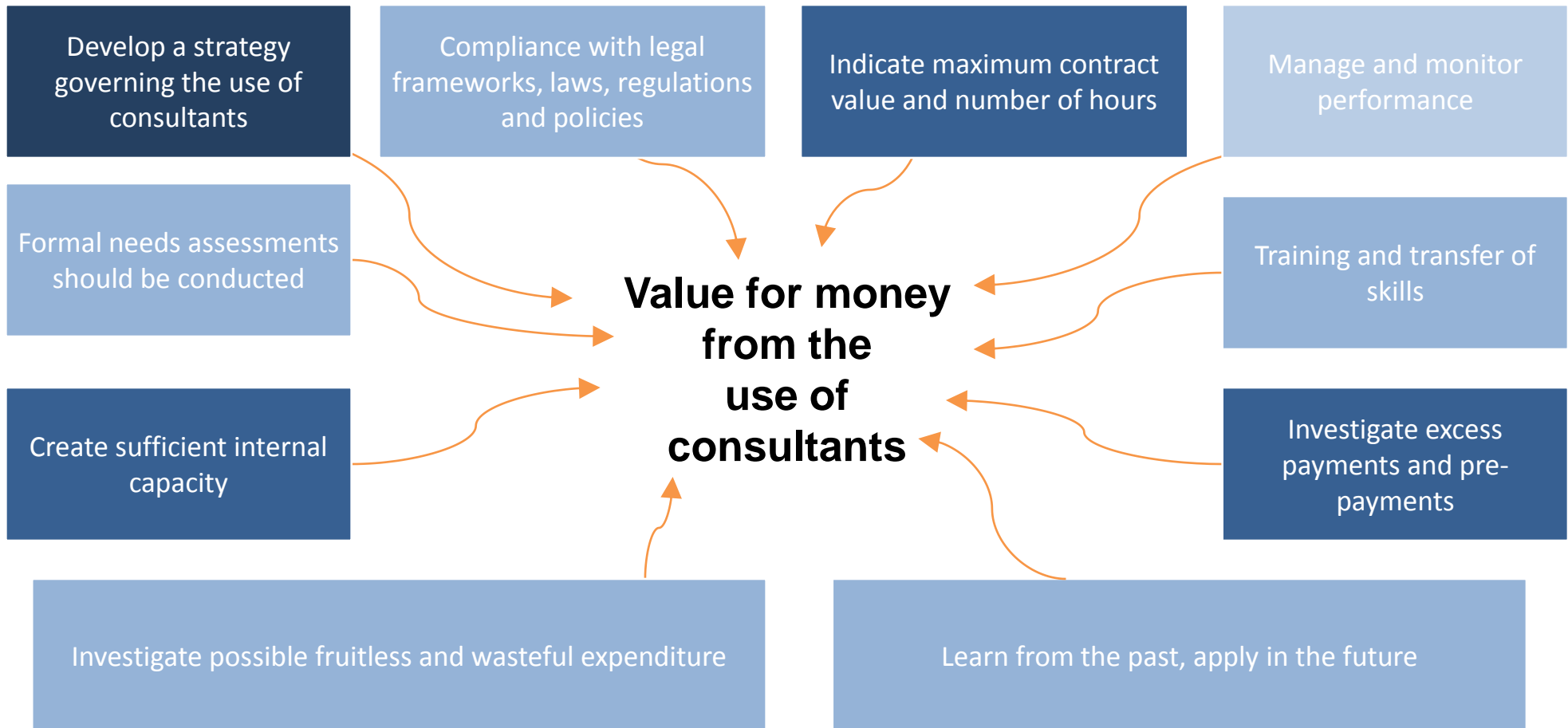
Contract specific challenges



Contract specific challenges



Key recommendations: how government can remedy the current situation

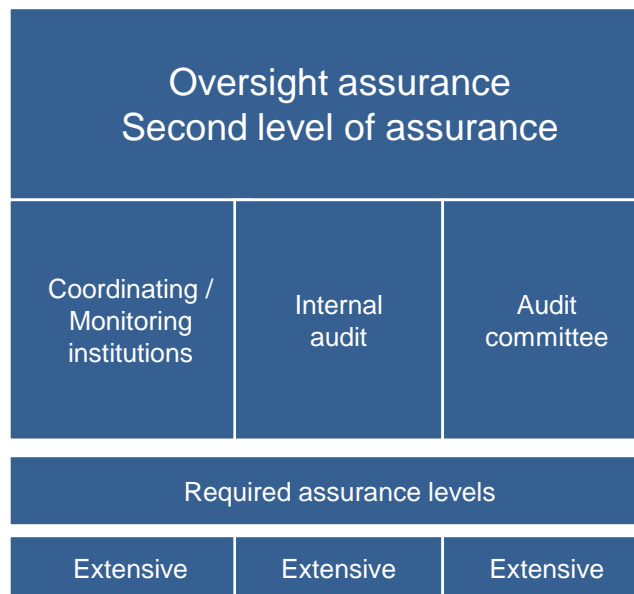


Combined assurance: extensive assurance needed at all levels



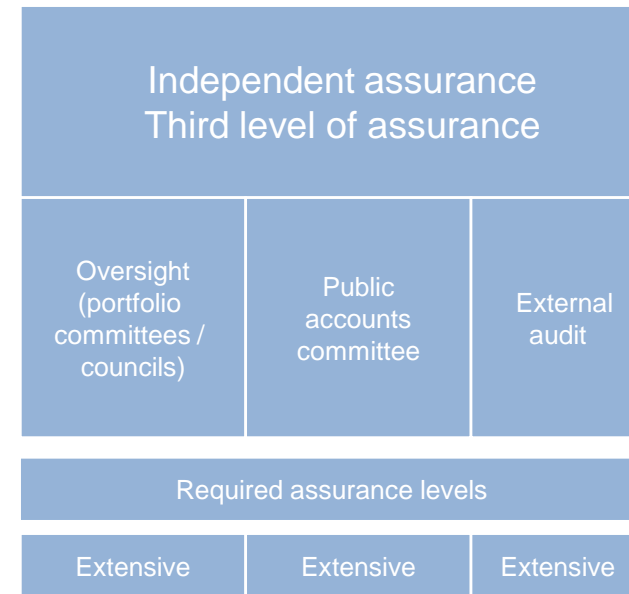
Management's assurance role

- **Senior management** – take immediate action to address specific recommendations and adhere to financial management and control systems
- **Accounting officers/ authority** – hold officials accountable for the use of resources and report annually on the use of consultants
