

PROGRESS MADE BY 6th ADMIN IN ADDRESSING CHALLENGES RELATING TO INTERVENTION OF SEC 100 (1)

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INTRODUCTION

Since the invocation of Section 100 in the Province and the establishment of the IMTT, a practice has always been to produce one report on the progress of implementation of Section 100 interventions including any directives that may have been issued by national departments to the Province.

INTRODUCTION

- The report by the Minister who is chair of the IMTT therefore reflects the progress report supported by the Province.
- I therefore seek Chair's indulgence to accept the IMTT report tabled by the Minister as reflecting the position of the Province on progress registered in the implementation of intervention.
- Wish to conclude by making following general comments-:
- There has been marked improvement in the coordination and the relationship between National Ministers and MEC's both in the Section 100 (1) (a) & (b) Departments

INTRODUCTION

- EXCO in the 6th Administration has already had a joint meeting with the IMTT
- We have had productive interactions regarding clarification of roles and responsibilities regarding protocols signed between the Province and corresponding national departments
- We have together with the IMTT also clarified the relationship between the intervention team, the Province and the provincial legislature.
- We agree that a process be put in place to make determination based on facts regarding both (a) & (b) interventions to determine possible areas of escalations (a to b) or de escalation (b to a) informed by achievements and regressions of areas of interventions.

INTRODUCTION

- We are pleased to inform the NCOP that the 19/20 Audit Outcomes confirms the general improvements in governance in the Province. We are hopeful that the 20/21 audit outcomes will continue this trend and even show greater improvements.
- It is still disappointing though that these improvements have not been replicated in Local Municipalities. Our MFMA audit outcomes remain disappointing as is known by the committee.

INTRODUCTION

- We hope that part of possible reconsiderations of areas of interventions will include strengthening the Province and national through the IMTT to do more in municipalities in the Province.
- We are worried though about the pace and progress in corruption cases identified by the intervention - but we do get regular briefings from both SIU and the Hawkers and we have made this point to them that we need to show the public that we are serious about these cases.

GOVERNANCE & FINANCIAL MANAGEMENT AUDIT OUTCOMES 2019/20

CRITICAL AREAS OF WEAKNESS IDENTIFIED IN PROVINCIAL DEPARTMENTS

- **Department of Health**
 - **The Department of health obtained a qualified audit opinion with material findings in matters relating to:**
 - ✓ Compensation for employees
 - ✓ Goods and services

- **Department of Community Safety and Transport Management**
 - Goods and Services - Payments for Scholar Transport
 - Prepayments and Advances - Lack of adequate records
 - Transfers and subsidies

CRITICAL AREAS OF WEAKNESS IDENTIFIED IN PROVINCIAL DEPARTMENTS

- **Department of Human Settlement**

- The Department of Human Settlement obtained a disclaimed audit opinion

- **Department of Public Works and Roads**

- The Department of Public Works and Roads obtained a qualified audit opinion with material findings on:
 - ✓ Prepayments and advances
 - ✓ Goods and services
 - ✓ Irregular expenditure

CRITICAL AREAS OF WEAKNESS IDENTIFIED IN PROVINCIAL DEPARTMENTS

– **Department of Rural, Environment and Agricultural Development**

○ The Department of Public Works and Roads obtained a qualified audit opinion with material findings on:

- ✓ Prepayments and Advances
- ✓ Goods and Services
- ✓ Receivables
- ✓ Immovable Tangible Capital Assets
- ✓ Lease Commitments
- ✓ Contingent Assets
- ✓ Irregular Expenditure

POST AUDIT ACTION PLAN PROGRESS (PAAP)

The Development of the COVID adjusted PAAP for all Departments were finalised with the exception of CoGTA and Human Settlements whose audits were finalised late.

The COVID adjusted PAAP's forwarded to CFO's and shared with PIA for peer review. Refined PAAP's were submitted to PT and Four (4) Departments have been loaded on the share-point system (Health, Arts, Culture Sports Recreation, Provincial Treasury and Social Development). Five (5) departments (Office of the Premier, NWPL, DEDECT, Education and DARD are in the process of being loaded. Refinements and inputs are still waited from CoGTA, Human Settlement and DPWR.

