

IA
FYA
27/09/2021

SECTION A

1.0 INTRODUCTION:

A Special Assignment Audit Exercise was conducted by Internal Audit Division as per request from PS Office, on Covid-19 related expenditure. This is primarily a compliance to the Ministry of Finance requirement for the Ministry of Labour and Employment (MOLE) to provide an Internal Audit report in relation to released budget from contingency funding.

2.0 BACKGROUND:

The Government of Lesotho requested financial assistance from International Monetary Fund (IMF) to put in place mitigation efforts to curb the spread of COVID-19 and to address economic impact of the pandemic. It is against this background that the Ministry of Labour and Employment, amongst others, incurred certain urgent and unforeseen expenditure not provided for in the estimates for 2019/2020 Financial year, hence gained access to the fund. The main purpose of the funding in the Ministry was to assist Mine workers and Farm workers with food parcels, Personal Protection Equipment and procurement of testing services when returning to work in the Republic of South Africa, as well as procuring Personal Protection Equipment for the Ministry's Labour Inspectors and Occupational Safety and Health (OSH) Inspectors.

3.0 OBJECTIVE:

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The main objective of this assignment is to ensure that the funds given to the Ministry of Labour and Employment (MOLE) for COVID-19 related activities has been spent accordingly, as well as to provide reasonable assurance

regarding adequacy and effectiveness of internal controls, compliance with policies, procedures, financial laws while utilizing the contingency fund.

4. AUDIT SCOPE:

The scope of the audit is to cover expenditure related to COVID-19 activities for the financial years 2019/2020 and 2020/2021.

5. METHODOLOGY:

- Interviews were held with the following officers:
 - Deputy Principal Secretary
 - Finance Officers.
 - Procurement personnel for both headquarters and Labour department.
 - Migrant Liaising officers.
 - Director Ntlatfatsi Training Institute(NSTC).
 - Relevant Documents reviewed:
 - Requisitions.
 - Quotations.
 - Purchase orders.
 - Supplier's invoice.
 - Delivery notes.
 - Payment vouchers.
 - Stores Ledger.
 - Goods received notebook.
 - Issuing register and Waybill.
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6. LIMITATIONS:

Delay to get some information and supporting documents due to;

- e Shortage of staff at the ministry as bulk of the work is done by Interns (volunteers and Students on Work Attachment).
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- Working in rotational shifts
- Documents were still in use by Accounts Team for preparation of Ministry's Financial Statements.

One officer, absence of office space and office equipment for Internal Audit department are also major challenges causing delays with regard to execution of work.

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7. MAJOR POINTS SUMMARY:

Below is a summary of the major findings:

- UNDER EXPENDITURE OF THE SUPPLICATED AMOUNT
- COVID 19 PAYMENTS INCORRECTLY CHARGED UNDER RECURRENT BUDGET
- NO RECORDS FOR RECEIVING PPE IN THE STORES SECTION ● HIGH FREQUENCY USE OF ONE SUPPLIER
- DUTIES PERFORMED BY SCHOOL INTERNS AND VOLUNTEERS
- NON SEGREGATION OF DUTIES

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SECTION B

8. DETAILED FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

8.1 UNDER EXPENDITURE AND USAGE OF RECURRENT BUDGET

STANDARD

- An Advance of M2,115,300.00 as Contingency Fund from the Ministry of Finance was released to MOLE, of which **M1,360,000.00** was issued for procurement of food parcels for Basotho Mine Workers who were at home at the time (V MR Mine Workers) and Personal Protection Equipment (PPE) for Mine Workers and Farm Workers returning to work in Republic of South Africa; and for Inspectors. While M 755,300.00 was issued to cater for procurement of testing services for both Basotho Mine Workers and Farm Workers who were returning to work in the Republic of South Africa.
- e According to Treasury Regulations 26 (9) of 2014, before approving a payment voucher, an Authorising Officer shall ensure that the payment
 - (i) has been certified by an Examining Officer;
 - (ii) Is charged to the correct Treasury General Ledger accounts.