- **Executive authority** – monitor the use of consultants and enforce accountability and consequences



Oversight's assurance role

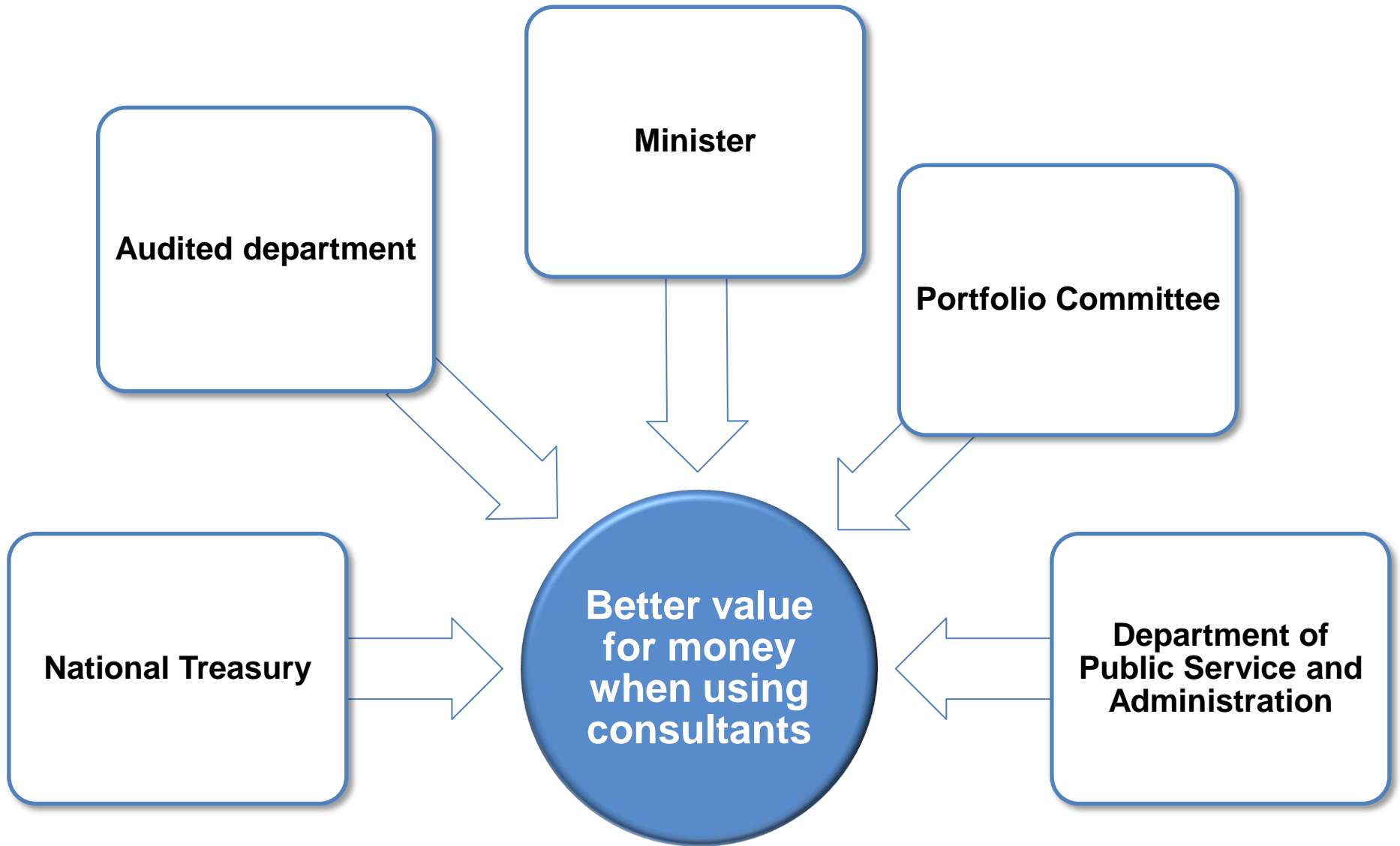
- **National Treasury/ DPSA** – monitor compliance with laws and regulations and enforce appropriate action
- **Internal audit** – follow up on management's actions to address specific recommendations and conduct own performance audits on the use of consultants
- **Audit committee** – monitor the implementation of commitments on corrective action made by management as well as significant spend on consultants