COMMON AREAS CAUSED QUALIFICATIONS AND PLAN OF ACTION

– **Compliance with laws and regulations**

- Departments are required to report compliance in line with National Treasury Instruction Note
- Introduction of changes in existing internal control environment in line with the new policy
- Monthly reporting regarding
 - ✓ Irregularity
 - ✓ Fruitless and wasteful expenditure
 - ✓ Cost containment measures

COMMON AREAS CAUSED QUALIFICATIONS AND PLAN OF ACTION

- Checking of Tenders > 10 million for Departments by Provincial Internal Audit
- 4 Departments and Provincial Legislature identified for clean audit are undergoing 100% verification of all procurement

Material misstatements in the Financial Statements

- Modified Cash Standard Workshops
- Targeted training of CFO's team
- IFS reviews and further monitoring
- Review of AFS by the Office of the Accountant General and Provincial Internal Audit for combined assurance
- Hands on support to improve disclosures

Investigation and Consequence Management

- Treasury appointed a panel of investigators to investigate departmental irregularities
- Treasury also put a committee to consider the condonement process as per Instruction Note 2 of 2019/20
- Findings and reporting of investigation is standardized through terms of reference
- Cases involved with possible Fraud and Corruption are forwarded to SAPS and other authorities
- Accounting Officers are instructed to implement consequence management and submit proof as part of condonement files to Treasury
- Office of the Premier is assisting the Departments to fast track consequence management in the Departments

VALUE FOR MONEY CONCEPT

- Treasury improved infrastructure monitoring taking into account, the value for money concept
- Introduction of the “No Plan, No Budget” Principle
- Control check list introduced in the Department should improve, the checking of value for money concept
- Contract management tool introduction will reduce possible non-delivery on projects related to construction

STEPS TAKEN BY THE PROVINCE TO REDUCE THE IRREGULAR EXPENDITURE

- All irregular contracts carried forward from previous years that has material effect on overall irregular expenditure such as Nepo, Scholar Transport, School Stationery etc. are going through Forensic Investigations
- Provincial Treasury has completed a project for verifying all the Scholar Transport matters and currently being implemented the final report
- Steps were taken to possible stoppage of continuous irregular contracts
- Introduced a new Provincial Instruction to submit all Tenders above R10 million for verification by the Internal audit effective from 1 April 2019
- A contract management guideline introduced to improve the contract management in the Province

STEPS TAKEN BY THE PROVINCE TO REDUCE THE IRREGULAR EXPENDITURE

- Introduced new Internal control check lists to reduce the non-compliance matters
- A committee is established in the Provincial Treasury inline with Instruction Note 2 of 2019/20 to condone the irregular expenditure

STEPS TAKEN BY THE PROVINCE TO REDUCE THE IRREGULAR EXPENDITURE

- **Establishment of investigative capacity** - The process to appoint a panel of expert investigators to assist Departments with complicated matters was finalised towards the end of March 2020. Due to the outbreak of the CoVID 19 Pandemic the roll out could not be implemented as it required contact with Departments and Entities.
- **Submission of cases for investigation Phase 1** - A request was sent in July 2020 to Departments and Entities to submit 5 cases that should be allocated to investigators in order to commence with phase 1 of the project. To date eight (8) Departments have made submissions as follows and no response has been received from Entities.

ALLOCATION SCHEDULE OUTLINED BELOW

	Department	Cases	Total amount of the cases R million
1	Arts Culture Sports and Recreation	5 cases	R18 556 942.98
2	Co-operative Governance & Traditional Affairs	5 cases	R29 033 295.92
3	Human Settlements	6 cases	R194 151 084.30
4	Social Development	3 cases	R90 514 000.00
5	Office of the Premier	5 cases	R51 010 499.98
6	Community Safety & Transport Management	5 cases	R3 060 138 783.42
7	Agriculture and Rural Development	5 cases	R160 151 192.29
8	Economic Development Environment Conservation and Tourism	3 Cases	R 4 332 000.00
	GRAND TOTAL		R3 607 887 797.89

STEPS THE PROVINCE IS TAKING TO IMPROVE THE AUDIT OUTCOME IN THE COMING FINANCIAL YEARS

- **Actions that have already been implemented and need further monitoring:**
 - Developed a uniform standardized template to be used by all Departments and Public Entities to assume a similar reporting format for Post Audit Action Plan (PAAP) for the North West Province;
 - Established audit action plan systems to ensure that Public Accounts Committee resolutions are implemented and that external and internal audit action plans are effectively monitored by the appropriate level of management including senior management, that responsibility for individual action plans is clearly assigned and that action plan timeframes are complied with;
 - Improved the quality of financial statements through combined assurance review by both Office of the Provincial Accountant General and Internal Audit, by performing quarterly reviews of Interim Financial Statements and ensuring that Departments and Public Entities attend to the review notes on time;
 - Provincial Treasury procured an asset physical verification tool to assist the Departments and Public Entities to fast track the verification process;