8.1.1 UNDER EXPENDITURE OF THE SUPPLICATED AMOUNT

CONDITION

Out of **M2,115,300.00** requested for COVID-19 activities, only M82,110.00 was utilized, which forms only 3.9% of the total budget/funding. The said amount was used for procurement of PPE materials, as depicted in table 1 below:

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Table 1

Warrant Date	Description	Amount requested(M)	Actual Amount Spend(M)	Balance
24/09/20	Food Parcels	800,000.00	0	800,000.00
	PPE for Mine Workers, Farm Workers and Inspectors	560,000.00	82,110.00	477,890.00
19/11/20	Testing services for Mine Workers and Farm Workers.	755,300.00	0	755,300.00
Totals			82,110.00	2,033,190.00

CAUSE

According to the explanation given, the under expenditure was due to the following reasons:

The money for food parcels was released late and coincided with the Miners recall to go back to work.

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Testing services failed to be acquired due to delays caused by tedious procurement procedures.

- The Employers for both Farm Workers and Mine Workers paid for the COVID-19 test for their respective employees.

8.1.2 COVID 19 PAYMENTS INCORRECTLY CHARGED UNDER RECURRENT

BUDGET

In addition to under-expenditure issue, payments amounting to M169, 622.94 for procurement of PPE which are direct expenses of COVID-19 expenditure, were wrongly charged under Recurrent Budget, instead of Contingency Fund as provided. Thus, M251, 732.94 is the total expenditure on the released budget.

CAUSE

Internal Audit has been informed that shortage of proficient staff in the Accounts Section is the main root cause. As most of the payments were processed by the newly deployed personnel from the Auditor General's Office whom were not conversant with the accounts processes and systems at the time.

EFFECT

- Funds ended tied up which could have been utilized for other government activities and pending commitments.
- Other Recurrent Budget related activities are compromised, thus basic expenses such as stationery could not be incurred.

RECOMMENDATIONS e It is advised that the Ministry should be proactive and have agile action plans to accommodate ill-timed release of funds and tedious procurement processes.

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- e The Ministry should hire suitable personnel with skills and knowledge for work to be done effectively.
- It is highly recommended that expenses and usage of funds be charged under the correct votes and/or Funding.

MANAGEMENT RESPONSES:

- The personnel in the accounts section is now conversant with the accounts processes and systems because there was assistance from Ministry of Finance (Treasury department) for a period of a month. However, a month training was not enough, therefore the Ministry has requested further training.
- Procurement Section will be more pro-active during the time of crisis and use the Public Procurement (Amendment) Regulations of 2018 section 8, subsection (1) g as opposed to following the standard procurement regulations used under normal circumstances.

8.2 NO RECORDS FOR RECEIVED PPE IN THE STORES SECTION

STANDARD

Stores Regulations of 1967 (3004) (iv), All officers who are responsible for the purchase, custody, issue, receipt or use of stores are personally responsible for performing such duties efficiently and for maintaining proper accounts as required by these regulations and Financial Orders (Part I).

3007 (i) Every Storekeeper shall have a ledger (S.54) for recording receipts and issues of stores.

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CONDITION

No records available with regard to receipt of P PE materials from suppliers in the procurement section. The main contributing factor to this discrepancy is the non-usage of Stores Ledger and/or Stores Analysis Book to record receiving and issuing of supplies. However, the dispatch book was used for officers to sign while receiving masks and sanitizers while the waybill was used for dispatch to other departments.

CAUSE

According to the explanation from the stores personnel, the discrepancies are caused by:

- Shortage of Staff, as lack of understanding and appreciation of stores guidelines and procurement regulations by volunteers and students on internship working in the department.
- o Lack of Supervision and Training by senior officer to volunteers to see to it that work is diligently executed.
- e It has been explained that it has been an ongoing practice in the stores department to update the Stores ledger only at the end of the month.

EFFECT o Inefficiency in the stock of stores as it will not be easy to see to it that there is proper movement of stock.

- o No proper audit trail, as the dispatch book was used for officers to sign and there is no trace or tally with the ledger and with goods received book.
- o It may not be easy to report stores losses as stipulated in the financial orders.

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RECOMMENDATIONS o Stores ledger/receipts/issuing registers should be used and maintained at all times to allow monitoring of stock levels.

