



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF PUBLIC WORKS

CORRECTIVE ACTION PLAN ON AUDITOR GENERAL'S REPORT

Financial Year 2007-2008

STRATEGIES TO ADDRESS THE AUDIT OUTCOMES FOR 2007/08

Number/ Paragraph in the Auditor General's Report	Issued Raised	Corrective Action	Responsibility	Time Frame
1.	<p>No reconciliation between the asset register and figures disclosed in the financial statements for movable assets</p> <p>No reconciliation of the asset register and the general ledger was made to ensure that figures disclosed in the financial statements were accurate. Movable assets register has only R7, 650, 000 which is only for additions made during 2007/2008 financial year. We could not obtain conclusive evidence to satisfy ourselves with regards to the opening and closing balances amounting to R131, 248, 000 and R138, 896, 000.00 respectively.</p>	CFO	Chief Financial Officer	
2.	Potential irregular expenditure		Chief Financial Officer	

	<p>A contract for the compilation of the fixed asset register was awarded to Nhluvuku Consulting & Xinjovo on the 04 July 2006 for an amount of R 14,902,000.00. Total amount of R 36,673,847.00 has been paid over to Nhluvuku Consulting & Xinjovo. This was due to the contract containing a large element of variable costs. As a result the DPW exposed themselves to the risk of contract costs exceeding that of highest unsuccessful bidder i.e. PD Naidoo & Associates who bid R 28,294,910.00</p> <p>Furthermore, the DPW could not provide the tender documentation when the contract was awarded. We were not provided with conclusive evidence as to whether the excess amount paid had formally followed the procurement process.</p>	<p>The Department is equally concerned about the escalating disbursement figure and has therefore engaged both the Provincial Legal Services and the Service provider to address this matter. A draft addendum to the original agreement has since been signed with the Service Provider to address this matter [Annexure E]. In terms of this addendum, work whose claims are made on the basis of variable costs will obtain the approval of the department prior to execution. We believe that in this way, the department will have control over the escalating variable costs.</p>		
3.	<p>Previous Years Unauthorised Expenditure</p> <p>Included in the financial statements is an amount of R 85, 661, 000.00 which is shown as unauthorised expenditure. The expenditure originated from previous financial years and since then management could not provide conclusive evidence that action has been taken to recover or obtain approval of the expenditure as required by Treasury</p>	<p>The balance of Unauthorized Expenditure that is disclosed relates to budget performances for various financial years dating back from 1999/2000 to 2005/06. These balances were reported in previous audits and SCOPA instructed the Provincial Treasury to pilot a Bill in the Legislature to clear these balances.</p>	Chief Financial Officer	

	Regulation 12.2.	<p>Later the Department referred to the matter to Provincial Treasury who indicated that some unauthorized expenditure has been authorized by two separate acts. However the process is not complete because there is another Bill that is still to be presented to Legislature on unauthorized expenditure.</p> <p>In 2007/08 the opening balance was R97,909 million and the Department received R11,248 million to clear the unauthorized expenditure leaving the department with a balance of R85 million. The Provincial Treasury further requested departments to confirm balances of unauthorised expenditures and provide details on circumstances thereof. A copy of the Department's response to the Provincial Treasury is attached for ease of reference.</p>		
4.	<p>Daily bank reconciliations not performed as required by Treasury Regulations</p> <p>No daily bank reconciliations are performed as required by Treasury Regulations. Treasury Regulations TR 15.10.1.2 (j) and TR 15.10.1.2(k) require that bank reconciliations be performed on a daily basis to detect any unauthorised entries and to ensure that dishonoured warrant vouchers and cheques are followed up immediately.</p>		Chief Financial Officer	
5.	Code of Conduct for Supply Chain Management (SCM) Practitioners is not signed by all SCM officials			

	We were not provided with conclusive audit evidence that all the SCM officials have signed the code of conduct as required by Treasury Regulation 16A 8.2			
6.	Rental Tariffs not approved Treasury Regulations paragraph 7.3.1 states that the accounting officer of an institution must review, at least annually when finalising the budget, all fees, charges or the rates, scales or tariffs of fees and charges that are not or cannot be fixed by any law and that relate to revenue accruing to a revenue fund. The accounting officer must obtain approval from the relevant treasury for the proposed tariff structure.			
7.	Performance information submitted late for audit purposes Performance information for 2007/ 2008 financial year was submitted late for audit purposes (on the 20 June 2008). We could not verify compliance of the performance information.			
8.	Project contracts not on file			
9.	Lack of supporting documentation for payments made			

	<p>Whilst performing testing of payments, the following was identified:</p> <p>1) Letters of acceptance, with regards to contracts, were not attached to the pack of documents prepared for the payment.</p> <p>2) Certain orders that were prepared did not contain sufficient detail, for example they did not specify the quantity ordered, and as a result the quantity as per the order did not match the supplier invoice.</p> <p>3) Purchase order and payment advice was authorised by the same individual for order WK-97204035.</p> <p>4) Management were not able to verify how the amount on the invoice for order WK-99219384 was calculated.</p>			
10.	Physical assets not verified			
11.	<p>Reconciling item to Bank Reconciliation not substantiated</p> <p>There were no supporting documents for reconciling items on ledger account SAL PERSAL EBT CONTROL ACC: DOM, with a credit balance of R817, 985.62. The amount is shown as other Items in the bank reconciliation. Management were unable to provide supporting documentation and/ or summarised reports that could be used to trace the individual transactions making up the total balance to subsequent bank</p>			

	statements. These items have been outstanding since 2000.			
12.	Register of declaration of financial interests by Department employees is not complete The following employees have not declared their financial interest in the DPW's register in terms of information we have obtained from CIPRO.			
13.	Lack of supporting documentation of steps taken to recover debts prior to writing them off In terms of Regulation 11.4.1, the accounting officer may only write off debts in terms of the write offs policies. The following employee debts were written off in the current financial year:			
14.	Uncleared settled debtors balances Debtors balances that have been settled are reflected in accounts receivable			
15.	Overpayment of employee Contract employee Legodi NS, PERSAL number 82741701's employment contract			

