

EPWP INFRASTRUCTURE SECTOR

INCENTIVE GRANT MANUAL



FIRST EDITION
OCTOBER 2009





The Expanded Public Works Programme (EPWP) is one of an array of government strategies aimed at addressing unemployment. Phase I of the programme commenced on 1 April 2004 and had the goal of creating one million work opportunities over its first five years.

The second five-year phase of the EPWP will be implemented over the 2009-2014 financial years with the aim of creating 2 million Full Time Equivalent Jobs (4.5 million work opportunities) by the end of the period. While the second phase is a continuation of the first phase in many ways, one of the amendments in the second phase is to increase the focus on the creation of temporary work opportunities that provide income to the poor and unemployed and the primary outputs of the programme have been defined as Full Time Equivalents. The sectors and their individual programmes will, where appropriate, define the training, exit strategy and SMME development outputs which will vary considerably from sector to sector. Another change in the second phase is the introduction of an EPWP wage incentive through a grant for provinces (starting on 1 April 2009) and municipalities (starting 1 July 2009).

The intention of the EPWP incentive grant is to increase job creation efforts by provinces and municipalities by providing a financial performance reward. The incentive is structured to reward provinces and municipalities that create EPWP work by reimbursing them a portion of their wage costs. The more employment created, the higher the incentive that will be paid out.

The purpose of this manual is to explain in detail how this incentive will function and how it will be rolled out to provinces and municipalities over the coming years. It is intended to provide information on how they can access the incentive; and what administrative and managerial requirements need to be in place to ensure continued access.

In each chapter of the manual, it will distinguish the user of such information; the following users have been identified:

- a Implementing public bodies eligible to receive the incentive grant
- b Technical Support Staff assisting public bodies in terms of the Management Information System and Reporting
- c Internal Audit units (of public bodies and DPW)
- d Provincial and Municipal Treasuries.

Note regarding Version 1 (October 2009)

This is the first version of the manual issued by the Department of Public Works in October 2009. Since this incentive grant is new, the Department may issue amendments to this manual or an updated version from time to time. While the Department will make all efforts to communicate and changes or updates to the manual, all users are encouraged to ascertain with the EPWP Unit or on the EPWP website (www.epwp.gov.za) from time to time whether such updates have been issued.



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PRINCIPLES OF THE EPWP INCENTIVE GRANT
(APPLICABLE FOR ALL USERS)



CHAPTER I

“The nature of the Expanded Public Works Programme is one of a cross cutting government programme implemented across all spheres of government as well as all sectors.”



There are key principles that underpin the design and phased-in implementation of the Expanded Public Works Incentive Grant. These are explained below:

1.1 Mobilising all of Government

The nature of the Expanded Public Works Programme is one of a cross cutting government programme implemented across all spheres of government as well as all sectors. A key focus in the second phase of the EPWP is to more formally mobilise all spheres of government and public bodies to contribute to the EPWP targets. This is critical for ensuring that all of government takes ownership of the EPWP and its objectives; ensuring that all public bodies increase their contribution to the programme as planned and that there is a way of holding public bodies accountable for achieving EPWP outcomes.

The success of the EPWP is based on intergovernmental coordination and cooperation to mobilise all spheres of government and performance against job creation targets. While a set of proposed performance targets have been formulated for all spheres of government and public bodies by National Public Works (as the EPWP lead department), DPW will in the coming months formalise these performance targets with individual public bodies through the signing of agreements in which each public body will commit to a set of targets for the coming years. This agreement will also be one of the requirements for public bodies to access the incentive grant.

One of the key lessons from the first phase of the programme was that it was not realistic to assume that the capacity to implement EPWP projects and programmes was available in all public bodies. The operational and technical support initiated by DPW, sector lead departments and provincial EPWP units in the first phase of the programme will therefore continue and will in some areas be intensified.

1.2 Incentivising the take-up of labour-intensive methods

It is assumed that the incentive grant will lead to a greater adoption of labour-intensive methods and approaches by public bodies implementing the EPWP. The incentive is designed to provide additional funds to those public bodies creating more employment using their available budgets.

One of the main reasons for not adopting labour intensive methods on a larger scale (as reported by public bodies in the first phase) was the risk of increased costs. The incentive has been designed to address this by partially funding wage costs and freeing up funds to accommodate any additional costs that public bodies would have incurred increasing the labour intensity of their projects. Where there are no additional costs, the incentive will increase the overall budget, allowing for increasing the scope of work of the public body.