- Continuous and proper record of dispatch and receipts of stock must be kept. That is, recording of stock coming in (addition) and stock being issued (subtraction) in the stores ledger.

MANAGEMENT RESPONSE:

The position of Procurement Assistant was advertised and the docket is currently with Public Service Commission for appointment of a candidate to fill the position.

8.3 HIGH FREQUENCY USE OF ONE SUPPLIER

CONDITION

It has been established NBN Holdings has been a major supplier of PPE to the Ministry. The implication being; the said supplier was given more preference over other potential suppliers. As a result, almost half of the total expenditure on PPE material has been consumed by NBN Holdings alone, as reflected on table 2 below:

Table 2

Name.ofthe Supplier	Purchase Order Date	Item Description	Quantity	AMOUNT (M)
NBN Holdings	22/01/21	Face shields	65	2, 990.00

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NBN Holdings	20/02/21	Surface Disinfectant Spray	48 (750ml)	1, 932.00
NBN Holdings	20/02/21	Face Masks Hand Sanitizers	50 1260(250ml)	48, 070.00
NBN Holdings	22/01/21	Wet Wipes	270	31, 050.00
NBN Holdings	16/12/20	Surgical Masks Examination Gloves	8boxes 6boxes	1, 978.00
NBN Holdings		Wet Wipes		3,050.00
NBN Holdings	20/02/21	Hand Sanitizers Spray Sanitizers	135 135	18,630.00
TOTAL				107,700.00

CAUSE o It is stipulated in the justification letter from former Procurement Manager that, NBN Holdings was the only company which had PPE material in its storage during the national lockdown. Attached as Annexure 1.

EFFECTS

- Unfair distribution of income to one or few certain suppliers.
- o It is highly probable that preferential treatment and favoritism may be given to other suppliers.

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RECOMMENDATIONS

Engagement of suppliers should not be limited to one or few suppliers. It should be fairly distributed to other potential suppliers in the similar categories.

MANAGEMENT RESPONSE:

The Ministry has overcome the use of one supplier since there are now more capable suppliers of COVID-19 PPE as opposed to 2020 National lockdown era.

8.4 DUTIES PERFORMED BY INTERNS AND VOLUNTEERS CONDITION

It has been established that the Schools Interns and Volunteers perform the duties of Procurement and Accounts Assistant Officers, as well as other duties in various departments within the Ministry in general. As a result, producing sub-standard work as per sample attached as Annexure 2.

CAUSE

Shortage of staff in the Procurement and Accounts section and the Ministry in general.

EFFECTS e Sub-standard work which does not follow the prescribed rules and regulations becomes the norm.

- Lack of accountability and responsibility from the relevant departments.

RECOMMENDATIONS

- The Ministry should fill in vacant positions and not rely on interns for departments to function.

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- o Comprehensive on-the-job training and consistent supervision should be of priority.

MANAGEMENT RESPONSE:

The Human Resources office is facilitating short courses for procurement personnel to perform duties efficiently with necessary procurement capabilities.

8.5 NON SEGREGATION OF DUTIES

STANDARD

Segregation of duties is one concept of internal controls that dictates that work be handed down from one unit and/or person to another in order to have clear lines of accountability and responsibility.

CONDITION

All PPE requisitions for the Ministry, DDP, Mine Workers and Farm Workers emanated from Administration Department.

CAUSE

Internal Audit office has been informed that; o There was a shortage of staff due to lockdown to enable proper segregation of duties.

- Administration unit is responsible for buying protective clothing hence PPE is categorized as such.

EFFECT

Possibility of intentional or unintentional errors may occur and go undetected.

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RECOMMENDATION

Requisitions should emanate from different sections and Administration unit should compile and fill in requisition based on needs and figures from all sections.

MANAGEMENT RESPONSE:

Recommendation will be implemented as it is.

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CONCLUSION:

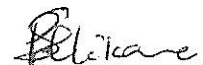
Based on the findings, observations and recommendations outlined in this report, internal audit has discovered that internal controls systems in implementing covid-19 activities are partially observed. Also, minimal dependency on interns and volunteers to carry out functions of the departments, may help avoid preventable errors. Therefore, it should be noted that for Internal Audit function to effectively execute its core function of adding value to the Ministry; Management should consider implementation of the recommendations raised in the report.

