SECTION 4: MANAGEMENT OF SERVICE DELIVERY REPORTING

Figure 1: Three-year trend – findings on annual performance reporting

Of the 468 auditees, 48 are not required to report on performance

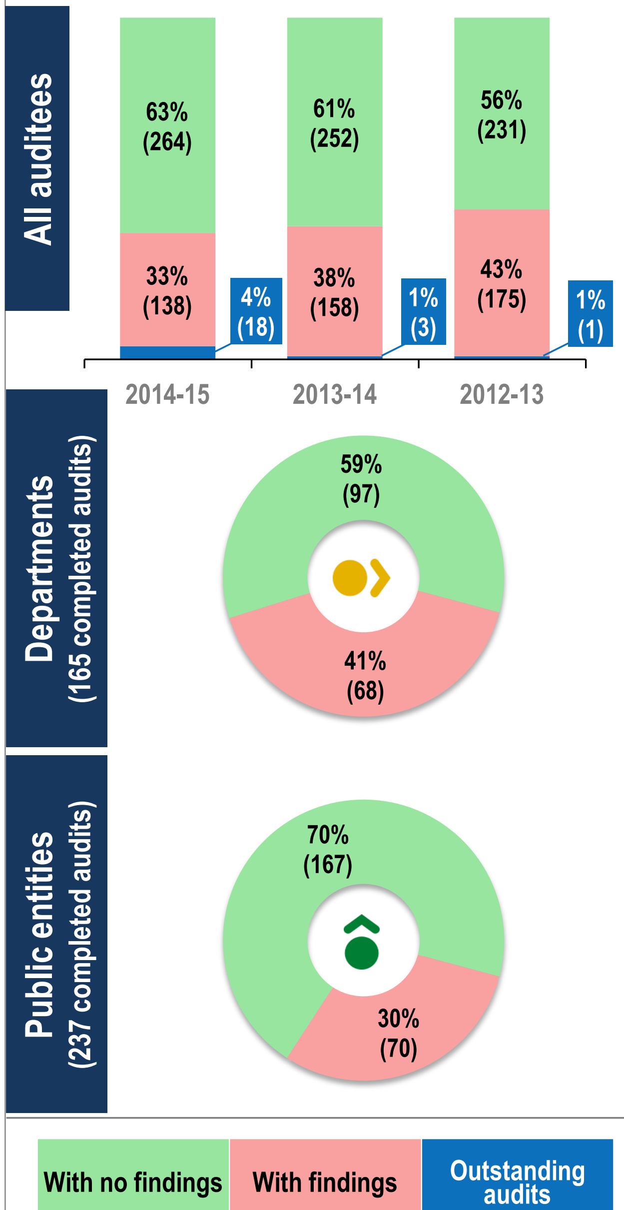


Figure 2: Improvement in the quality of annual performance reports submitted for audit (completed audits)

78 auditees (19%) (2013-14: 77 [19%]) avoided findings due to the correction of material misstatements during the audit process

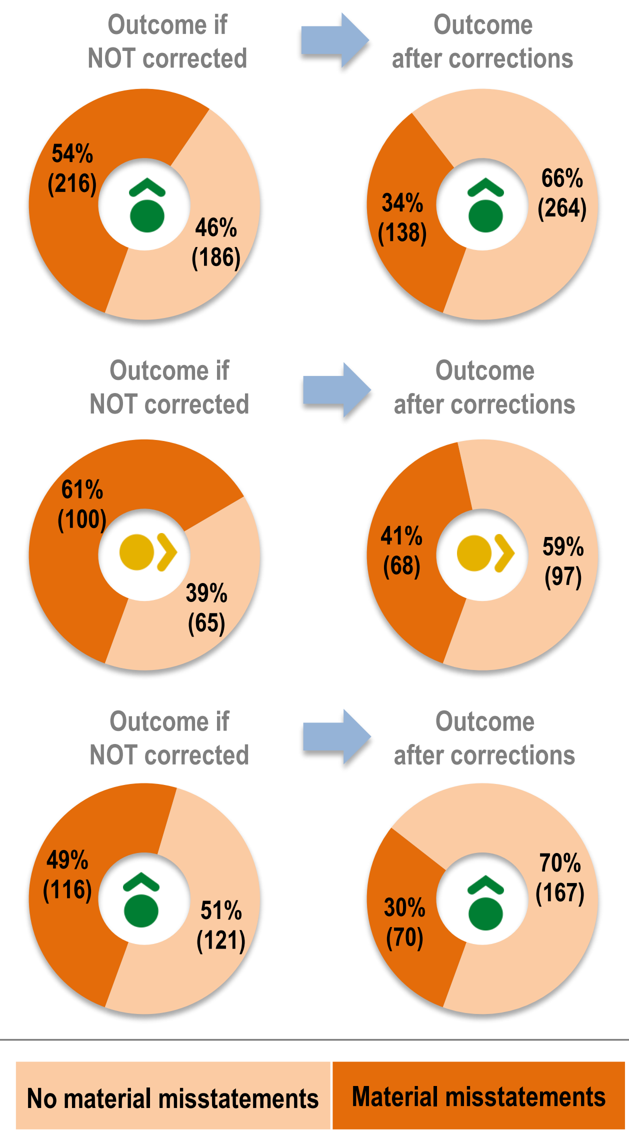
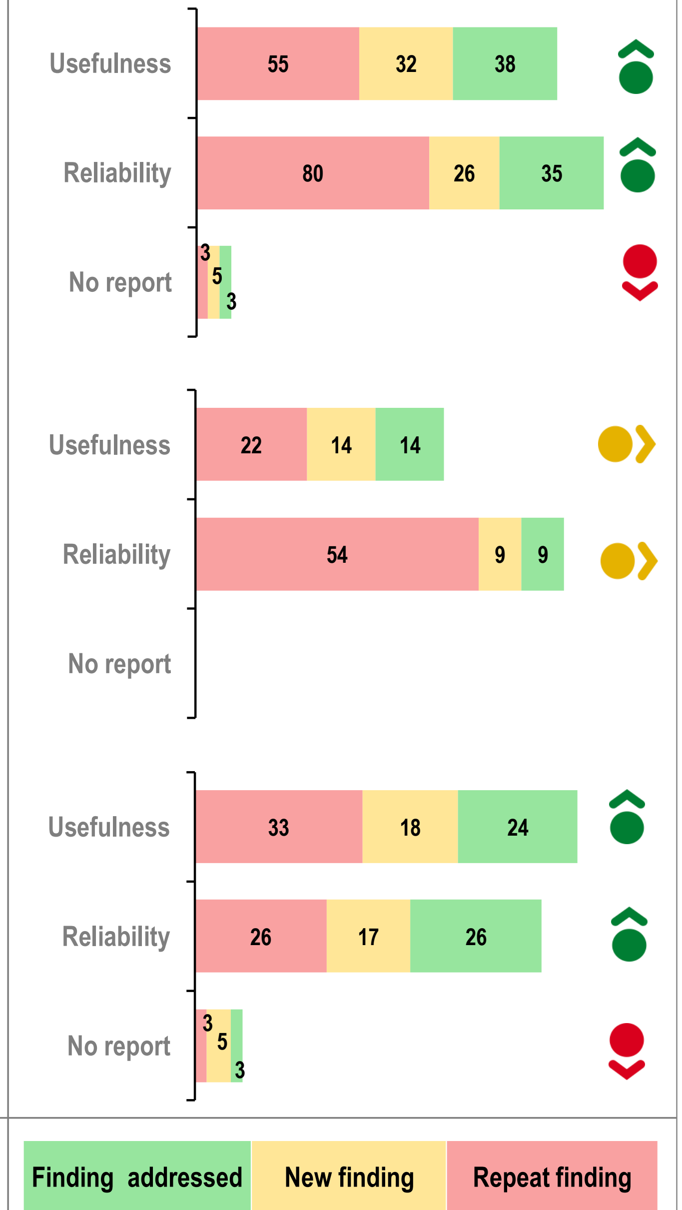


Figure 3: Findings on the lack of annual performance reports as well as the usefulness and reliability of annual performance reports (completed audits)



4.1 Annual performance reports

Auditees are required to measure their actual service delivery against the performance indicators and targets set for each of their predetermined performance objectives and to report on this in their APRs.

The *Medium term strategic framework 2014-2019* (MTSF) is government's strategic plan for the 2014-19 electoral term. It reflects the commitments made in the election manifesto of the governing party, including the commitment to implement the NDP. The MTSF sets out the actions government will take and targets to be achieved. It also provides a framework for the other plans of national, provincial and local government.

To properly plan, manage and report on the actions committed to through the MTSF, indicators and targets are also defined, which should filter through to the annual performance plans and reports of the auditees responsible for the actions. For most of the sectors customised indicators were also developed, which means that the delivery by those sectors are measured and reported on in a consistent manner.

We audit **selected material programmes** of departments and objectives of public entities annually to determine whether the information in the APRs is useful and reliable for oversight bodies, the public and other users of the reports to assess the performance of the auditee. The programmes and objectives we select are those that are important for the auditee to deliver on its mandate and on the outcomes of the MTSF.

As part of the annual audit, we audited the **usefulness of the reported performance information** by determining whether it was presented in the annual report in the prescribed manner and was consistent with the auditees' planned objectives as defined in their strategic plans and annual performance plans. We also assessed whether the performance indicators and targets that were set to measure the achievement of the objectives were well defined, verifiable, specific, time bound, measurable and relevant. We pay specific attention to any misalignment with the MTSF and customised indicators.

We further audited the **reliability of the reported information** by determining whether it could be traced back to the source data or documentation and was accurate, complete and valid.

In the audit report, we reported findings arising from the audits that were material enough to be brought to the attention of these users. We provided recommendations in the management reports on improvements that can be made in the auditees' processes for planning, monitoring and reporting. Through an interim review of the annual performance plans (i.e. before it is approved), we also recommended improvements in the measurability and relevance of the indicators and targets in the plans.

A total of 48 auditees (10%) are not required to report on their predetermined objectives, which include 16 TVET colleges, six provincial public entities, 18 other entities and eight trading entities. Some of these auditees are not subject to the PFMA, which requires performance reporting, while the objectives of other auditees are reported on at a departmental level. These auditees are excluded from the discussion and graphics that follow.

Status of, and movement in, audit outcomes

Figure 1 shows that there has been a slight increase in auditees that had no material findings on the quality of their APRs when compared to the previous year. The overall increase could have been better were it not for auditees in Gauteng (five) and Limpopo (three) that lost their previous year's no findings status.

Overall, 110 auditees (27%) (55 departments and 55 public entities) had material findings in both the current and previous year. A total of 41 auditees (10%) (11 departments and 30 public entities) addressed their previous year's findings, but 28 auditees (7%) (13 departments and 15 public entities) regressed from the previous year. Of the three biggest service delivery sectors (education, health and public works) all had material findings on their APRs except for three education departments (Gauteng, Mpumalanga and the Western Cape) and two public works departments (the Free State and KwaZulu-Natal).

As can be seen in figure 3, the main reason for the improvement was the number of auditees that had addressed their previous year findings on usefulness and reliability. The movement in findings is analysed further on in this section.

