



SCOPA Briefing

Gauteng Department of Social Development

October 2023



AUDITOR - GENERAL
SOUTH AFRICA

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1. Introduction

1.1 Mission of the Auditor-General of South Africa

The Auditor-General 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.

1.2 Vision of the Auditor-General of South Africa

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

1.3 Purpose of document

The purpose of this briefing document is for the Auditor-General of South Africa (AGSA) to provide an overview of the audit outcomes and related matters for the 2022/23 financial year.






1.4 Brief overview of the department

The Gauteng Department of Social Development has a mandate to provide integrated social services to the affected citizens of the country (refer to Other matters below). The department works closely with Non-Profit Organisations (NPOs), amongst other stakeholders, to deliver on its mandate.

2. Audit opinion history

Gauteng Department of Social Development					
	2022-23	2021-22	2020-21	2019-20	2018-19
Audit opinions	Unqualified with findings on PDO and Compliance	Unqualified with findings on compliance	Unqualified with findings on compliance	Unqualified with findings on compliance	Unqualified with findings on compliance

AUDIT OPINION INDEX

	CLEAN AUDIT OPINION: No findings on PDO and compliance
	UNQUALIFIED with findings on PDO and compliance
	QUALIFIED AUDIT OPINION (with/without findings)
	ADVERSE AUDIT OPINION
	DISCLAIMER AUDIT OPINION

Auditee: Gauteng Department of Social Development

The audit outcomes for the department have remained stagnant with an unqualified audit opinion on the financial statements and material findings on predetermined objectives and compliance:

Gauteng Department of Social Development					
DESCRIPTION	2022-23	2021-22	2020-21	2019-20	2018-19
A: Report on the audit of the financial statements					
Audit opinions	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
Emphasis of matters:					
<ul style="list-style-type: none"> Material underspending of the annual appropriation 	X	X	X	X	X
<ul style="list-style-type: none"> Restatement of corresponding figures 	N/A	N/A	N/A	N/A	N/A
<ul style="list-style-type: none"> Significant uncertainties: Contingent liabilities 	X	X	X	X	X
<ul style="list-style-type: none"> Subsequent events 	N/A	X	N/A	X	N/A
<ul style="list-style-type: none"> Irregular expenditure 	N/A	X	X	N/A	N/A
B: Report on predetermined objectives					
<ul style="list-style-type: none"> Reliability 	Material disagreement	No finding	No finding	No finding	No finding
<ul style="list-style-type: none"> Usefulness 	No finding	No finding	No finding	No finding	No finding
<ul style="list-style-type: none"> Adjustment of material misstatement 	No	No	No	No	No
<ul style="list-style-type: none"> Presentation and disclosure: overall disclosure 	No finding	No finding	No finding	No finding	No finding
<ul style="list-style-type: none"> Relevance: completeness of indicators 	No finding	No finding	No finding	No finding	No finding
C: Compliance with specific laws and regulations					
<ul style="list-style-type: none"> Financial statements, performance report and annual report 	No finding	No finding	No finding	No finding	No finding
<ul style="list-style-type: none"> Procurement and contract management 	X	X	No finding	No finding	No finding
<ul style="list-style-type: none"> Expenditure management 	X	X	No finding	X	No finding
<ul style="list-style-type: none"> Consequence management 	No finding	No finding	No finding	No finding	No finding
<ul style="list-style-type: none"> Transfer of funds 	No finding	No finding	X	No finding	X

2.1 Financial statements

Auditee: Gauteng Department of Social Development

Finding	Root cause	Recommendation
Not applicable, the department does not have qualification paragraph	Not applicable	None

2.2 Uncertainty relating to the going concern and any other significant emphasis of matter

The following emphasis of matter paragraph was included in the audit report of the respective auditees on their annual financial statements for the 2022-23 financial year-end that we would like to highlight to the committee.