ACKNOWLEDGEMENTS:

The Internal Audit highly appreciates the cooperation offered by staff members in the audited areas who have assisted in successful completion of the exercise.

Prepared by:

P. Selikane



MEMO

FROM : Procurement Manager Labour

TO : Asst, Finance Manager Labour/ Treasury Desk Labour

REF : ~~MOL~~ **MOLE/PROC/08**



SIGNED :

NAME : Mojalefa C. Fanyane

DATE : March 2021

RE: JUSTIFICATION FOR CHOICE OF ONE COMPANY TO PURCHASE
PPE DURING LOCKDOWN

This memo serves as a justification for using NBN Holdings during lockdown. Please be reminded that during the recent lockdown, companies were not operating and the Ministry had an urgent requirement to purchase PPE for mine-workers returning from SA because they were declared untested, There was therefore a request from Mine Workers Association to be assisted by the Ministry with their PPE for when they returned to work in South Africa.

Since it was lockdown, the only company that the Ministry was able to get hold of and had PPE readily available in its storage and also willing to assist during lockdown (probably had a police permit) was NBN Holdingo The requests within the Ministry were also made periodically (hence different requisitions).

Secondly, few staff members in procurement were available on official recall (by DPS Labour) and at the time, accounts personnel

were NOT available for allocation of funds in ifmis, hence no government orders were issued at the time. When the government orders were finally prepared after lockdown, they were issued around the same date/s but the actual requests had initially been periodically on different dates.

For any further information please contact DPS Labour.

(11)

Gel Sanitizers (500ml)

ANEX 2

DATE	NAME IN FULL	OFFICE SECTION	Quantity	SIGNATURE & DATE	
20-07-20	Morongoengane ^{Tjapela}	Admin	1	M. Tjapela	
21/7/20	Alinal Tjapeta	Admin	1	Tjapeta	
3-8-20	M. H. Bereng	OBFC	2	Bereng	
18/8/20	MSAKALLANS LERAJA	IT	1	[Signature]	
10/08/20	Minister's office Puleng Doelane	Minister	1	[Signature]	
11/08/20	Puleliso Monareng	Registered	1	Monareng	Intern
11/08/20	Nthabiseng Mokebe	Account	1	N.Mokebe	intern
11/08/20	Tseto Rampoba	Accounts	1	Rampoba	Intern
11/08/20	Ramarikhoane Manapo	Admin	1	[Signature]	Intern
11/08/20	Keletso Shale	Procurement	1	K-Shale	Intern
11/08/20	Masongoa Makhetla	Procurement Dept	1	M. Makhetla	Intern FOR MAIN ENTRANCE
10/9/20	T. Libale	Stores	5X 500ml	[Signature]	
30/9/20	MSAKALLANS LERAJA	IT	1	[Signature]	Liquid
11	Kekeliso Mofutsi	Accounts	1	[Signature]	Liquid
11	Mabohlakoa Rafatse	Switchboard	1	[Signature]	Gel
11	Morongoengane ^{Tjapela}	Admin	1	M. Tjapela	Gel
11	Alinal Tjapeta	Admin	1	Tjapeta	Gel
11	Mattholohele Paole	admin	1	Paole	Gel
11	Nthabiseng Mokebe	ACCOUNTS	1	N.Mokebe	gel
11	Tseto Rampoba	Account	1	Rampoba	Gel
11	Ramarikhoane Manapo	Admin	1	[Signature]	Gel
11	Mamoketsi Mochetele	REGISTER	1	M. Mochetele	Gel
11	SPS - Secedang	SPS	2	M. Mochetele	Gel
11	Tjapelo Molotsi	HR	* 1	[Signature]	
11	Thabelang Mohale	HR	1	[Signature]	Gel
11	Rethabile Moseane	HR	1	[Signature]	
11	Marthato Bulane	HR	1	[Signature]	
11	Lethehonyole Mochetele	Registry	1	M. Mochetele	Gel
11	Lekants'o leatsole	Min Office	3	L. Lekants'o	Sanitizer