Figure 3 shows that eight auditees did not prepare APRs, which is a regression from the six in the previous year. These eight auditees the following:

- National auditees (two): Pan South African Language Board did not prepare a report this year, while the Equalisation Fund also did not prepare a report in the previous year.
- Northern Cape (one): McGregor Museum did not prepare a report this year.
- North West (five): Mmabana Arts, Culture and Sport, North West Provincial Arts and Cultural Council, and Madikwe River Lodge did not prepare a report this year, while North West Youth Development Trust and Signal Developments also did not prepare a report in the previous year.

The fourth column in table 1 shows that Limpopo and North West had the lowest number of auditees with no material findings on their APRs, while the Western Cape, Gauteng (although regressed), the Eastern Cape and the national auditees had the highest percentage. As shown in the last column of the table, there were improvements in most portfolios except Gauteng and Limpopo. The number of auditees in the Eastern Cape and KwaZulu-Natal remained at the same level. Auditees in the Western Cape improved on the quality of their submitted reports, but made no further progress towards 100% 'no findings' for the province.

Table 1: Status of annual performance reports in national and provincial government (completed audits – 402)

Portfolio	No findings before adjustments made		No findings after adjustments made	
	Number	Movement during 2013-14	Number	Movement during 2013-14
National auditees	99 (50%)	↑	141 (71%)	↑
Eastern Cape	13 (54%)	↑	17 (71%)	→
Free State	4 (25%)	↓	8 (50%)	↑
Gauteng	19 (66%)	↓	22 (76%)	↓
KwaZulu-Natal	14 (45%)	↓	21 (68%)	→
Limpopo	4 (19%)	↓	8 (38%)	↓
Mpumalanga	5 (29%)	↓	10 (59%)	↑
Northern Cape	10 (53%)	↑	11 (58%)	↑
North West	2 (8%)	→	6 (23%)	↑
Western Cape	16 (76%)	↑	20 (95%)	→
Total	186 (46%)	↑	264 (66%)	↑

The quality of the annual performance reports submitted for auditing

Figure 2 shows that only 186 auditees (46%) submitted APRs that did not contain material misstatements. This is an improvement compared to the previous year when 168 auditees (42%) submitted APRs that contained no material misstatements. The departments remained at a level of 39%, while public entities improved from 45% to 51%.

Figure 2 also shows that 78 auditees (19%) (32 departments and 46 public entities) had no material findings only because they corrected all the misstatements we had identified during the audit. This remains unchanged since the previous year when 77 auditees (19%) (33 departments and 44 public entities) corrected all the misstatements identified. The second column of table 1 shows that North West, Limpopo, Mpumalanga and the Free State have the lowest number of auditees that submitted APRs without any material misstatements, the highest submission rates being recorded by the Western Cape (76%) and Gauteng (66%).

Findings on usefulness and reliability of the 402 annual performance reports prepared

Some auditees' main programmes/objectives are material in relation to their budget and mandate. In section 9 we provide details of the programmes and objectives of national departments and public entities selected for audit in respect of which we reported material findings on usefulness and reliability. Our provincial general reports provide similar information.

Eighty-seven auditees (22%) (2013-14: 93 [23%]), were not **useful,** with departments and public entities at 22% each. The number of auditees with findings on usefulness decreased since the previous year, with most of the improvements noted at public entities.

The most common findings on the usefulness of information relate to auditees reporting on indicators that were not well defined, with targets that were not measurable or not specific enough to ensure that the required performance could be measured and reported in a useful manner. Performance indicators and targets are defined as part of the annual planning and budget process.

Findings on **reliability** were identified at 106 auditees (26%) (2013-14: 115 [29%]). Sixty-three departments (38%) had findings on reliability, with the public entities at a lower percentage of 18% (43 public entities). Thirty-three per cent of the departments also had findings on reliability in the previous year. The number of auditees with findings on reliability has decreased since the previous year, with most of the improvements noted at public entities.

While the quality of the APRs is continuously improving, the low number of auditees that submitted their APRs without material misstatements (46%) (noted in the second column of table 1) indicates that most of the auditees are still struggling to produce credible APRs.

Findings on compliance with key legislation on strategic planning and performance management

The PFMA prescribes the manner in which strategic planning and performance management should be performed. We report material non-compliance with this legislation in the audit reports of auditees (also refer to section 3.2 in this regard). Overall, 102 auditees (25%) had findings on their strategic planning and performance management – a 17% regression from the 87 auditees in the previous year.

The most common finding was that 86 (21%) of auditees did not maintain an effective, efficient and transparent system of internal control regarding performance management. The following are other material findings on compliance that point to material weaknesses in planning and performance management processes:

- Fourteen auditees (eight departments and six public entities) had no annual performance plan and 17 auditees (four departments and 13 public entities) did not establish any procedures for quarterly reporting to the executive authority.
- Overall, nine departments did not monitor and review the performance of their public entities annually and the annual performance plan of five auditees did not include the measurable objectives, expected outcomes, programme outputs and indicators (measures and/or targets).

4.2 Recommendations

Auditees that had material findings and those that submitted poor quality APRs for auditing should strengthen their processes and controls to create a control environment that supports useful and reliable reporting on performance. For such auditees we recommend implementing at least the following key controls and best practices that are in place at some auditees:

Recommendations for senior management

- Develop and implement **policies and procedures** to report on performance information. The policies and procedures should clearly explain the following:
  - The objectives of reporting on performance
  - The processes to develop performance indicators and targets
  - The processes and systems to collect, collate, process and report on performance
  - Monitoring and evaluation processes
  - The roles and responsibilities of staff, management and oversight mechanisms.
- Develop and document formal **processes and systems** for the collection, collation, verification and storage of actual performance information approved by the head of the department.
- Define data definitions for all performance indicators. The data definitions should be communicated to all staff involved in collecting, collating, verifying and storing actual performance data.
- Improve the **methodologies and systems** used for compiling budgets to strengthen the link between budgets and performance targets.
- Monitor and evaluate the correlation between planned and actual performance (performance implementation) in relation to the budgeted versus actual expenditure (financial implementation).
- Perform sufficient oversight and monitoring of performance during the reporting cycle to ensure that performance targets are reported as planned.
- Develop monitoring and evaluation processes to ensure that:
  - variances between planned performance targets and actual performance are identified in time
  - valid explanations are provided for variances between planned performance targets and actual performance
  - supporting evidence is maintained for the explanations
  - programme managers and senior management formally approve the explanations.

Recommendations for accounting officers/authorities

- Determine and implement the appropriate **organisational structures** required to report on performance. This will ensure that:
  - Organisations have the required capacity and appoint staff with the required skills, competencies and experience. In this regard, special attention should be paid to responsibilities regarding strategic planning as well as monitoring and evaluation (refer to section 5.1 for more detail in this regard)
  - Clear reporting lines exist
  - Roles and responsibilities have been defined.
- Ensure adequate skills and resources to perform proper strategic planning, performance monitoring and reporting that meet the applicable requirements. Further ensure that staff responsible for reporting on performance and management responsible for oversight receives training on performance information frameworks, performance reporting methodologies, the FMPPI or areas where the previous audit of predetermined objectives indicated shortcomings.
- At larger auditees, consider establishing a dedicated strategic planning and/or monitoring and evaluation unit that is empowered with competent and capable individuals who have a good understanding of the requirements for performance reporting. Appoint officials specifically assigned to the responsibility of collecting, collating and verifying performance information.
- Provide effective oversight and hold the responsible officials accountable for the preparation of the performance reports.
- Ensure that an **audit action plan** is prepared and implemented based on the audit findings of the 2014-15 financial year, including definite actions that need to be implemented to address the matters reported by the auditors. Hold management accountable for implementing action plans and monitor the progress of implementation monthly.

[This page is intentionaly left blank]

SECTION 5: RESOURCE MANAGEMENT

Figure 1: Status of human resource management controls

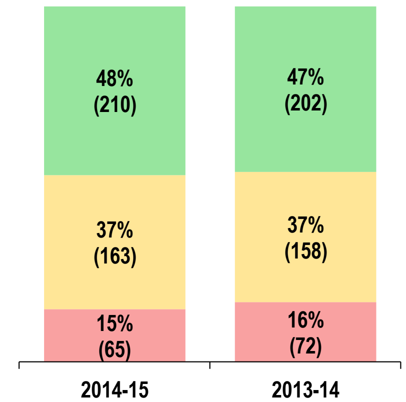


Figure 2: Human resource management controls per type of auditee

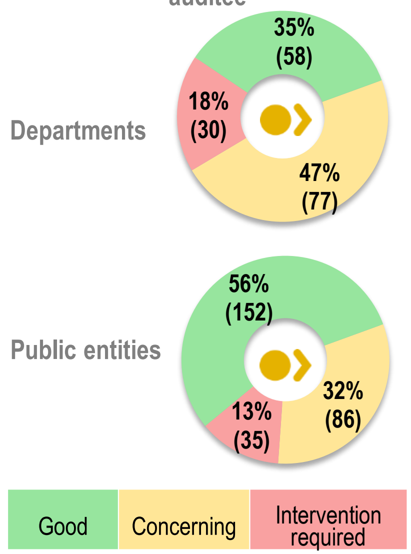


Table 1: Status of human resource management controls in national and provincial government

Portfolio	Auditees with good human resource management controls	Movement
National auditees	54 % (120)	
Eastern Cape	29% (7)	
Free State	28% (5)	
Gauteng	56% (19)	
KwaZulu-Natal	44% (15)	
Limpopo	29% (6)	
Mpumalanga	29% (5)	
Northern Cape	16% (3)	
North West	25% (7)	
Western Cape	100% (23)	

5.1 Human resource management

Human resource (human resource) management is effective if adequate and sufficiently skilled staff are in place and if their performance and productivity are properly managed.

Our audits included an assessment of human resource management that focused on the following areas: ■ human resource planning and organisation ■ management of vacancies ■ appointment processes ■ performance management ■ acting positions ■ management of leave, overtime and suspensions.

Our audits further looked at the management of vacancies and stability in key positions, and performance management and consequences for transgressions, as these matters have a direct bearing on the quality of auditees' financial and performance reports and compliance by auditees with legislation. Based on the results of these audits we assessed the status of auditees' human resource management controls.

Status of human resource management controls

Figure 1 shows that there has not been an improvement in the status of human resource management since the previous year. This is evident in the number of auditees whose controls we assessed as being 'good' not increasing significantly. There has, however, been some reduction in those auditees whose controls we assessed as 'requiring intervention'.

As figure 2 shows, overall, controls at both departments and public entities did not improve. We assessed the human resource management controls of five national departments (11%) and 25 provincial departments (20%) as requiring intervention. At 50%, provincial public entities still lag behind national public entities (59%) in implementing and maintaining good human resource controls.

The remainder of this section details the outcomes of our audits in the three main areas of vacancies and instability, performance management, and consequences for transgressions, which should be read together with our analysis of root causes of poor audit outcomes analysed in section 6.3.

