

# 2021 Strategic Planning Session Programme

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AUDIT COMMITTEE PRESENTATION

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# INTRODUCTION

- The Department received an unqualified report with the following material findings:-
  - Failure to prevent irregular expenditure amounting to R1.4 billion
  - Lack of sufficient & appropriate evidence that consequence management was implemented against the officials responsible for irregular & fruitless expenditure
- The aim of the presentation is to highlight areas that may require improvements over the next twelve months in order to improve the Department's audit outcomes and overall performance

# PROCUREMENT & CONTRACT MANAGEMENT

## *(Observations)*

### Summary of AGSA Findings on Procurement Processes

Details	Total		Quotations (Below R500k)		Competitive Bids (Over R500K)	
	No	Value Rm's	No	Value	No	Value
Awards selected for testing	265	268.5	249	74.0	16	194.5
Awards on which non-compliance was identified	45	86.0	33	6.4	12	79.6
Irregular Expenditure identified	37	68.3	25	3.8	12	64.5
Non-Compliance cases as % of the tested transactions	17%	32%	13%	9%	75%	41%

# PROCUREMENT & CONTRACT MANAGEMENT

## *(Observations)*

- Eight awards amounting to R2.4 million were procured without inviting at least the minimum prescribed number of written price quotations.
- Twelve contracts amounting to R201.5 million were procured without inviting competitive bids
- Six contracts amounting to R1.4 million were awarded based on the criteria that is different from the original specification
- Four quotations were awarded to bidders who did not score the highest points in the bid evaluations

# PROCUREMENT & CONTRACT MANAGEMENT

## *(Observations)*

- For four contracts amounting to R60 million, the stipulated minimum threshold for local content was lower than the prescribed minimum.
- The Department's procurement for the current year amounts R6 billion but as at 30 September 2021 only bids amounting R74 million had been awarded and only one deviation of R1.1 million from the procurement process had been granted by the National Treasury. And therefore it is unlikely that the plan will be fully executed over the next six months.

# **PROCUREMENT & CONTRACT MANAGEMENT**

## ***(Recommendations / Considerations)***

- Processes around probity audit of tenders to be strengthened in order to detect all non-compliance cases on the awarded tenders.
- The Department should ensure that there is complete alignment before the commencement of the new budget year between the following documents in order to ascertain that the procurement plan is based on the complete information :-
  - Detailed Budget documents
  - Demand management plan
  - Contract registers
  - Procurement plan
- A risk assessment should be performed on the procurement plan before commencement of the new year, in order to determine the alternatives

## **PROCUREMENT & CONTRACT MANAGEMENT** *(Recommendation / Consideration)*

- On monthly basis procurement process should be monitored against the plan in order to ascertain challenges and take action where necessary.



# INVESTIGATION STATUS OF IRREGULAR EXPENDITURE (Observation)

Reported Irregular Expenditure			Less:-Cases finalised to date		Cases outstanding as at 30/09/2021		Nature of Irregular Expenditure		
Region	No of Cases	Value s in Rm's	No of Cases	Values in Rm's	No of Cases	Values in Rm's	Nature	Values in Rm's	Percentag e of Total
HO	187	3 544	158	1 706	29	1 838	Non-Compliance by IDT	1 815	31%
EC	43	247	27	2	16	245	Extension of nutrition contracts	707	12%
GP	126	458	95	154	31	303	Perishables with no contracts	2 463	42%
FS/NC	63	133	51	82	12	50	Non-Compliance (GIAMA Audits)	158	3%
KZN	398	554	347	321	51	233	Non-compliance with SITA Act	225	4%
LMN	147	410	116	13	31	397	Other non-compliance	440	8%
WC	63	464	20	-	43	464	Total	5 812	100%
TOTAL	1027	5 812	814	2 280	213	3 532			
%	100%	100%	79%	39%	21%	61%			

# INVESTIGATION STATUS OF IRREGULAR EXPENDITURE

## *(Observation)*

- As at 30 September 2021, 79% of the total number of irregular expenditure cases had been investigated but only 39% had been completed if they are expressed in monetary terms (Rand values) which implies that the investigation are not prioritized.
- Outstanding cases includes R1.8 billion for IDT (there is no evidence that a reasonable attempt has been made to deal with IDT).
- There is a significant of amount of irregular expenditure relating to perishables which has been resolved but we were not provided with evidence for corrective action.

## **INVESTIGATION STATUS OF IRREGULAR EXPENDITURE (Recommendations / Considerations)**

- Cases with high monetary values should be prioritized.
- As a matter of urgency, non-compliance matters arising from the work carried-out by IDC should be resolved.