1.3 Focus on rural areas

The design of the EPWP incentive grant has specific measures to increase its focus on rural areas:

- a Setting performance targets and indicative allocations based on what could be undertaken with the Municipal Infrastructure Grant (MIG) means that the basis and focus of the MIG allocations are strengthened. The rural bias in the MIG funding is enhanced by linking the EPWP incentive grant to the MIG grant.
- b For the 2009/10 financial year, the performance threshold for all non-urban municipalities has been set at zero, which means that eligible rural municipalities will be able to claim the incentive grant for all EPWP employment created in 2009/10 from the first Full Time Equivalent Job created.

I.4 Focus on EPWP work and target group

While many projects and programmes of government create employment, not all of them are classified as EPWP projects or programmes. Given the wide variation of projects implemented by government, it is not always straightforward to distinguish between EPWP projects and non-EPWP projects.

The key characteristics of EPWP projects are listed below:

- a They employ large numbers of local, low skilled, unemployed persons who are willing to work, defined as the EPWP target group
- b They are highly labour intensive: a large percentage of the overall project costs are paid out in wages to the EPWP target group
- c They provide a service to or develop an asset for the community.

For the purpose of distinguishing what work will qualify as EPWP work falling within the incentive grant, it has been set that:

- a Work that complies with the Ministerial Determination and Code of Good Practice for Special Public Works Programmes will be categorised as EPWP work qualifying for the incentive.
- b In addition to the above Code, it should be noted that:
 - Wage costs of government employees will not be eligible for reimbursement
 - Projects and programmes may not result in the displacement of existing workers or in the downgrading of existing workers' employment conditions
 - The EPWP target group is paid wages between R50 and R150 per day
 - The EPWP target group may not be paid below the rate that can be claimed back through the incentive.

I.5 Rewarding Performance

The EPWP incentive grant is designed to reward performance with respect to the creation of Full Time Equivalent Jobs. As such, only provinces and municipalities that actually create Full Time Equivalent Jobs above their set minimum performance threshold will receive the EPWP incentive grant. Those that do not perform will not be paid the incentive. The incentive is therefore entirely performance based and fundamentally different from other conditional grant allocations (which are planning based).

Because it is performance based, the incentive can only be paid after performance has happened, been reported and verified. Public bodies will aim to create additional Full Time Equivalent Jobs while implementing their projects from their existing infrastructure grant budgets; and will receive after every quarter, a payout based on the number of FTEs created.

In addition, the allocation indicated in the 2009 Division of Revenue Act is just an indication of the amount available for payout to the respective public body within the budget appropriated by Parliament. The actual amount the public body will receive is entirely based on the number of Full Time Equivalent Jobs created above their set minimum performance threshold.

I.6 Scope/ coverage of the Incentive Grant phased-in over time

The EPWP wage incentive is the first introduction of a performance incentive in government. As such, the scope and coverage is limited in 2009/10 as the incentive grant is introduced; but this will expand significantly over the next five years.

- a *In terms of Sector coverage:* For 2009/10, the incentive grant will apply to infrastructure programmes only (with the exception of Housing infrastructure). For 2010/11, the incentive grant will be extended to other types of EPWP programmes, as determined through policy and budget proposals via interactions with Cabinet and the Ministers Committee on the Budget respectively.

- b *For the different spheres of government:* The EPWP incentive grant will be accessible to provincial departments and municipalities that have met the eligibility criteria for 2009/10. For 2010/11, the incentive grant may be extended to national departments, as determined through policy and budget proposals via interactions with Cabinet and the Ministers Committee on the Budget respectively.
- c *For Government entities:* In as far as public entities are implementing government programmes it is envisaged that they may be considered for the EPWP incentive grant in 2011/12, but further work on the feasibility and mechanisms to do this still needs to be undertaken.

1.7 Eligibility

Public bodies – provincial departments or municipalities – are not automatically eligible for the EPWP incentive grant. Specific criteria have been objectively set and consistently applied to categories of public bodies to determine whether a public body is eligible or not:

- a In order to become eligible, all public bodies need to meet the reporting requirements
- b In addition, eligible provincial departments and urban municipalities each have a set minimum performance threshold that must be met in order to be eligible to receive the incentive grant. This minimum performance threshold is the minimum number of Full Time Equivalent Jobs that must be created from the infrastructure grant funding allocated (either through the Infrastructure Grant to Provinces or the Municipal Infrastructure Grant respectively).
- For 2009/10, non-urban municipalities have a 0 (zero) minimum performance threshold, meaning that the incentive is payable from the very first FTE Job created. This is to assist the performance of non-urban municipalities in the first year of the incentive. This will be reviewed for the 2010/11 financial year.