Figure 3: Vacancies in key positions (departments)

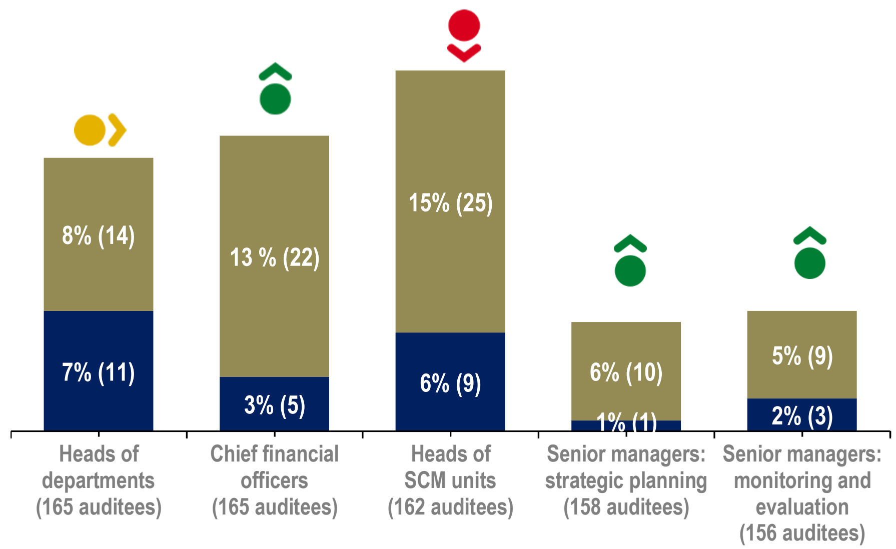


Figure 4: Stability in key positions (departments)

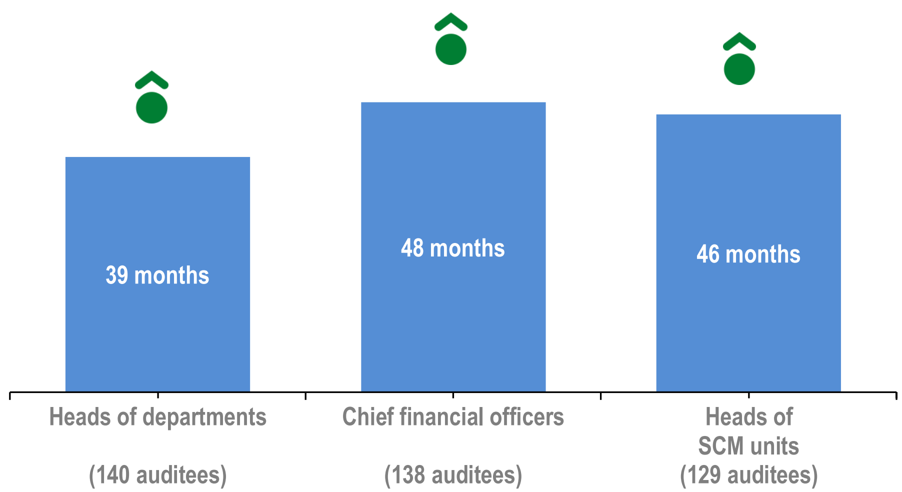


Figure 5: Vacancies in key positions (public entities)

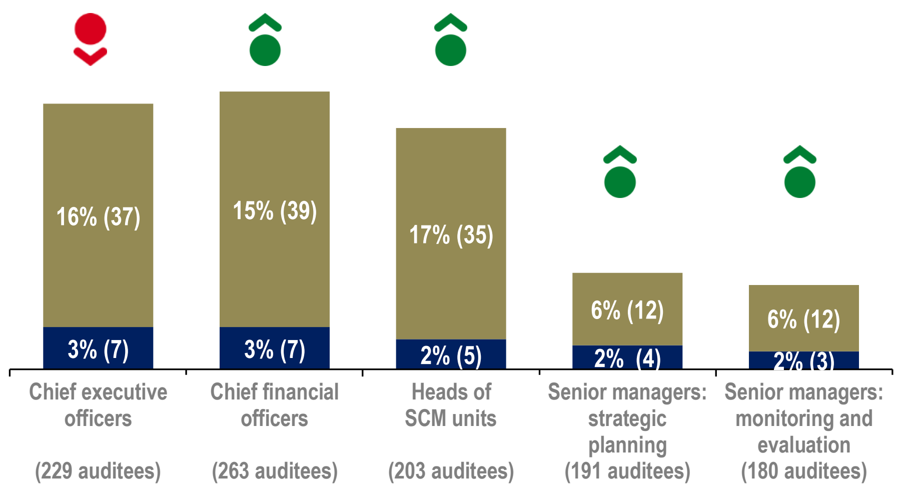
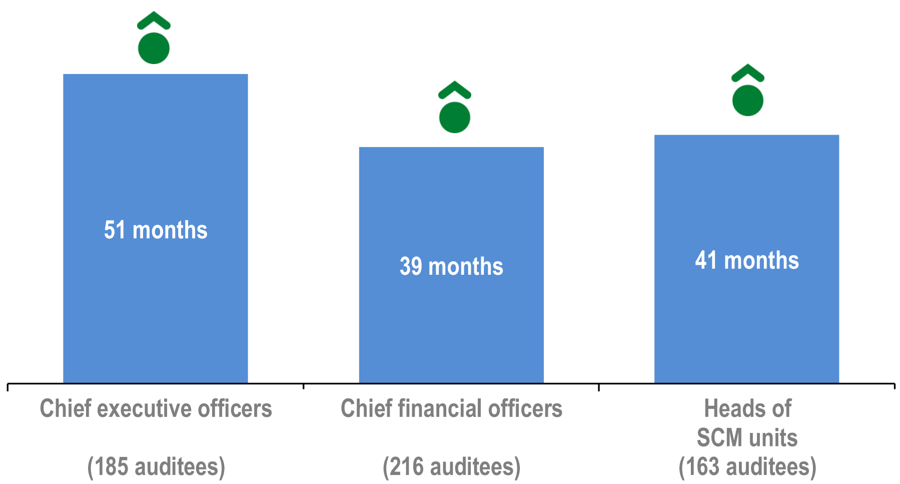


Figure 6: Stability in key positions (public entities)



Vacant for less than 6 months | Vacant for 6 months or more

Average number of months in position

Vacancies and instability

One of the biggest challenges for national and provincial government is to attract and retain qualified and competent persons in all areas of administration. As discussed in the NDP, there is unevenness in capacity that leads to uneven performances in public service. The MTSF includes various actions to address the lack of capacity and sets targets to be achieved.

One of these targets is to have a vacancy rate by 2019 of less than 10% at national and provincial departments. Based on the information published in the annual reports the average overall vacancy rate at year-end for departments was 15% (2013-14: 17%), while the vacancy rate at senior management level was 17% (2013-14: 17%). Across all auditees (including public entities) the average vacancy rate was 16% (2013-14:15%) and 17% (2013-14:15%) for senior management.

As part of our audits, we obtained and analysed data relating to vacancies and resourcing finance units, as inadequate capacity in these units negatively affects the management, controls and quality of financial reporting. We observed that the average vacancy rate in finance units at year-end was 14% (17% of departments and 12% of public entities), a slight increase from the 12% in the previous year. It is a concern that the vacancy rate in finance units of 75 auditees was higher than 25%.

We also assessed vacancies in key positions at year-end and stability in those positions. These key positions include heads of departments/ chief executive officers, chief financial officers, heads of SCM units and senior managers responsible for strategic planning as well as monitoring and evaluation.

Figures 3 and 5 show the number of auditees where these key positions were vacant at year-end and also indicate the period that the positions had been vacant. Figures 4 and 6 show the average number of months that heads of departments, chief executive officers, chief financial officers and heads of SCM units had been in their positions. The status of these key positions is discussed in more detail in the remainder of this section.

Heads of departments and chief executive officers

Instability (i.e. a lack of continuity) at the level of heads of departments and chief executive officers affects the ability of auditees to build and maintain a robust control environment for financial and performance management and weakens the accountability chain.

The **heads of departments'** vacancy rate remained unchanged from the previous year at 15%. All provinces and national auditees, except the Free State, Northern Cape and Western Cape, had vacancies in these positions at year-end, with the most being in national government (eight) and North West (five). The head of department positions had been vacant for more than six months at 14 departments, eight of which had been vacant for 12 months or longer.

The MTSF includes targets to retain head of departments for at least four years by 2019. This target has not been achieved yet, but the improvement from 33 months to 39 months in the current year is encouraging.

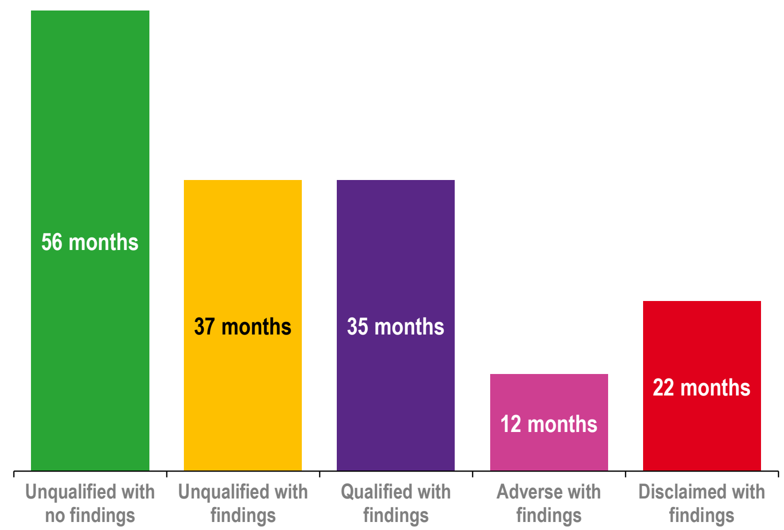
In total, 19% of the public entities did not have a chief executive officer at year-end, a regression when compared to previous year (17%). Most of these 44 public entities were in national government (20), North West (10) and KwaZulu-Natal (five). The average length of time in the position was more than four years, an improvement when compared to previous year, when it stood at 40 months.

Chief financial officers

Vacancies and high turnover rates in **chief financial officer** positions, combined with the high vacancy levels in finance units, prevented auditees from performing proper financial planning, record keeping and financial reporting. This resulted in financial statements of a poor quality that required many corrections, and negatively affected the implementation of daily and monthly processing and reconciling of transactions.

Figure 7 shows that those auditees with stability in their chief financial officer positions produced better financial statements (based on the audit outcomes).

Figure7: Chief financial officers – average number of months in position



The vacancy rate in the position of chief financial officer at departments improved from 20% to 16%, while public entities improved from 28% to18%. At both national level and in all provinces, except the Western Cape, there were auditees without a chief financial officer at year-end. Most of these 73 auditees were in national government (29), North West (14), Limpopo (seven) and Mpumalanga (seven). The chief financial officer position had been vacant for more than six months at 22 departments and 39 public entities.

The average of 48 months that chief financial officers had been in their positions at departments is a slight improvement from the 44 months in the previous year. The average number of months that chief financial officers had been in their positions at public entities also increased from 33 to 39 months. The average length of time in the position for both public entities and departments was more than three years, an improvement on the previous year.

Heads of supply chain management units

The head of the SCM unit plays a significant role in ensuring that controls are in place to enable fair and competitive procurement processes and to prevent the abuse of SCM processes.