Finding	Root cause	Recommendation
Material underspending of the annual appropriation	Lack of proper budget monitoring	The implementation of proper budget review and monitoring to ensure that the actual achievement of targets are linked to the spending of the department.
Material uncertainty related to contingent liabilities	Defendant in various lawsuits	To continuously monitor risks that may cause claims against the department, and work on preventative measures to avoid reoccurrence

2.3 Report on the audit of compliance with legislation

Finding	Root cause	Impact and Recommendation
<p><u>Procurement and contract management</u> Some of the goods and services of a transaction value above R500 000 were procured without inviting competitive bids and deviations were approved by the accounting officer but it was practical to invite competitive bids, as required by Treasury Regulation 16A6.1, paragraph 3.3.1 of NTI 02 of 2021/22 , paragraph 4.1 of NTI 03 of 2021/22 and TR16A6.4. Similar non-compliance was also reported in the prior year</p>	<p>Management did not always ensure that adequate controls are implemented to ensure compliance with the applicable laws and regulations. Instances of material non-compliance to treasury regulations were identified and reported as material matters in the audit report.</p>	<p>Impact: Deviations that are not in line with the SCM policy and treasury regulations may lead to over-pricing on goods and services being procured, which may in turn have a negative impact on the availability of resources required to deliver key services.</p> <p>Recommendation: Management should implement control measures to ensure that all applicable laws and regulations are complied with before approving deviations. Management should also quantify all the payments made under the deviation (manufacturing, supply and delivery of school uniforms: Back to school campaign 2023) and disclose it as irregular expenditure.</p>
<p><u>Expenditure Management</u> Effective and appropriate steps were not taken to prevent irregular expenditure, as disclosed in note 21 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. Most of the irregular expenditure was caused by the non-compliance with treasury regulation 16A6.</p>	<p>Management did not adequately review and monitor compliance with applicable legislation.</p>	<p>Impact: Irregular expenditures were not prevented, as required by section 38(1)(c)(ii) of the PFMA and Treasury regulations 9.1.1 which could result in wastage of funds to provide social services to those in need due to possible overpricing as results of quotation process being followed to procure repairs and maintenance instead of following competitive bids.</p> <p>Recommendation: Accounting officer performs oversight that ensures that implements controls to detect and prevent instances of irregular expenditure from incurring thus adhering to the requirements of the PFMA and Treasury regulations.</p>



Finding	Root cause	Impact and Recommendation
		The department continue to ensure that effective assessment is done on an annual basis when procurement and infrastructure plans are developed to determine the estimated amount for each service and the procurement route to be followed

2.4 Audit of pre-determined objectives

In terms of predetermined objectives, the respective auditees should address the audit findings on predetermined objectives by ensuring that internal controls pertaining to the supporting evidence supporting the achievements are valid, accurate and complete.

Auditee: Department of Social Development

We selected two programmes for audit and performed procedures on material performance indicators. Below is a reflection on the material finding impacting performance reporting for 2022-23:

Programme 2: Social welfare services

Number of material indicators	Number of indicators planned	Number of indicators not achieved	Reasons for non-achievement
10	10	5	This largely is due to fewer than anticipated beneficiaries accessing facilities made available
Indicator	Finding	Root cause	Impact and Recommendation
Number of older persons accessing residential facilities	An achievement of 5 886 was reported against a target of 6 526. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but it is estimated it to be materially less than reported. Consequently, it is likely that the achievement against the target was lower than reported.	Management did not ensure the timely implementation of proper record keeping relating to the performance information to ensure that complete, relevant and	Impact: The uncorrected misstatement on the Number of older persons accessing residential facilities is a concern, as this impacts the elderly that should be supported through accessing such facilities. Lack of timely verification of