All eligible public bodies will secure participation by entering into a standard agreement with the National Department of Public Works.



“The EPWP incentive grant is designed to reward performance with respect to the creation of Full Time Equivalent Jobs”

“The EPWP wage incentive is the first introduction of a performance incentive in government”



1.8 Commitment to transparency and accountability

It is important that the wage incentive is managed, disbursed and used in a manner that is transparent and helps to improve accountability on the EPWP. This means that:

- a *In terms of planning:* Planning for job creation must be mainstreamed within the existing planning processes for projects and programmes. This means that for municipalities, their Integrated Development Plans give expression to how the municipalities' projects and programmes will support the country's job creation goals and specifically the FTE job targets they will achieve. For provinces, this should be mainstreamed in Provincial Growth and Development Plans and Infrastructure Plans, all of which should be available to the general public.
- b *In terms of project registration and reporting:* All EPWP projects identified by eligible public bodies as contributing to their targets and for which the incentive will be claimed, must be registered on the EPWP Management Information System of the National Department of Public Works and all required information must be provided on registration and updated with monthly reporting in order to allow for the disbursement of the incentive.
- c *In terms of incentive disbursement:* There should be mechanisms within treasuries to ensure that disbursements can be easily identified and isolated for payment to the performing public body.

1.9 Effective use of funds

As articulated in the 2009 Division of Revenue Act, clause 23.3.3.b “A province or municipality which is receiving the Expanded Public Works Programme Incentive must utilise the incentive payments received for continuing or expanding job creation programmes”. The application of the disbursement is not restricted to the programme that created the FTE jobs and can be applied to new or existing job creation projects and programmes in any sector.

HOW THE EPWP INCENTIVE GRANT WORKS
(APPLICABLE FOR ALL USERS)



CHAPTER 2



“The EPWP Incentive Grant considers:...Past EPWP performance; and it builds in a bias towards rural areas.”

As with any other grant, the first steps involve determining a basis for distribution and identifying the parties eligible for the grant. The following process describes the basis of the Expanded Public Works Incentive Grant.

2.1 STEP 0: National Public Works determines the basis of the grant

Phase 1 of the Expanded Public Works Programme required that public bodies, while implementing its normal infrastructure programmes through the IGP and MIG, aim at increasing the labour intensity and labour content of these programmes. It is from this principle that the EPWP Incentive Grant had its origins.

The EPWP Incentive Grant considers:

- a The available funding provided to public bodies through infrastructure conditional grants with which jobs should be created
- b The geographic spread of unemployment in provinces and municipalities
- c Past EPWP performance; and it builds in a bias towards rural areas.

The formula incorporates all of these components.

2.2 STEP 1: National Public Works determines the Eligibility and Minimum Performance threshold

Only public bodies that meet the following criteria are eligible to participate in the EPWP incentive grant:

- a In any one financial year, to be eligible to participate in the EPWP incentive grant, public bodies must have reported to National Public Works on their contribution to job creation in a prior financial year. Because the budget process (of making proposals and budget requests) takes place between July and November, the reporting criteria is applied as follows:
 - For eligibility in 2009/10, public bodies must have reported to National Public Works on 2007/08 EPWP performance.
 - To be eligible in 2010/11, public bodies must have reported on 2008/09 EPWP performance through the EPWP Management Information System managed by National Public Works for all EPWP projects.
 - Similarly, to be eligible in 2011/12 to receive the incentive public bodies must have reported on 2009/10 EPWP performance through the EPWP Management Information System managed by National Public Works for all EPWP projects.
- b In addition, public bodies must meet the minimum performance threshold. The minimum performance threshold is the number of FTEs that must be created by the public body in delivering infrastructure and is based on their existing infrastructure grant allocations.

Determining Eligibility

After having met the reporting requirements, each public body must meet a minimum performance threshold. For the 2009/10 financial year, the minimum performance threshold of non-urban municipalities has been set at zero (0). This will be reviewed annually.