ACTION THAT WILL BE ROLLED OUT IN THE COMING FINANCIAL YEAR

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- Conduct quarterly accounting updates on Modified Cash Standard (MCS) for Departments and GRAP updates for Public Entities;
 - Improve asset management by intensifying training on Asset management for Departments and Public Entities implementing the immovable asset guide in both Departments and Public Entities;
 - Facilitate the clearance of prior year unauthorised expenditure through the Legislature process;

ACTIONS THAT WILL BE ROLLED OUT IN THE COMING FINANCIAL YEAR

- Facilitate the roll out of the new National Treasury Instruction Note on irregular expenditure in Departments and Public Entities;
- Offer support to Departments and Public Entities to improve the quality of reporting on Performance Information with emphasis on accuracy, reliability and usefulness of the information reported in the Portfolio of Evidence. (POE's)

ACTIONS THAT WILL BE ROLLED OUT IN THE COMING FINANCIAL YEAR

- Regular meetings with Chief Financial Officers to check progress per Department and Public Entity with respect to the Audit Action Plan;
- All CFO's to submit completed audit action plans to Office of the Provincial Accountant General and Provincial Internal Audit for review of the adequacy thereof

ACTIONS THAT WILL BE ROLLED OUT IN THE COMING FINANCIAL YEAR

- Provincial Internal Audit to design and provide concept compliance checklists and a compliance framework model to all participants in the workshop for implementation in order to improve audit outcomes and to assist departments to monitor compliance with laws and regulations on a timely and continuous basis;

ACTIONS THAT WILL BE ROLLED OUT IN THE COMING FINANCIAL YEAR

- Provincial Internal Audit to provide scheduled independent assurance reviews on the action plan implementation process as well as the effectiveness of action plans implemented.

ACTIONS THAT WILL BE ROLLED OUT IN THE COMING FINANCIAL YEAR

- The North West Province is marked with, negative audit outcomes and allegations of maladministration and corruption. The lack on investigative capability impacts the effective investigation of these allegations, the implementation of consequence management and the recommendation corrective actions to prevent re-occurrence. An effective and functioning forensic investigation unit also acts a deterrence measure against fraud and corruption, which is for the Province is currently being implemented.

ACTIONS THAT WILL BE ROLLED OUT IN THE COMING FINANCIAL YEAR

- Following 4 departments and NWPL were identified for clean audit
 - ✓ Provincial Treasury
 - ✓ Social Development
 - ✓ Economic Development, Environment, Conservation and Tourism
 - ✓ Arts, Culture, Sports and Recreation
 - ✓ North West Provincial legislature
- Special project plan was rolled out to these departments
- Close monitoring and extra support will be provided to these departments
- Special reporting requirements are also introduced for these departments

IMPACT of COVID 19 ON PROGRESS

- Departments and Entities may not be able to complete the implementation of Audit Action Plan as envisaged
- Possible underspending on allocated budget
- Non-completion of all activities related to Transfer of functions by the affected departments
- Departments and Entities are currently being assisted with implementation of the PAAP for better audit out comes in the coming years
- Auditors are supported to obtain necessary documents to perform the audit during the Lockdown period

PROGRESS IN FILLING KEY POSTS

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The following post will be filled by end February 2021;

- ✓ Director General
- ✓ HOD DARD
- ✓ HOD Health
- ✓ HOD Social Development
- The process of extending the contract of SG Finance is near completion;
- Filling the post of Public Works and Roads is awaiting completion of disciplinary process
- The process of filling posts in respect of Human Settlements, COGTA, Arts, Sports, Culture and Recreation three months ahead of end of contract.

RECOMMENDATION

We requested the NCOP to note the following:

- The steps taken by the Province to improve the audit outcomes
- Progress achieved to contain incurring of irregular and unauthorized expenditure
- Capacity building initiatives rolled out by the Province
- Development of PAAP and its implementation process
- Critical areas of audit findings in most of the departments and entities is still “Irregular Expenditure”
- Departments and Entities to utilise the new Instruction Note for resolving irregular expenditure
- Departments and Entities assisted with investigative capacity to fast track clearing of irregular expenditure
- Progress in filling critical posts