The vacancy rate of the heads of SCM units at departments deteriorated from 18% to 21%. Three departments did not have a dedicated position for this role and the work was performed mostly by the chief financial officer. These positions had been vacant for more than six months at 24 departments, 18 of which had been for 12 months or longer.

The average of 46 months that heads of SCM units had been in their positions at departments, was an improvement from the 35 months in the previous year. The heads of SCM units of 52 departments (10%) had been in the position for three years or more.

Countrywide, 64 public entities did not have a dedicated position for the head of the SCM unit. A total of 40 (20%) of the public entities with such a position did not have a head of the SCM unit at year-end. Most of the vacancies were in the national government (14) and North West (13). The average length of time that heads of SCM units remained at public entities improved from 32 to 41 months.

Senior managers: strategic planning as well as monitoring and evaluation

Officials in senior positions are crucial for effective strategic planning as well as performance management and reporting, and affect the quality of the APRs placed in the public domain.

Although not all auditees had created a specific position for strategic planning or the monitoring and evaluation function, 349 auditees (79%) had appointed/designated a senior manager responsible for strategic planning and 336 (76%) for monitoring and evaluation. A total of 191 of the 275 public entities (69%) with strategic planning functions had allocated these responsibilities to a senior manager while 179 (65%) with monitoring and evaluation functions had also allocated these responsibilities to a senior manager. It is of concern that not all auditees had allocated these very important functions to senior managers to oversee.

Performance management

To improve the performance and productivity of staff, the leadership should set the correct tone by implementing sound performance management processes, evaluating and monitoring performance. Further, by leadership consistently taking action it will demonstrate to all officials that poor performance has consequences.

Table 2 provides information on performance agreements concluded by auditees with their senior officials for 2014-15 financial year.

Table 2: Performance agreements not in place and measures not linked to audit outcomes

Position filled at year-end	Performance agreement not in place (where position filled)	Performance measures not linked to audit outcomes (where position filled)
Heads of departments (140)	7 (5%)	21 (15%)
Chief executive officer (185)	29 (16%)	16 (9%)
Chief financial officer (355)	33 (9%)	36 (10%)
Head of SCM unit (292)	26 (9%)	38 (13%)

No comparative information is included in the above table, as we did not report on the performance measures in the previous year.

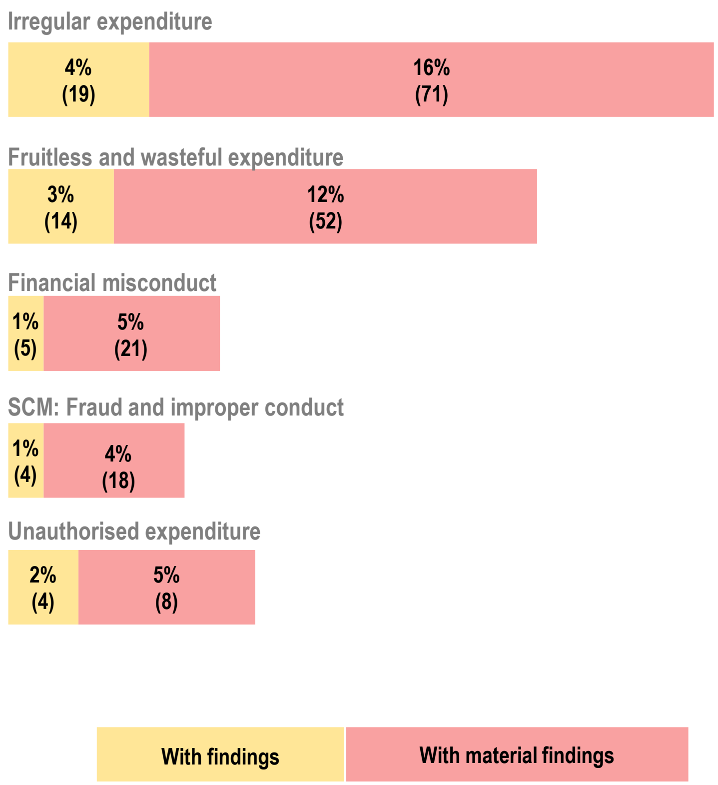
We reported in the audit reports of 38 auditees (2013-14: 35 auditees) that they did not have performance agreements for more than 20% of their senior managers.

Consequences for transgressions

The PFMA and its regulations clearly stipulate that matters such as incurring unauthorised, irregular as well as fruitless and wasteful expenditure, the possible abuse of the SCM system (including fraud and improper conduct) and allegations of financial misconduct should be investigated and appropriate action taken based on the results of the investigation. The legislation stipulates clear steps to be taken in response to proven or suspected financial misconduct and a responsibility to follow up when such expenditure has been incurred.

As part of our audits we tested whether the legislated steps were taken by auditees in 2014-15 to address the previous year's unauthorised, irregular as well as fruitless and wasteful expenditure and the allegations and reports of possible abuse of the SCM system and financial misconduct. Figure 8 depicts the extent of the non-compliance that we reported per type of transgression – "material findings" means that the non-compliance was so significant that we reported it in the audit reports of those entities while "with findings" means there was non-compliance but to a lesser degree (not material).

Figure 8: Transgressions for which there was inadequate consequence management

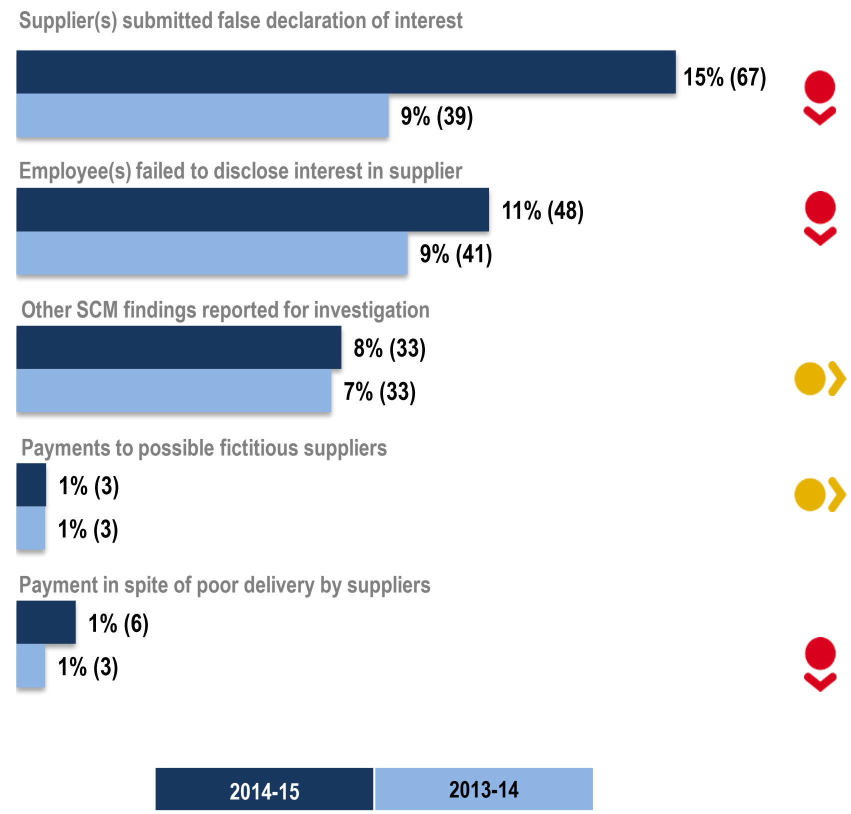


We report all our findings on compliance in SCM and weaknesses for management to follow up. Where indicators of possible fraud or improper conduct in the SCM processes are found, we recommend an investigation by management.

In 2013-14, we reported such findings for investigation at 76 auditees. Figure 8 shows that the management of only 20 (5%) of these auditees did not investigate all the incidents, which is an encouraging sign that action is being taken. However, these findings continued to increase as highlighted in figure 9. Furthermore, 58 auditees that had such findings in 2013-14 had similar findings in 2014-15. This means that even though investigations are taking place, it is not yet having the desired impact of discouraging fraud and improper behaviour.

This means that even though investigations have taken place, they have not yet had the desired impact of discouraging fraud and improper conduct.

Figure 9: Supply chain management findings reported to management for investigation



Other common human resource findings

We reported other human resource findings to auditees, which include the following:

- A verification process for new appointments did not always take place at 46 auditees (2013-14: 57) and at 24 of the auditees (2013-14: 27), the verification process did not include all prescribed verifications.
- Forty auditees (2013-14: 36) did not have a human resource plan, which must be based on their strategic plan. The achievement of some of these auditees' service delivery objectives are therefore at risk.

5.2 Effective use of consultants by departments

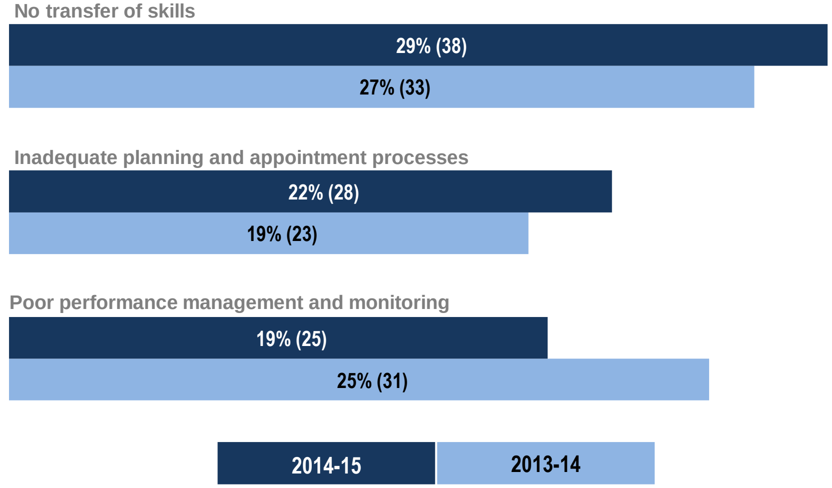
National and provincial departments spent an estimated total of R8,539 billion (2013-14: R11,602 billion) on consultancy services in 2014-15 to supplement their human resources. Consultancy services are services of an intellectual or advisory nature. The amount was spent in the following areas:

- Financial reporting service – R500 million (2013-14: R555 million)
- Preparation of performance information – R62 million (2013-14: R25 million)
- IT services – R2 134 million (2013-14: R846 million)
- Other services – R5 843 million (2013-14: R10 176 million) (this relates to all other consultancy services that do not relate to financial services, the preparation or review of performance information and/or IT-related services; these include expert valuators such as the consultants [actuaries] contracted by departments to value property or defined benefit plans, but exclude expenditure on legal costs and payments to audit committee members).

Findings on management of consultants

Our audits included an assessment of the management of consultants at 129 departments (2013-14: 123 departments). The assessments were based on the requirements set out in a practice note issued by the National Treasury in 2003, which regulates the appointment and management of consultants at departments. Figure 1 shows the number of departments that had findings in the focus areas of the audit. In total, 56 of the departments (43%) assisted by consultants had findings on their management of consultants compared to 47 departments (38%) in 2013-14.