How is this threshold determined?

First, the average performance per portfolio was reviewed for the prior period (2007/08 used to determine eligibility) – in other words, how many jobs were created on average by public bodies when delivering a specific type of infrastructure in 2007/08? This industry performance was set as the FTE factor for a specific portfolio.

The FTE factor (shown in the table below) is then considered as the minimum number of FTE Jobs to be created per Rand million of the infrastructure conditional grant budget.

The following portfolios specifically have different FTE factors:

- municipal infrastructure (municipalities)
- schools (education)
- provincial roads and transport
- public works
- combined roads, transport and public works
- clinics (health).

These FTE factors will be reviewed annually by the Department.

Table 1: FTE factor per portfolio used to determine the Minimum Performance Threshold ¹

Type of Infrastructure Portfolio	FTE Factor (expressed in FTEs per R million) that will be used to determine the Minimum Performance Threshold per portfolio for 2009/10
Education Infrastructure (provinces)	5.78
Health Infrastructure (provinces)	5.78
Roads / Transport (provinces)	4.53
Public Works (provinces)	19.06
Roads, Transport & Public Works Infrastructure (combined in provinces)	4.28
Urban Municipal Infrastructure	6.00
Non-urban (rural) Municipal Infrastructure	None (for the first year of the programme, the minimum threshold has been relaxed to allow for the participation of more rural municipalities)

The relevant FTE factor is then multiplied by the Infrastructure grant allocation to the public body to determine the Minimum Performance Threshold for each public body, expressed as the minimum number of Full Time Equivalent Jobs to be created.

FTE factor x 2007/08 Infrastructure Conditional Grant Allocation = Minimum Performance Threshold

If EPWP performance for 2007/08 = or > Minimum Threshold; public body is eligible

If EPWP performance for 2007/08 < Minimum Threshold; public body is not eligible

¹ For project managers, it is the FTE factor that is most important to work toward. This will enable the public body to improve their performance on each project accumulating towards the performance target set for the public body.

2.3 Step 2: National Public Works determines the Performance Targets for Eligible Provinces and Municipalities

All provinces and municipalities that are then deemed eligible – in terms of the above criteria – will be set a performance target expressed as the total number of Full Time Equivalent Jobs the public body should endeavour to create.

The performance targets are based on:

- a The size of the appropriated provincial and municipal infrastructure grant budgets respectively (haven taken into account the specific province or municipality's share of the unemployed). Estimating the Performance Targets of provinces and municipalities based on the already established infrastructure grants to provinces and municipalities allows for due consideration of rural development needs and the current planned levels of investment in infrastructure, and how these can be managed towards broader economic participation and job creation goals.
- b The employment creation levels of unique portfolios of infrastructure that the respective departments are responsible for.
- c Each individual public body's past performance on the EPWP.

The process for setting performance targets is a two step process:

(1) Set the Base Targeted FTEs per province and municipality:

The base target is determined by applying the FTE factor to the 2009/10 infrastructure grant budget.

For example for province X, which allocates its Infrastructure Grant to Provinces (IGP) between the departments of Roads, Public Works and Education, the base target is determined as follows:

Base Target (provinces) = (X roads portfolio FTE per Rand million x 2009/10 Roads Department's share of IGP) + (X public works portfolio FTE per Rand million x 2009/10 Public Works Department's share of IGP) + (X education portfolio FTE per Rand million x 2009/10 Education Department's share of IGP)

Base Target (municipalities) = X municipal portfolio FTE per Rand million x 2009/10 Municipal Infrastructure Grant Budget

(2) Compare past performance to Base target and set final performance target:

An analysis of past performance on the grant showed significant variances in actual performance (when measured using FTEs created per Rand million). As such, the 'final performance target' was determined by using past performance as the basis for the performance improvement levels to be achieved.

If Past performance > Base Target then: Target = Past Performance + 10%

If Past performance < Base Target then: Target = Past Performance + 20%



2.4 Step 3: National Public Works (in consultation with oversight bodies) determines the Indicative Incentive Allocations

The size of each indicative incentive is calculated as follows:

(Performance Targets public body-minimum performance threshold public body) x R50 per day x 230 days per FTE

This amounts to an incentive of R11 500 per FTE. The rate of R50 per day will be reviewed annually based on inflation rates so that it at least remains constant in real terms.