# CONSEQUENCE MANAGEMENT (*Observation*)

Statistical information on consequence management on the irregular expenditure :-

Nature of Cases	Number of cases	Outcomes (Sanctions)	Amounts Involved in R'000s
Three quotations not obtained (incorrect application of emergency clause)	109	Final Written warning	1 781
Non-Compliance with SITA Act:-IIMS	10	Final Written Warning	286 802
Non-declaration / (Fraudulent) of interest	6	Written warning	976
No authorization to perform additional work	1	Written warning	21
Non-Compliance to SCM prescripts	7	Written warning	6 232
Non-Compliance to SCM prescripts	3	Final Written warning	587
Total	136		296 402

## **CONSEQUENCE MANAGEMENT (*Recommendation*)**

The Department should adopt the DPSA guidelines on Labour Relations Sanctions and advise its presiding officers to apply them when making decisions on the outcome of labour relation matters.

## **FINANCE**

### **(Observation)**

A summary of the approved budget for the last five financial years is as follows:-

Financial Year	Budget Rm's	% Increase
2017/18	22 814	
2018/19	23 848	4.53%
2019/20	25 316	6.16%
2020/21	25596	1.11%
2021/22	25 943	1.36%

# FINANCE

## *(Observations)*

- In order for the Department to cope with these reductions in increases, Self Sufficiency Sustainability and revenue generation projects will have to contribute significantly to the financial performance of the Department.
- Despite the marginal decreases of staff debtors balance over the last two years, the balance is still high and the new debts are still being generated.
- The AGSA reported a number of discrepancies between the General Ledger and the asset register (including acquired assets that could not be accounted for).

# FINANCE

## *(Recommendations / Considerations)*

- Controls around HR processes should be streamlined and improved in order to reduce the high rates of staff debts occurrences.
- Asset registers should be reconciled at least quarterly in order to eliminate the potential discrepancies.
- The Department should consider to benchmark the average cost of keeping an inmate and an employee / inmate ratio against similar entities in order to identify more opportunities for improvements.



# ANNUAL PERFORMANCE PLAN (Observation)

The details of Key Performance Indicators versus Expenditure 2021/2022

Programme Name	Annual Expenditure (Budget 2021 / 2022)		Annual KPI's (APP 2021/ 2022)		Average Exp. Per KPI
	Rm's	Percentage of Total	No of KPI's	Percentage of Total	Rm's
Administration	4 497	17%	14	31%	321
Incarceration	15 480	60%	7	16%	2 211
Rehabilitation	2 212	9%	11	24%	201
Care	2 463	9%	7	16%	352
Social Integration	1 288	5%	6	13%	214
Total	25 943	100%	45	100%	576

# ANNUAL PERFORMANCE PLAN (Observation)

- Administration has higher proportion of KPI's (30%) of the total number of KPI's compared to 14% of the total expenditure. There is a significant number KPI's which are compliance related.
- Incarceration has fewer KPI's (16%) in relation to the total budget (60%) for the Unit.
- Weightings for Rehabilitation, Care and Social Integration looks reasonable. With Rehabilitation there are four different academic related KPI's which cater for 16 258 (5 177+1 681+8 357+1 043) inmates (added together).

# **ANNUAL PERFORMANCE PLAN**

## ***(Recommendations / consideration)***

- The Department may consider to review the compliance related KPIs since compliance is a minimum requirement for any organization.
- The Department may consider to replace a KPI for Business Case for revenue generation. Revenue generated from new initiatives can be considered as a replacement KPI.
- A KPI around the cost reductions on the commodities associated with Self Sufficiency Sustainability project.

# **ANNUAL PERFORMANCE PLAN**

## ***(Recommendations for consideration)***

- Under Rehabilitation, a KPI around the average productivity rate for inmates may be considered for inclusion
- A KPI around an average participation level by inmates on extra-mural activities like sports, arts & culture, religious activities and others may be considered.

## **FACILITIES (Observation)**

- According to the reports submitted quarterly to the Audit Committee, the Department has approximately 550 Capital Work-In Progress projects.
  - These reports are silent on the following aspects of the projects:-
    - No of projects – behind schedules
    - No of projects where the budgeted cost has been exceeded
    - No of projects on hold due to various reasons
  - Based on the absence of the above information, it is not practical to assess the effectiveness of the overall programme management within the Department.
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# **FACILITIES**

## **(Recommendation / Consideration)**

The Department should consider some of Programme management principles for reporting on projects

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# ICT

**The AGSA reported the following key systems weaknesses on ICT which requires the Department's attention:-**

- No evidence was provided to confirm that IIMS, A&R, BDS, Active Directory and Microsoft Exchange Server were backed up and the back-ups were tested for restoration.
- A&R and IIMS have not functionality to log changes and therefore the access by the developers are not monitored.
- Various access weaknesses were noted on BDS
- ICT vulnerabilities reported in the prior year's audit have not been resolved.

# ICT

**The AGSA reported the following key systems weaknesses on ICT which requires the Department's attention:-**

- Tipp Focus resources performed and were paid for the activities which were initially contracted to the original developer IIS. The cost implication for these activities is approximately R56 million
- There was no adequate hand-over and skills transfer between resources procured from Tipp Focus and the Department's project management.





**THANK YOU**