Figure 1: Findings arising from the audit on the use of consultants at 129 departments



Although the most common reason given by departments for appointing consultants was a lack of skills, we found that the contracts at 20 departments (16%) did not include any conditions or objectives for the transfer of skills from the consultants to the employees. This is an indication that transfer of skills was not considered part of the bidding process. Where such a requirement was included, the measures to monitor the transfer of skills were not always implemented. This occurred at 17 departments (13%), which is an improvement from 2013-14 when contracts at 23 departments (19%) did not include conditions or objectives for the transfer of skills, and we could not obtain evidence of the measures to monitor the transfer of skills at 21 departments (17%).

We identified shortcomings in the **management and monitoring of the performance** of consultants, while recognising that there has been an overall improvement in this area since 2013-14. The work of consultants was monitored by staff who were not sufficiently experienced or senior to ensure effective contract management at 18 departments (14%). At nine departments (7%), material misstatements/findings were identified on the work of consultants. Of greater concern was the payment of consultants without signed contracts at nine departments (7%).

The following were our key findings on the **planning and appointment processes**, which reflect a regression from 2013-14 at an overall level:

- As with all other procurement, consultants should be contracted based on a needs assessment. Such an assessment should consider cost, type and extent of service, the deliverables, whether internal capacity exists and/or whether there is an opportunity for the transfer of skills. At 14 departments (11%) the consultants were appointed without conducting a needs assessment and at five (4%) the needs assessments performed were inadequate. This is an improvement from 2013-14 when no needs assessment was done at 15% of the departments but a regression in the number of departments where the needs assessment was inadequate (3%).

- As part of the bidding process, there should be terms of reference that clearly define what will be required from the consultant and that states the required experience and qualifications. At nine departments (7%) the consultants were appointed without terms of reference, while at seven (5%) the terms of reference were inadequate compared to nine (7%) and six (5%) of departments respectively in 2013-14.

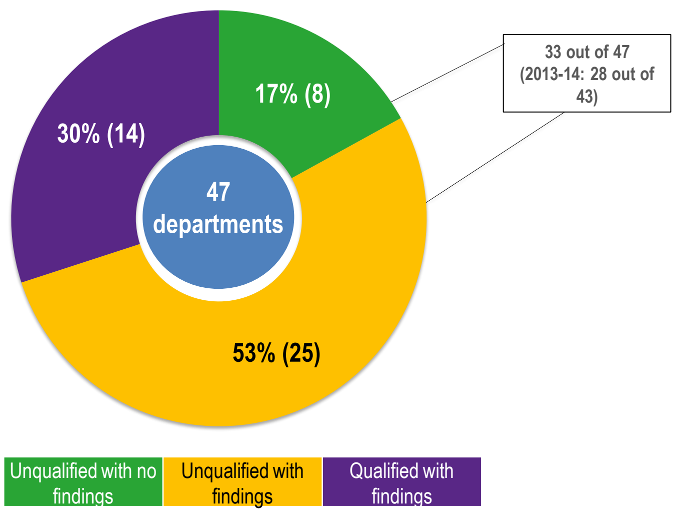
In addition to poor project management, the root cause of these findings was the lack of policies or strategies on the use of consultants as identified at 11 departments (9%). This is a regression from the eight departments (7%) in 2013-14. A policy or strategy should define the main purpose and objectives of appointing consultants and should include measures to prevent over-reliance on consultants.

While the cost of assistance by consultants declined, 111 of the 129 assisted departments also employed the services of consultants in 2013-14.

Although there are departments that do not manage their consultants effectively, the majority of departments that we audited did comply with the requirements set in the National Treasury practice note.

Consultants used for financial reporting services

Figure 2: Audit outcomes of auditees assisted by consultants – financial reporting



As shown in figure 2, a total of 47 departments (28%) (2013-14: 43 [26%]) were assisted by consultants for financial reporting services, at a cost of R500 million (2013-14: R555 million). Financial reporting services included, for example, preparing financial statements, maintaining the fixed asset register, performing bank reconciliations and preparing other monthly and annual financial reports.

More than 80% of the cost of consultants was incurred by 10 departments: the national Department of Arts and Culture, National Treasury and two provincial treasuries, four provincial departments of public works, one provincial health department and the Department of Defence

The most common reasons given by departments for appointing consultants for financial reporting were a lack of skills (47%), vacancies (9%) or a combination of the two (45%).

The audit outcomes of the departments that used consultants show that 70% of their financial statements were financially unqualified. Of the 47 assisted departments, eight (17%) received an improved opinion, (2013-14: seven [17%]), 22 (47%) were again financially unqualified, while 19 (40%) had not been assisted during 2013-14. Twenty-six departments (55%) have now been assisted for the past two years, which underscores the concern raised regarding skills transfer, the management of vacancies and skills retention/acquisition. Good audit outcomes cannot always be attributed directly to the work of the consultants, but consultants do make a positive contribution to the quality of financial statements submitted for auditing.

Of the 47 departments assisted by consultants for financial reporting services, 29 departments had no material misstatements in their financial statements submitted for auditing. Eighteen departments had material misstatements, five of which had repeat findings.

In our assessment, the main reasons for the limited impact of consultants on the audit outcomes were poor project management by departments and consultants being appointed too late in the audit year for their work to make a difference to the outcomes.

SECTION 6: GOVERNANCE AND CONTROLS

Figure 1: Overall drivers of internal control did not improve

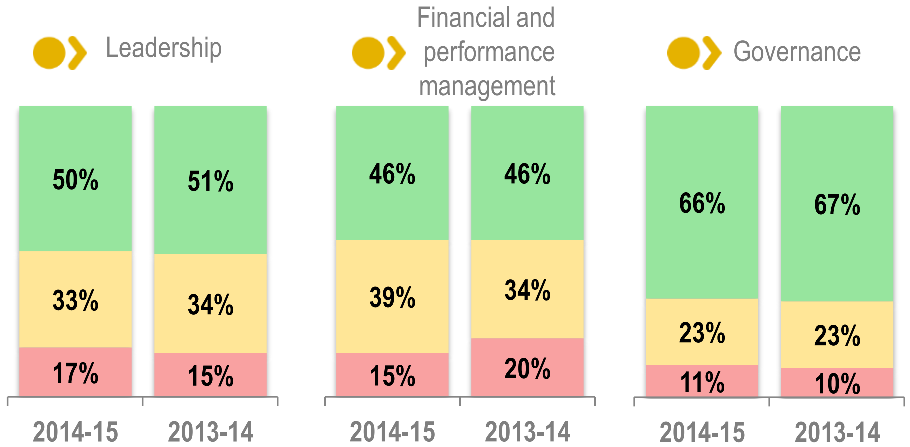


Figure 2: Aspect of drivers of internal control requiring most attention

Audit areas and number of auditees

	Financial statements			Performance reports			Compliance with legislation		
Effective leadership	70%	23%	7%	73%	20%	7%	65%	26%	9%
Human resource controls	50%	35%	15%	59%	29%	12%	49%	34%	16%
Audit action plans	49%	37%	14%	56%	31%	13%	50%	35%	15%
IT governance and controls	28%	53%	19%	Not assessed			Not assessed		
Proper record keeping	49%	34%	17%	54%	29%	17%	54%	32%	14%
Daily and monthly controls	44%	40%	16%	58%	26%	16%	56%	33%	11%
Review and monitor compliance	40%	42%	18%	55%	28%	17%	29%	46%	25%

Table 1: Progress made in improving drivers of internal control

Portfolio	Leadership	Financial and performance management	Governance
National auditees	→	→	→
Eastern Cape	↓	→	↑
Free State	↑	↑	↑
Gauteng	→	→	→
KwaZulu-Natal	↑	→	↓
Limpopo	↑	↑	↑
Mpumalanga	↓	↓	→
Northern Cape	↓	→	→
North West	→	→	↑
Western Cape	→	→	→

Good | Concerning | Intervention required (Also applies to the remainder of this section)

6.1 Status of internal controls

A key responsibility of accounting officers, senior managers and officials is to implement and maintain effective and efficient systems of internal control. We assessed the internal controls to determine the effectiveness of their design and implementation in ensuring reliable financial and performance reporting and compliance with legislation. To make it easier to implement corrective action, we categorised the principles of the different components of internal control as either leadership, financial and performance management, or governance. We call these the drivers of internal control.

Status of the drivers of internal controls

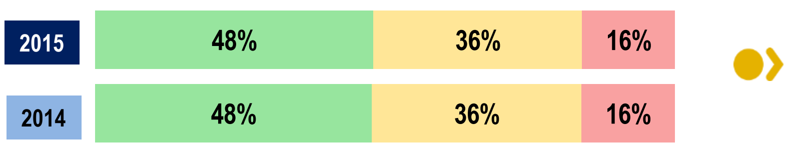
Figure 1 shows the status of the different areas of internal control and the overall movement since the previous year. The lack of overall improvement is the result of some national and provincial auditees having made progress, which was offset by the regression and stagnation of other auditees as seen in table one. Overall departments have shown an improvement, but public entities regressed slightly.

In sections 3.1 (quality of financial statements), 4 (quality of APRs) and 3.2 (compliance with legislation) we commented broadly on those key controls that should receive attention to improve or sustain the audit outcomes.

Figure 2 shows the status of the specific control areas requiring the most attention. The remainder of this section provides more detail on the basic controls and disciplines that need to be strengthened to improve the quality of the financial and performance reports and prevent non-compliance with legislation.

Sections 5.1 and 6.2 provide further information on the status of the human resource controls and the ICT governance and controls. The root causes have a significant impact on the effectiveness of internal controls. Section 6.3 describes the most common root causes that should be addressed if the systems of internal control are to be significantly improved.

Providing effective leadership



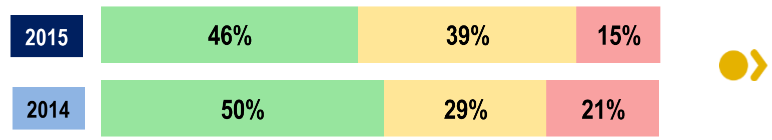
To improve and sustain audit outcomes, auditees require effective leadership that is based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the interests of the entity.

Leadership controls still requiring attention at approximately a third of auditees include the following key aspects:

- Implementing formal codes of conduct and communicating their existence and continued applicability to officials periodically.
- Monitoring the performance of key officials in maintaining adequate systems of internal control that ensure credible monthly financial reporting, reliable reporting against predetermined objectives and compliance with legislation.
- Establishing clear lines of accountability.
- Taking corrective/disciplinary action against key officials for misconduct.
- Honouring commitments made for interventions following the 2013-14 audit outcomes.

Effective leadership controls did not improve at departments (61%) or public entities (72%).

Audit action plans to address internal control deficiencies



Developing action plans and monitoring their implementation to address identified internal control deficiencies is a key element of internal control that is the responsibility of heads of departments, chief executive officers and their senior management team.

Internal controls in the form of audit action plans assessed as being ‘good’ improved at departments to 37%, but remained unchanged for public entities at 54%.