Role of independent assurance

- **Oversight (portfolio committees/ councils)** – review strategic and business plans as well as the accounting officer's reports on the use of consultants
- **Public accounts committee** – exercise specific oversight on a regular basis
- **External audit** – provide independent assurance on the credibility of reported information and identify instances of irregular, fruitless and wasteful expenditure on consultants

Commitment to action needed



Audited department and Minister

- New structure to be implemented in the IT directorate
- Payments to be made based on phases of work completed
- Responsible unit to submit closing and evaluation report and flag lessons learnt
- Recommendations from finished report by various consultants will be presented to both the national commissioner and minister
- Audit existing contracts and determine progress and completion dates
- Investigations into deviations from supply chain circular to be undertaken and disciplinary processes will ensue

Portfolio Committee

- There will be a strong focus on the issues raised in this report
- The committee will hold responsible role players accountable for the findings

National Treasury

- Guidelines will be reviewed to strengthen the process of appointing consultants
- Emphasis to be placed on the monitoring of compliance with legal frameworks related to the appointment, management and use of consultants

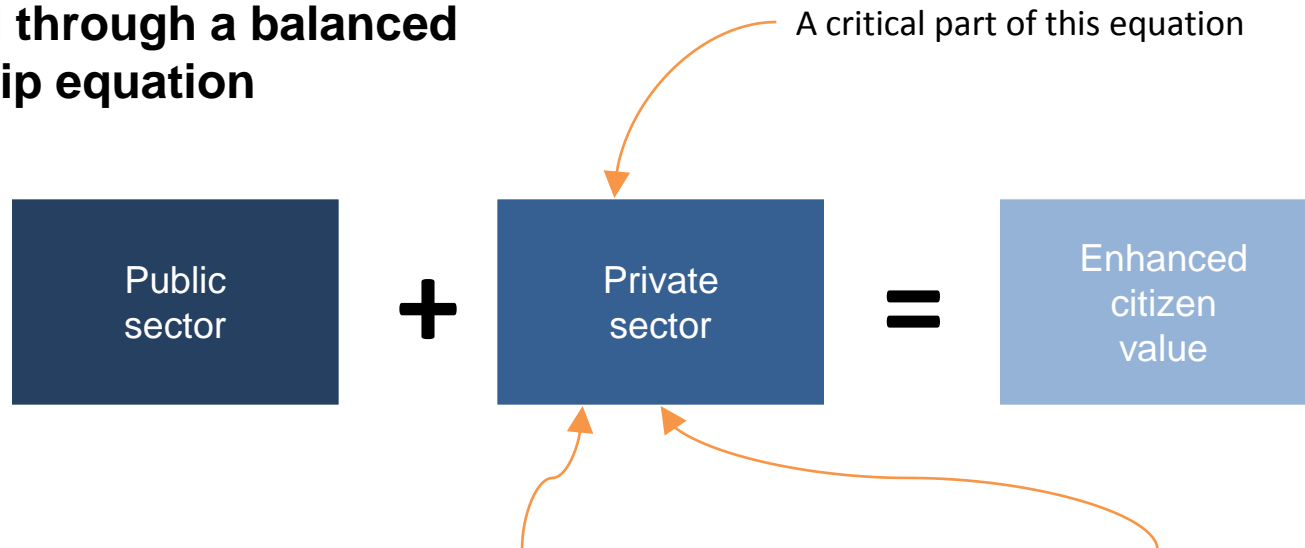
**Better value
for money
when using
consultants**

Department of Public Service and Administration

- Information on skills in public sector will be provided
- Research will be conducted and interventions developed by March 2014 to reduce vacancy rate
- Annual departmental submission of HR plans will be increased to 100% compliance

It takes two to tango: the private sector also needs to come to the party

The creation of citizen value is enhanced through a balanced partnership equation



- Must not take advantage of weaknesses in government systems
- Rather be good corporate citizens with a good corporate conscience
- Take steps to stop malpractices
- Strong governance support by broader private sector is critical

Realising the common goals of economic success requires effort by **both** government and business



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Thank You