Number of material indicators	Number of indicators planned	Number of indicators not achieved	Reasons for non-achievement
		accurate information is readily available. Furthermore, there was a lack of adequate review and verification of the beneficiaries supporting achievements reported.	<p>beneficiaries accessing such facilities may lead to access being denied on those that should be supported, and thus affecting the lived realities of the affected citizens. The accounting officer, together with management, should ensure that more focus is placed on such matters to obtain the best benefit from the transfer made to implement such initiatives.</p> <p>Recommendation: Management should implement proper controls to ensure that performance reported is adequately reviewed and monitored to ensure that reported information is supported by reliable and accurate records.</p>

Programme 3: Children and families

Number of material indicators	Number of indicators planned	Number of indicators not achieved	Reasons for non-achievement
11	11	3	This is largely due to fewer than anticipated beneficiaries accessing facilities made available
Finding		Root cause	Impact and Recommendation
Not applicable, material findings reported	Not applicable, material findings reported	Not applicable, material findings reported	Not applicable, material findings reported



2.5 Irregular expenditure, fruitless and wasteful expenditure

The department has incurred the following irregular expenditure:

Irregular expenditure

Nature of irregular expenditure: Breakdown

Nature	2022-23	2021-22
Non-compliance with SCM processes	9 039 000	56 320 000

Fruitless and wasteful expenditure

Nature of fruitless and wasteful expenditure: Breakdown

Nature	2022-23	2021-22
Mohlakeng 20PTP services not rendered	0	R1 200 000
Unutilised Microsoft Licences	0	R263 407

2.6 Material irregularities

Implementation of material irregularity process

Material irregularity

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**

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



Refer material irregularities to relevant public bodies for further investigations



Recommend actions to resolve material irregularities in audit report
Take binding remedial action for failure to implement recommendations



Issue certificate of debt for failure to implement remedial action if financial loss was involved

- The audit team did not identify any material irregularity during the audit of Gauteng Department of Social Development.

2.7 Other matters

Gauteng department of Social Development:

1. The Gauteng Department of Social Development has a mandate to provide integrated social services to the affected citizens of the country. The department works closely with Non-Profit Organisations (NPOs), amongst other stakeholders, to deliver on its mandate. The department had a history of inadequate monitoring done on transfers made to NPOs during its financial years, and this was previously reported as a material non-compliance in the audit report. This was finally resolved in the previous year (2021-22), and we continued to see improvement in the current year under review.
2. In 2022-23, we continued to visit a sample of NPOs funded by the department and to assist in highlighting some deficiencies existing and bringing them to management's attention. Some NPOs struggle with processes and systems such as audits on their financial information and proper financial management. Some deficiencies noted during visits in the current audit cycle included instances where NPO's exceeded withdrawal limits per quarter eg. R10 000, no business plans available, no evidence that performance information was provided by the 21st day of each month, and not having proper asset registers. However, the department has made progress in improving its capacity to monitor the NPOs and raising similar issues in the process.
3. We have seen the responsiveness of the department in dealing with NPOs that failed to comply with the conditions of the transfers made. Consequences applied by the department included issuing non-compliance / suspension letters and halting tranches to the impacted NPOs. As halting transfers is not always an ideal approach, due to the related beneficiaries negatively impacted as a result, we urge the department to prioritise giving support to these NPOs to achieve full compliance with the conditions of the service level agreements (SLAs), which can include ensuring that all NPOs have proper financial management system (for accounting) that will assist to enhance transparency and accountability to the department.
4. We remain concerned by the under-achievements of some key indicators in the scoped-in programmes. Programme 2 and 3 underperformed by 44% and 27% respectively, whilst the budgets were fully spent. Some of the key indicators affected relate to the number of persons with disabilities accessing residential facilities, accessing assisted living facilities and accessing services in protective workshops, as well as the number of children with valid foster care orders and those that have re-unified with their families.
5. We looked at the linkage between the NPO matters and performance reporting. In the current year, we scoped-in programme 2 (social welfare services) and identified a material finding that resulted in the programme being qualified in the management report, and the finding being reported in the audit report: the audit evidence relating to the Number of older persons accessing residential facilities did not support the achievement. We could not determine the actual achievement due to a lack of proper record keeping (mostly manual) and review of the beneficiaries counted – there were instances identified in the reported achievement relating to elderly persons who had deceased in previous years, and affecting the credibility of the evidence provided for audit. In an attempt to add value, we have requested management to establish electronic information (including valid ID numbers) that we can be traced through to the Home affairs database, to detect such instances before finalising the performance reports and continuing with tranches to the affected NPOs.
6. Monitoring of the NPO should be done before and after each tranche is made to them. Management should ensure the timely implementation of proper record keeping relating to the