The matters requiring attention include the following:

- Setting action plans to specifically address the external and internal audit findings.
- Assigning clear responsibility to specific staff to carry out action plans.
- Monitoring to ensure that the responsibilities assigned were carried out effectively and consistently.
- Developing audit action plans early enough in the financial year to resolve matters by year-end.

- Ensuring that audit action plans address all three areas of audit outcomes: qualifications, findings on APRs and compliance with legislation.
- Focusing the actions to be taken on the root causes of the findings, thereby ensuring sustainable solutions are found.

Proper record keeping and document control

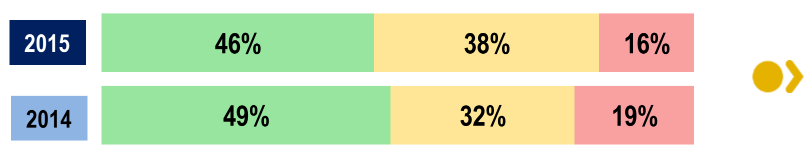
Proper record keeping in a timely manner ensures that complete, relevant and accurate information is accessible and available to support financial and performance reporting. Sound record keeping will also enable senior management to hold staff accountable for their actions.

Some of the matters requiring attention include the following:

- Establishing proper record keeping so that records supporting financial and performance information as well as compliance with legislation, and can be made available when required for auditing purposes.
- Having policies, procedures and monitoring mechanisms to manage records, and making staff aware of their responsibilities in this regard.

Record keeping and document controls assessed as being ‘good’ remained unchanged at 39% at departments while regressing at public entities to 50%, resulting in no significant overall improvement.

Implement controls over daily and monthly processing and reconciling of transactions



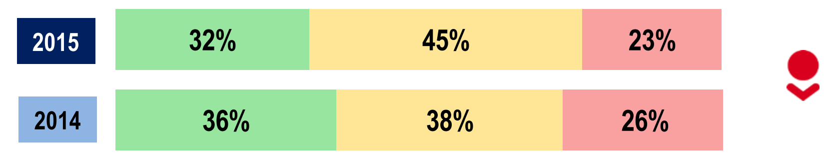
Controls should ensure that transactions are processed in an accurate, complete and timely manner, which will reduce the errors and omissions in financial and performance reports.

Some of the matters requiring attention include the following:

- Daily capturing financial transactions, supervisory reviews of captured information and independent monthly reconciliations of key accounts.
- Collecting performance information at intervals appropriate for monitoring set service delivery targets and milestones, and validating recorded information.
- Confirming that legislative requirements and policies have been complied with prior to initiating transactions.

Good processing controls were established at 41% of departments (unchanged); while regressing at public entities from 55% to 50%.

Review and monitor compliance with legislation



Auditees need to have mechanisms that identify applicable legislation as well as changes to legislation, assess the requirements of legislation and implement processes to ensure and monitor compliance with legislation.

As detailed in section 3.2, many auditees did not comply with legislation. This indicates that the internal controls of most auditees not only failed to prevent non-compliance with legislation, but also failed to detect the deviations in time. Some deviations were only detected and responded to following our audits.

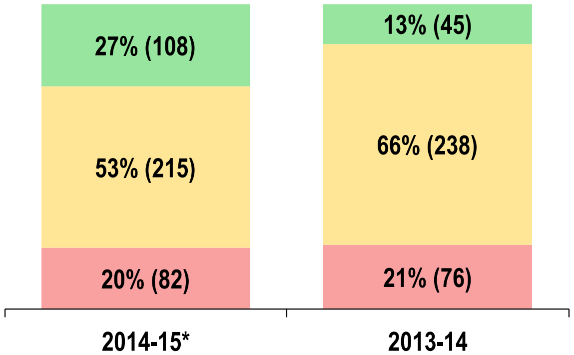
At 28% of departments and 50% of public entities, controls to prevent or detect non-compliance with legislation were clearly short of the required level. Further, these controls improved over the previous year only at public entities.

Compliance monitoring matters requiring attention are included in our recommendations in section 3.2.

Annexure 3 details the status of auditees’ key controls and the movement since the previous year.

[This page is intentionaly left blank]

Figure 1: Status of information technology



** IT governance has now been incorporated in the overall assessment, thus contributing to the improvement*

Figure 2: Status on the information technology focus areas

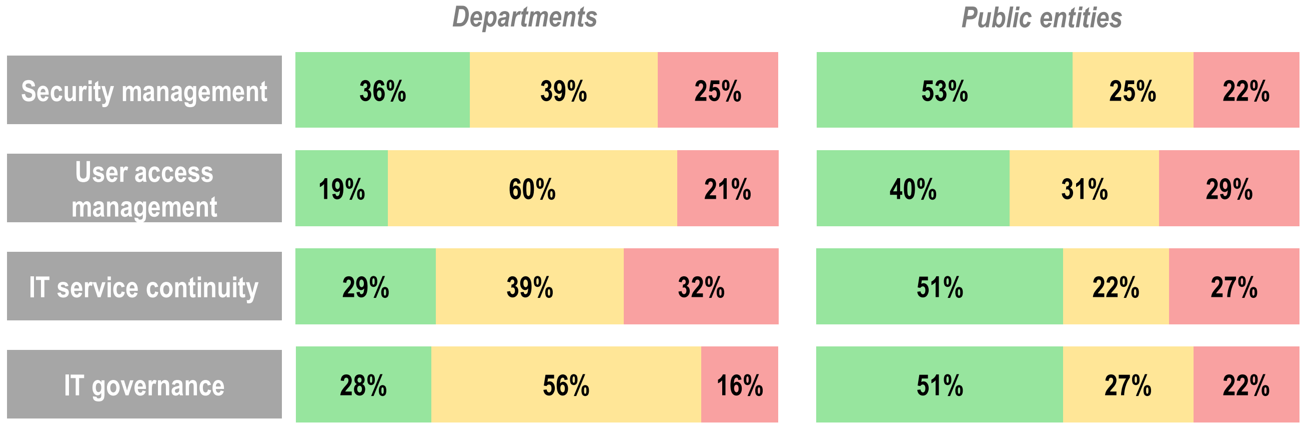


Figure 3: Progress made in improving findings

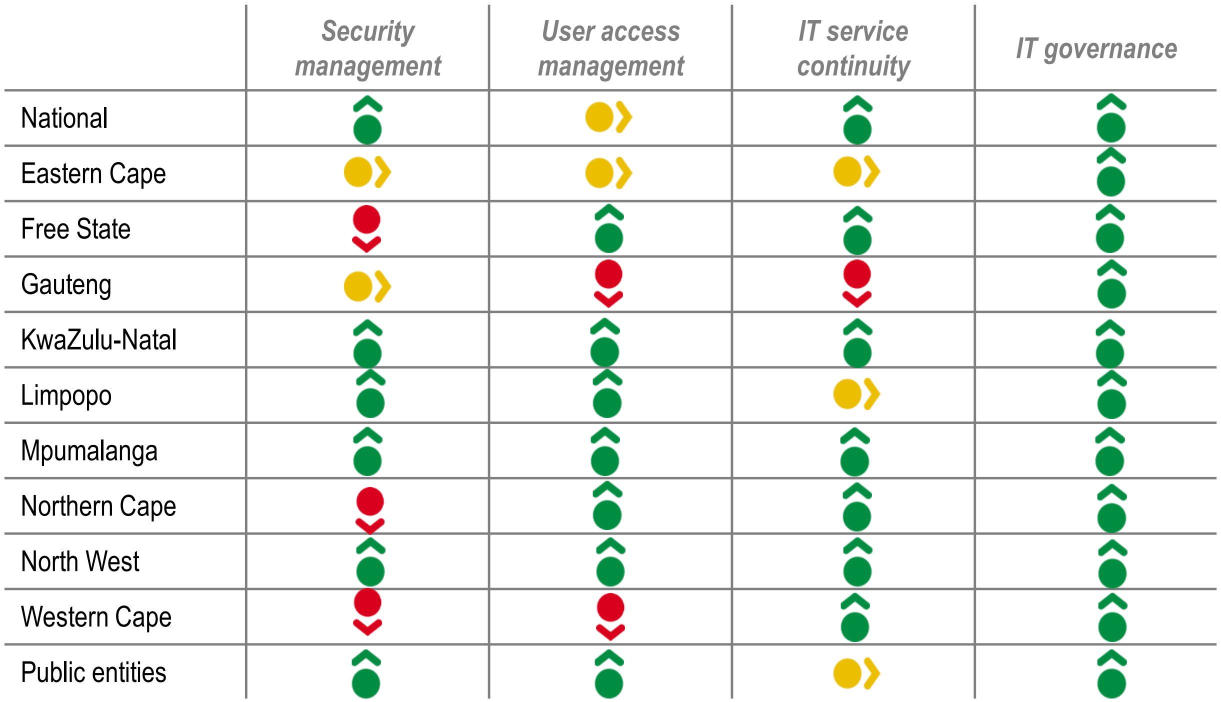
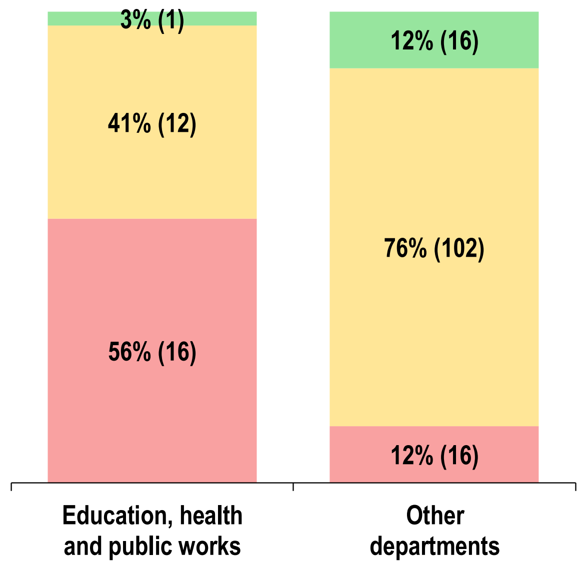


Figure 4: Status of information technology – Education, health and public works vs. other departments



Good | Concerning | Intervention required

6.2 Information technology controls

IT controls ensure the confidentiality, integrity and availability of state information, enables service delivery and promotes national security. It is thus essential for good IT governance, effective IT management and a secure IT infrastructure to be in place.

Effective IT governance underpins the overall well-being of an organisation's IT function and ensures that the organisation's IT control environment functions well and enables service delivery.

6.2.1 Overview of the status of information technology focus areas

Our audit included an assessment of the IT controls in the areas of IT governance, security management, user access management and IT service continuity. Figure 1 shows that there has been a reduction since the previous year in the number of auditees that had audit findings on IT controls and that IT governance has been incorporated into the overall assessment. An analysis of the audit outcomes indicated that at a small number of auditees good progress has been made in addressing previously raised findings.

Figure 2 above outlines the status of the controls per focus area audited at departments and public entities and indicates whether the IT controls are good, concerning, or require intervention. Figure 3 indicates the progress made since the previous year in addressing areas of concern at departments at both national and provincial levels, as well as at public entities.