	<p>terminated on the 15 January 2008 as per Service Termination Report. This meant that Legodi was entitled to only 15 days of work; however Legodi was paid for full month of January and also February 2008. January extra salary was recovered from Legodi but there is no conclusive evidence of recovery of the February salary.</p>			
16.	<p>IT data is not backed up offsite</p> <p>The DPW could not provide evidence that the IT data was backed up offsite.</p>	<p>The GITO office is currently undertaking a study in conjunction with SITA in revising the backup architecture plan/strategy wherein issues relating to offsite backup tape storage, disaster recovery and business continuity will be addressed. The initial draft backup architecture report has been submitted by SITA and is being discussed for further improvements. The plan is to establish an offsite location at Capricorn District Office within the next three months. A draft ICT policy is available and awaiting approval from Management.</p>		
17.	<p>Project contracts not signed</p> <p>The following contracts were not completed as the designated signatories have not signed the agreements.</p>			
18.	<p>No reconciliation performed between cash receipts and revenue</p> <p>The DPW could not provide conclusive</p>			

	evidence that reconciliation is performed between cash receipts as per bank account departmental revenue, and rental contracts.			
19.	<p>Orders amended after approval</p> <p>While performing the payments test, orders were identified that were dated after the invoice date. Upon further enquiry, we discovered that these orders were amended to match the supplier invoice. No reason was provided for amending the order and the original order was also not attached to payment supporting documentation.</p> <p>As per DPW policy, orders are placed after a bidding process and SCM approval. Any amendments to the original contract should be accompanied by a variation order. Orders that were amended did not have a variation order attached.</p>			
20.	Leave register not reconciling with PERSAL			
21.	Missing leave application forms			
22.	<p>No inter-departmental confirmations are performed by management</p> <p>It was noted that the DPW does not follow any process to confirm inter-governmental balances.</p>			

23.	<p>LDPW –C7011 Contract awarded to the 12th highest bidder</p> <p>Contract LDPW-C7011 worth R1, 290, 611.52 for security services was awarded to Boape Security Services who was ranked as the 12th highest bidder. DPW could not provide conclusive audit evidence as to the reasons not to award the contract to the other bidders ranked above Boape Security Services. This contract was awarded by Bid Adjudication Committee with no reasons documented for deviating from Bid Evaluation Committee recommended bidder.</p>			
24.	<p>June monthly payroll not certified at the Waterberg district</p> <p>The June 2007 monthly payroll at the Waterberg District was not certified by the authorised centre manager.</p>			
25.	<p>No procedure developed for quarterly reporting</p> <p>There are no documented procedures developed by the Accounting Officer (A.O.) regarding quarterly reporting</p>			
26.	<p>Inventory items not recorded on stock listing</p>			

	<p>The following two items selected from stores at Head Office during the inventory existence test were not found on the March 2008 stock list:</p>			
27.	<p>Too many targets in the Annual Performance Plan</p> <p>On review of the Annual Performance Plan, it appeared that there were too many objectives and targets set for the three programs.</p>			
28.	<p>Certain targets set out in the Annual Performance Plan Immeasurable</p> <p>On review of targets set in the three programs, it was noted that some targets cannot be easily measured. An example would be the measuring of the progress on the execution of the maintenance plan on gardens, landscapes and grounds at governmental residential and office accommodation.</p>			
29.	<p>PERSAL is not updated with training courses attended by personnel</p> <p>Persal training records have not been updated with information regarding training that was undertaken during 2007/2008 financial year.</p>			

30.	Inconsistencies in the employee HR file			
31.	Accommodation booked in four and five star hotels Whilst performing testing on whether travel arrangements are economic and efficient it was noted that accommodation is booked in four and five star hotels. No motivation was provided on the documents for the deviation from the DPW's S&T Policy. Furthermore, there was no documented evidence of prior approval from the HOD.			
32.	Assets not used to the full potential It was found that the following assets are not being used to their full potential, in fact not used at all for months since purchase: 1. Isuzu truck (GBW 833L): Purchased on 17 July 2007 2. HP DESIGNJET 820 MFP: Purchased on 17 March 2008			

33.	<p>Inaccurate calculation of PAYE</p>			
34.	<p>Subsistence and travel allowance monthly budgets are not prepared</p> <p>The client does not prepare monthly budgets or forecasts for subsistence and travel (S&T) expenses. As a result, there is no comparison between actual and budgeted spending on subsistence and travel.</p>			

35.	<p>There are no explanations for targets not met in the Performance Information Annual Report</p> <p>On review of the Performance Information Annual Report, it was noted that there are no explanations for variances between targets and actual performance.</p>			
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APPROVED/NOT APPROVED

**HEAD OF DEPARTMENT
PUBLIC WORKS**

DATE

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