performance information as well as adequate verification of the beneficiaries, with an aim of improving the lived realities of citizens affected. Encouragingly, commitments have been made by the department's MEC and accounting officer - during our engagements that continued in 2022-23 - to prioritise capacity building in the NPO space to derive the best value for the affected citizens in our communities.

7. The AGSA's culture shift initiatives identified the following areas that management should focus on to move the auditee into the doing good category:

- To enhance the verification and monitoring processes on Non-Profit Organisations (NPOs) and their related beneficiaries through utilising IT innovation, and integrating with Departments such as e-Gov, Home Affairs and Health etc. This should also assist to reduce manual processes that are not effective within the performance reporting space.
- To enhance oversight and accountability on the Department's procurement processes, including demand management, to prevent non-compliance with the laws and regulations.

No	Component	Details	Frequency /Implementation Date
1.	Supply Chain Management	To enhance oversight and accountability on the Department's procurement processes, including demand management, to prevent non-compliance with the laws and regulations.	Continuous implementation
2.	Transfers and subsidies to Non-Profit Organisations (NPOs) / Performance reporting	To enhance the verification and monitoring processes on Non-Profit Organisations (NPOs) and their related beneficiaries through utilising IT innovation, and integrating with Departments such as e-Gov, Home Affairs and Health etc. This should also assist to reduce manual processes that are not effective within the performance reporting space.	Continuous implementation

2.8 Status of internal controls

The table below depicts the overall status of the internal control drivers for 2022-23:

Drivers of internal control														
Entity	Leadership						Financial & performance management					Governance		
	Effective leadership	Oversight responsibility-	HR management	Policies and procedures	Action plans	IT governance	Proper record-keeping	Processing and reconciling	Reporting	Compliance	IT systems controls	Risk management	Audit committee	Internal audit
Gauteng Department of Social Development	Green	Green	Green	Green	Green	Green	Yellow	Green	Yellow	Yellow	Green	Green	Green	Green

LEGENDS:

Preventative or detective controls are in place and are functioning effectively
Progress was made with the implementation of controls, but further improvement is required where actions taken are not sustainable
Internal controls are not effective, and intervention is required to design and implement appropriate controls

3. Recommendation to the different role players

Gauteng department of Social development	
What should be addressed by accounting officer	<ul style="list-style-type: none"> The accounting officer should ensure that the monitoring and evaluation unit is always adequately capacitate for a proper evaluation of NPOs Ensure that management always implements adequate controls to ensure compliance with the applicable laws and regulations. Ensure the timely implementation by management of proper record keeping relating to the performance information to ensure that complete, relevant and accurate information is readily available. Ensure that there is adequate review and verification of the beneficiaries from NPOs to support the achievements reported.
What should be addressed by the executive authority	<ul style="list-style-type: none"> Follow up with the commitments and action plans by the MEC and Accounting officer of the department
What should be addressed by the SCOPA	<ul style="list-style-type: none"> Obtain regular feedback from the MEC on the progress made on the commitments made by the MEC and SCOPA resolutions



4. Key recommendations to the committee

The committee should closely focus their oversight on the commitments and action plans made by the MEC and accounting officer to improve the audit outcome by responding to matters arising on the audit as well as the related potential impact on service delivery to communities.

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