The most common findings were the following:

- IT governance frameworks and structures had not been adequately designed and implemented for the majority of the departments' IT environments, while public entities were more successful in the design, implementation and operating effectiveness of IT governance.
- Most of the departments and some public entities still experienced challenges that emanated from a lack of adequately designed security policies and procedures, while some auditees who had already designed adequate security policies and procedures had not succeeded in implementing them successfully.
- The design of user access management policies and procedures remained a challenge at most of the departments and public entities, while departments and public entities where user access management policies and procedures had been developed experienced difficulties in implementing them. However, good progress had been made at a small number of auditees in the implementation of user access management policies and procedures.
- Most of the departments and some public entities still experienced challenges with the design and implementation of appropriate business continuity plans (BCPs) and disaster recovery plans (DRPs). The management of backups also remained a challenge as most of the auditees did not test their backups to ensure that they could be restored when required. In the case of departments that make use of transversal systems, the data hosted on these systems is available at the disaster recovery site of the State Information Technology Agency (SITA). In all other cases, both departments and entities have to make provision for their own data recovery strategies.

Impact of transversal IT systems on audit outcomes

Departments use transversal systems, such as the basic accounting system (BAS), personnel salary system (Persal) and logistical information system (Logis), to manage financial information. Transversal systems are centrally hosted, managed and maintained by government.

The audit outcomes reported for departments related to weaknesses in manual controls that gave rise to material misstatements and were therefore not the result of weaknesses in the IT controls of transversal systems. Manual controls are internal controls implemented by management to ensure the accurate, timely and complete initiation, recording, processing and correction of transactions.

Integrated financial management system project currently in process

Various challenges have been identified in the processes followed for the integrated financial management system (IFMS) project, which led to the delays and challenges outlined below.

The IFMS project was initiated in 2002 to replace the ageing transversal financial systems, namely BAS, Persal and Logis. Cabinet approved the project, which was intended to commence in 2005 with an estimated project timeline of seven years. However, despite project spend amounting to approximately R1,1 billion as at 31 March 2015 it has not yet been implemented. A new technological approach to the IFMS was approved by cabinet on 20 November 2013 and the incomplete modules were therefore placed on hold. Subsequent to the approval of the new approach the National Treasury revised its business case and requirements in line with the new direction for the IFMS solution. The National Treasury also prioritised the embedding and formalising of project governance processes during the current and next financial year and aims to implement the revised IFMS solution by 2022.

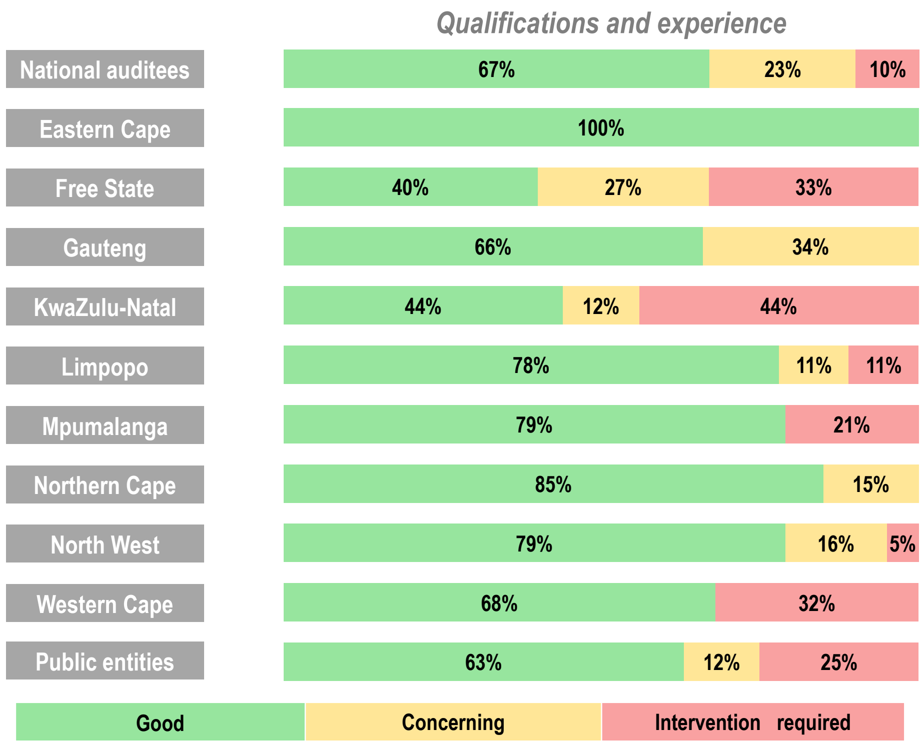
Evaluation of qualifications and experience of chief information officers

Figure 5 indicates that, for the most part, the qualifications and experience of the chief information officers/ IT managers in government are good.

Most of the chief information officers/ IT managers at departments and public entities had the qualifications and experience required to implement the IT governance structures and controls that would ensure improvement in the IT controls of government.

However, smaller public entities did not have the funding and capacity required to assign IT roles and responsibilities to a dedicated individual with the necessary skill and the required qualifications. Furthermore, in some provinces IT departments were operating at the level of deputy director or assistant director, which had a negative effect on the design and implementation of the policies and procedures required for a strong control environment to support business objectives.

Figure 5: Qualifications and experience – chief information officers/ IT managers



e-Government, e-health and e-education strategies

e-Government:

The minister of Public Service and Administration, the Government Information Technology Officer's Council (GITOC), the minister of Telecommunications and Postal Service and the State Information Technology Agency (SITA) are expected to participate in the implementation of e-government.
The e-government strategy is intended to provide a more coordinated and citizen-driven focus to the country's e-government initiatives, thus ensuring that government brings services closer to citizens through an organised and holistic adoption of ICT. The strategy is necessary to provide a clear road map for the processes and initiatives that need to be undertaken for the successful implementation of e-government. This will ensure the effective and efficient use of existing resources, coordinated efforts and sharing of common resources for the e-government services.

The office of the government chief information officer at the DPSA experienced challenges with regard to the stability of the leadership within the branch as the position of the government chief information officer was filled by an officer appointed on a short-term contract that has been renewed on a continuous basis over the past three years.

The majority of government IT officers did not understand the strategic business issues of their departments, which posed a key limitation on their ability to contribute to the initiatives driven by their departments. Some of the government IT officers were not involved in the strategic IT-driven initiatives undertaken by their departments.

e-Health:

The e-Health Strategy South Africa 2012-16 for the public health sector provides the road map for achieving a well-functioning National Health Information System (NHIS). The strategic priorities and target dates have been defined and include various projects to be executed over the duration of the strategy.
An evaluation of the progress to date has to take into consideration that the implementation of the strategy was delayed due to the national department's change to a repeatable process management methodology. As a result, the strategic priorities were redefined and key priorities aimed at enabling e-health were incorporated into the 700 public health care facilities piloted in the National Health Insurance (NHI) project. This project is aimed at reducing waiting times, improving data quality and integrity, as well as timely access to data, streamlining registers and strengthening information management.

The systems used by hospitals to order medication from depots were not integrated to ensure that adequate stock levels would be maintained, while decentralised networks hampered connectivity between hospitals, provincial departments and depots, and system downtime due to slow connectivity issues created problems in the provinces.

e-Education:

The *White paper on e-education* (2004) revolves around the use of ICT to accelerate the achievement of national education goals. The main intended outcome is to increase access to ICT to support curriculum delivery and improve learner attainment. This outcome has, however, been delayed by key challenges such as the following:

- ICT infrastructure provisioning to schools is largely dependent on the capacity of the nine provincial education departments and these departments have to contend with budget and staff constraints. Provinces also have various other priorities that are often regarded as more important than ICT initiatives.
- Broadband connectivity is a challenge, especially in rural areas.
- Many teachers are experiencing difficulties in using ICT.

The Department of Basic Education has put measures in place to accelerate the achievement of e-education in South African schools, which include deliverables and activities such as electronic content resource development and distribution; professional ICT development for management, teaching and learning; access to ICT infrastructure and connectivity. Furthermore, ICT resource centres are also being established in the provinces with the assistance of the private sector.

Status of controls at the departments of education, health and public works vs. that of other departments

Figure 4 indicates the status of the IT controls in the areas we audited at the departments of education, health and public works vs. that of other departments. It shows the number of auditees where the IT controls are good, concerning, or require intervention.

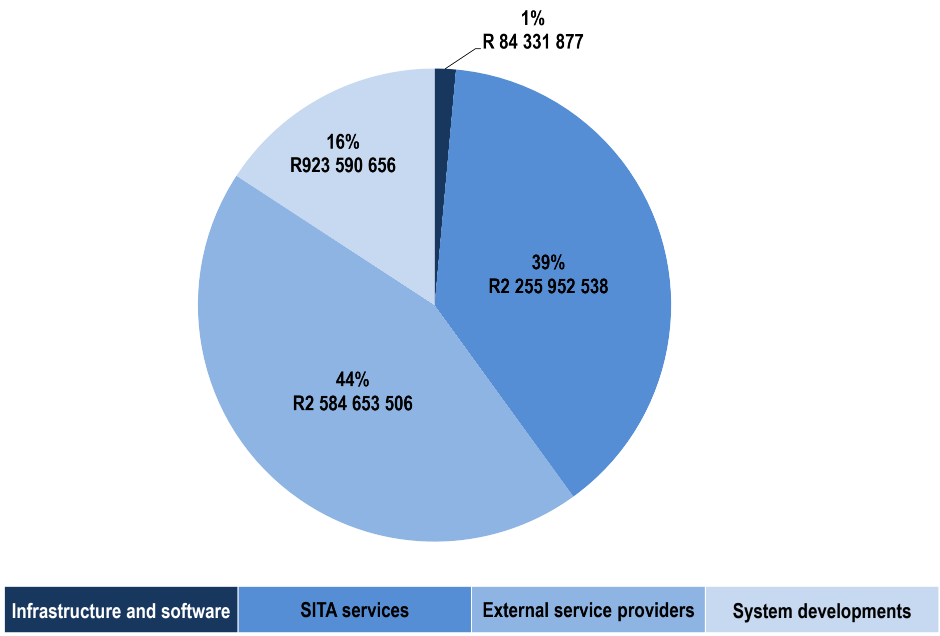
At 56% of the departments of education, health and public works at both provincial and national level intervention is required, compared to only 12% of other departments. Most of the findings raised in previous years at these three departments have not been addressed. The health and education sectors, in particular, experienced challenges with the design and implementation of IT controls, but in some provinces the departments of public works have shown some improvement since the previous year.

Expenses related to information technology at the provincial and national departments

Figure 6 provides a breakdown of the approximate IT-related expenditure in terms of infrastructure and software, SITA services, external service providers and project developments.

The split between the amounts spent on SITA support services and services rendered by external service providers was more or less equal and overall represented 83% of the total amount spent. Although the amount spent on procuring services represented the largest part of the IT expenditure, the performance monitoring processes for services provided by service providers were found to be inadequate, which resulted in payments being made by departments without monitoring whether services were delivered at the agreed upon level of quality. System developments to enhance systems only represented 16% of the expenses, while only 1% was spent on infrastructure and software licensing.

Figure 6: Expenses related to information technology at national and provincial departments



Most common root causes and the actions taken to address them

- The framework for corporate governance of ICT developed by the DPSA was adopted by most departments without customising it for their own departmental environments.
- Although the skills and experience at departments and public entities were adequate at chief information officer/ IT manager level, they were not successful in attracting staff to fill vacant key positions, such as system

controllers and information security officers. Some of these IT divisions were, furthermore, not operating on a strategic level to influence the design and implementation of adequate policies and procedures.

- Staff were not fulfilling their responsibilities by ensuring compliance with the controls established to secure and regulate their departments' IT environments.
- The approval of IT policies and procedures was not prioritised.
- The performance monitoring processes of IT service providers were not adequately enforced to ensure that services were rendered at the agreed upon level of quality or standard.

6.2.2 Recommendations

The following actions should be taken to address the findings and root causes:

- IT governance frameworks and structures should be customised by auditees for their specific environments to ensure that IT controls are governed appropriately. Continuous monitoring of the implementation and operating effectiveness of governance structures already established should be prioritised.
- Management should enforce consequence management where repeat IT findings are not addressed.
- Internal audit units and audit committees should play a more active and effective role in tracking the progress made in implementing management commitments in respect of previously raised IT audit findings and in improving IT controls generally.
- Management should ensure that service providers are monitored on a regular basis and that corrective actions are taken against them where deviations from the expected quality and standards are detected.

6.3 Summary of root causes

To assist auditee management and those charged with governance and oversight, our audits continue to include an assessment of the root causes of audit findings, based on us having identified the internal controls that failed to prevent or detect the error in financial statements and APRs as well as non-compliance with legislation.

These root causes were confirmed with management and shared in the management report with the accounting officer and the executive authorities. We also included the root causes of material findings reported in the audit report as internal control deficiencies in the audit report, classified under the key drivers of leadership, financial and performance management, or governance (refer section 6.1).

Figure 1: Status of overall root causes

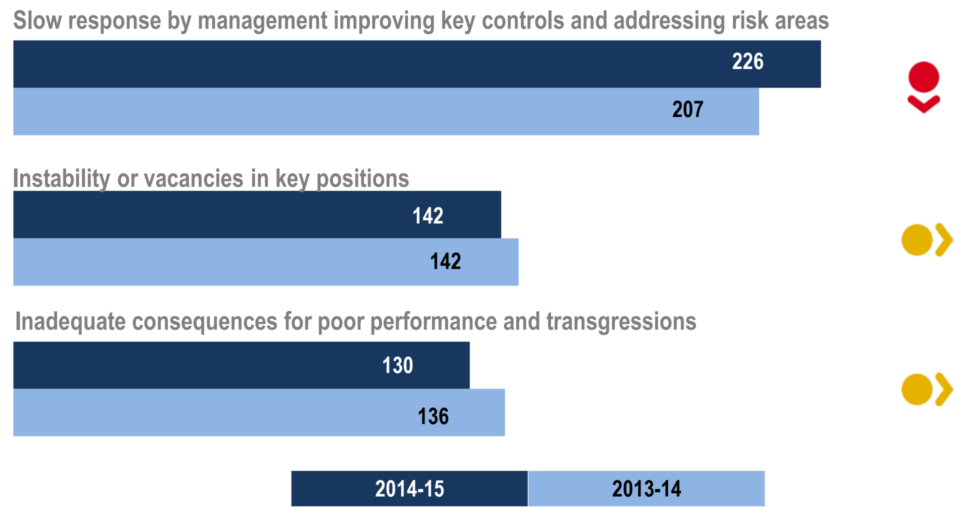


Figure 1 shows the most common root causes we identified which affect the rate at which audit outcomes improve.

Figure 2: Analysis of top three root causes in the three audit areas

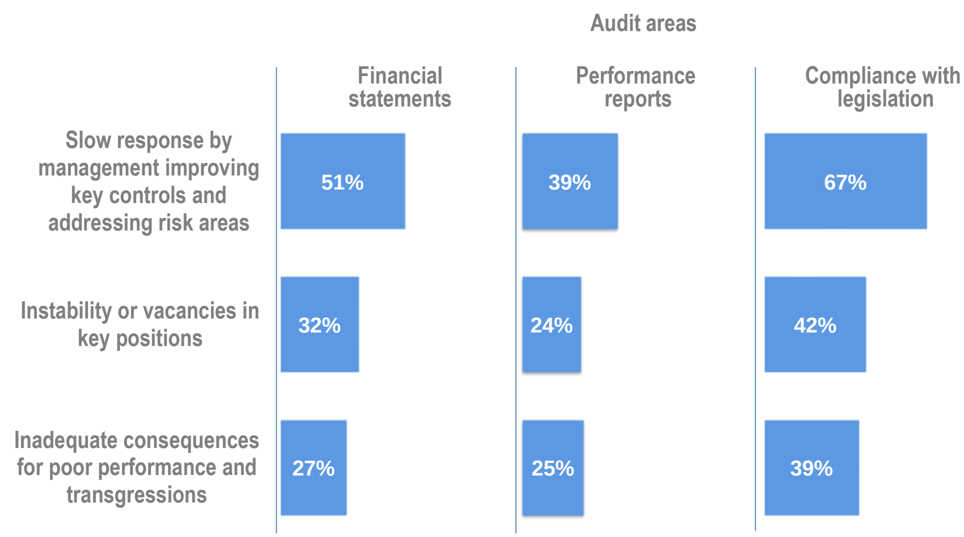


Figure 2 shows the percentage of auditees affected by the top three root causes in the three areas that we audit and report on.

The quality of financial statements is significantly affected by the slow response by management in improving internal controls (51%). The quality of performance reports are almost equally affected by each of the three root causes. Individually and jointly slow response by management (67%), instability or vacancies in key positions (42%) as well as inadequate consequences (39%) are at the root of non-compliance with legislation.

We next summarise the three most common root causes of audit outcomes and we provide recommendations to address the root causes.

Our recommendations remain largely unchanged from the previous year.

Slow response by management in improving internal controls

Detail of root cause

We identified the slow response by management (accounting officers/authorities and senior management) to our messages about addressing weaknesses in internal controls and the six risk areas as a root cause of poor audit outcomes at 73% of the 309 auditees that did not obtain clean audit opinions.

As shown in section 6.1 we found that the key controls at most of the auditees were not in place to support the preparation of quality financial statements and APFs and to ensure compliance with legislation. Role players such as the executive and coordinating institutions can positively contribute to an auditee's control environment. However, it is the responsibility of accounting officers and senior management to design and implement the controls and to ensure that they work effectively and consistently. As discussed in section 7, the accounting officers and senior management did not provide the level of assurance required and although the assurance slightly improved this first level of assurance remains lower than the other levels.

We assess the status of auditees' key controls periodically during the financial year and discuss the results with the accounting officers and key senior management officials. We specifically audit the six risk areas annually. We report all our audit findings in a management report that includes the root causes of the findings and our recommendations. Our message and the means of its delivery have been consistent for a number of years, but management's slow response to this message continues to hamper improvements in audit outcomes.

In our assessment, the slow response was prevalent at both departments (75%) and at public entities (72%), having become more prevalent at the latter, resulting in the overall increase of this particular root cause.

Our section on ministerial portfolios (section 9) and our provincial general reports provide details of commitments given and the progress thereon.

Recommendations

The following actions should be taken to eliminate slow response by management in improving internal controls as a root cause:

- Accounting officers and authorities should view the AGSA, internal audit units, audit committees and the risk management function as important partners in fulfilling their legislated responsibilities. Attention should be given to the reports of these assurance providers and there should be regular interactions with them.
- Accounting officers and authorities should ensure that senior management has action plans in place to address the internal control deficiencies identified by our reports as root causes of audit findings. The action plans should focus on the root causes of audit outcomes and not only on addressing specific findings, as this would prevent new or similar findings in future. Accounting officers and authorities should monitor the implementation of the plans.
- Executive authorities should hold accounting officers responsible for control weaknesses that are not addressed as it is an indication of neglect of their legislated duty to ensure there are effective, efficient and transparent systems of financial and risk management and internal control. In turn, accounting officers should ensure that senior managers are fulfilling their duties and address any negligence in this regard.
- The treasuries should intensify their current initiatives to support departments in improving their controls through guidance, interactions, capacity building and monitoring. Both treasuries and the departments responsible for public entities should also provide such support to public entities where it is apparent that the slow response by management is as a result of inadequate capacity and skills at management level.

Instability or vacancies in key positions

Detail of root cause

In our assessment instability and vacancies in key positions was a root cause at 46% of the 309 auditees that did not obtain clean audit opinions.

As discussed in section 5.1, the overall vacancy rates at auditees remain high, but in our view the vacancies and instability at the level of accounting officer, chief executive officer and chief financial officer are affecting the rate at which audit outcomes improve.

In our assessment, the impact of instability and vacancies is affecting audit outcomes at 55% of departments and to a lesser degree of public entities at 40%.

Recommendations

The following actions should be taken to eliminate instability or vacancies in key positions as a root cause:

- Executive authorities should appoint accounting officers in the departments where there are still vacancies and should endeavour to retain accounting officers in their positions for the period of their contract. Accounting authorities should commit to the same for chief executive officers.
- Accounting officers and authorities should fill the vacancies in senior management as soon as the position becomes vacant, with a maximum period of 12 months for a recruitment process. Particular attention should be paid to the appointment and retention of chief financial officers, heads of SCM and senior management responsible for strategic planning as well as monitoring and evaluation.
- Offices of the premier, the department of performance monitoring and evaluation, the treasuries and the departments responsible for the public entities should monitor vacancies and retention in key positions and provide support where needed.

Inadequate consequences for poor performance and transgressions

Detail of root cause

Inadequate consequences for poor performance and transgressions was a root cause of poor audit outcomes at 42% of the 309 auditees that did not obtain clean audit opinions (47% of the departments and 39% of the public entities).

Leaders and officials that deliberately or negligently ignore their duties and disobey legislation should be decisively dealt with through performance management and by enforcing the legislated consequences for transgressions. If they are not held accountable for their actions, the perception is created that such behaviour and its results are acceptable and tolerated.

The 2014-15 audits again confirmed weaknesses in the performance management of senior management. The inadequate response to the SCM transgressions, possible fraud and financial misconduct and unauthorised, irregular as well as fruitless and wasteful expenditure clearly shows a lack of consequences for transgressions. Section 5.1 includes more information in this regard.

Recommendations

The following actions should be taken to eliminate inadequate consequences for poor performance and transgressions as a root cause:

- Accounting officers and authorities should ensure that findings on compliance are investigated to determine whether there are indicators of financial misconduct or misconduct in the SCM processes, followed by disciplinary hearings where misconduct was confirmed. All unauthorised, irregular as well as fruitless and wasteful expenditure should also be investigated promptly to determine whether such expenditure should be recovered from the responsible official.
- To improve the performance and productivity of officials, the leadership should set the tone by implementing sound performance management processes, evaluating and monitoring performance, and consistently demonstrating that poor performance has consequences.
- Accounting officers and authorities, executive authorities and senior managers should demonstrate the importance of integrity and ethical values through actions and behaviour, and establish expectations for standards of conduct. The leadership should also ensure that deviations from expected standards are identified and addressed in a timely manner.