Public bodies will be engaged on the performance targets and incentive allocations indicated in the 2009 Division of Revenue Act and on that basis, each participating public body will need to provide a plan on how to contribute to the set performance targets. It should be noted that while there is an indicated FTE performance target and incentive published per public body; this is qualified by the response of the public body to confirm its willingness to participate in the programme.

2.5 Step 4: Agreement concluded between Public Works and eligible public bodies

All eligible provinces and municipalities will enter into an agreement with Public Works in which provinces and municipalities must agree to participate in the incentive on the basis of the rules and conditions in place.

A standard agreement will be provided to the public body for signature:

- a The Head of each Provincial Department (HoD) will receive a standard provincial incentive agreement which must be signed and returned to National Public Works before the first quarter disbursement.
- b Every Municipal Manager will receive a standard municipal incentive agreement which must be signed and returned to National Public Works before the first quarter disbursement.
- c The agreement will specify the rules and conditions of the EPWP Incentive Grant and requires that the incentive grant is managed in accordance with this manual.

The key obligations of each party will be stipulated in the agreement.



“The EPWP Incentive Grant considers:...The geographic spread of unemployment in provinces and municipalities”

2.6 Step 5: Progress reporting by public bodies and payments

In order for the incentive to be paid out based on actual performance; there is standard information required from public bodies to be submitted and there are standard procedures for securing participation, registering EPWP projects to be reported, reporting progress, verifying data and receiving the incentive (as detailed in Chapter 5).

- a *In terms of Registration:* Provinces and municipalities are required to load all their EPWP projects onto DPW's EPWP MIS and update project information at every monthly reporting cycle. It is the responsibility of the public body to ensure that their projects have been registered and the information provided is correct. There is standard project information required when registering projects as part of the programme. This is gathered through various forms and loaded onto DPW's EPWP Management Information System. Every project manager must ensure that the required data is collected, updated, filed and provided to the public body on a monthly basis. National Public Works will provide assistance to public bodies in the 2009/10 financial year via technical support staff (TA) at provincial or municipal level that will collect the data from the public body and load the information onto the EPWP MIS. Key data that must be collected every month mainly includes: beneficiary information, site information, payment information and performance information.
- b *In terms of Reporting and payment:* To ensure that data is collected every month and that the incentive is paid out every quarter, the public body must report all required project information on the EPWP MIS within 7 days of the close of every month. All information loaded on the EPWP MIS must be "signed off" by the relevant public body (represented by the delegated official). There will be a process of validation with the public body thereafter. By 14 days after the close of the month, the EPWP MIS will produce a progress report for each province and municipality based on performance as reported into the MIS. National Public Works will verify that the reports meet the requirements, including audit and compliance requirements and once satisfied will process payments to the respective municipality or provincial treasuries within 30 days after the end of the quarter.

How will the payment be calculated?

The example below provides an overview of how the payment against the indicative incentive will be determined.

The Provincial Department of KZN has a set minimum performance threshold of 2596 FTEs, a performance target of 12323 FTEs (which would translate to an annual allocation of R111.861 million, but because only 3 instalments would fall into the 2009/10 financial year, this must be discounted by the quarter 4 payment); thus an indicative incentive allocation of R83.9 million.

Table 2: Example of Incentive payments for performance

Example: KZN Transport

	Cumulative Threshold	Cumulative Target	Cumulative Achievements	NET Threshold for Quarter	NET Target for Quarter	NET Achievements for Quarter	Number FTE's for Payment	Payment
Quarter 1	649	3081	3000	649	3081	3000	2351	27,036,500
Quarter 2	1298	6162	6000	649	3081	3000	2351	27,036,500
Quarter 3	1947	9242	9242	649	3081	3242	2593	29,819,500
Quarter 4 (falls into 2010/11)	2596	12323	12323	649	3081	3081	2432	27,968,000
Full year total	2596	12323	12323	2596	12323	12323	9727	111,860,500
3 Quarters in DORA	1947	9242.30	9242	1947	9242.25	9242	7295	83,892,500
DORA	2596	12323	12323	2596	12323	12323	9727	83,900,000



Once a public body exceeds the set quarterly minimum performance threshold of FTEs, Public Works will start paying out for every FTE created above the minimum performance threshold as per the example. So, although an annual FTE performance target and an indicative incentive allocation are determined for each public body for 2009/10, these are 'indicative allocations'. This means that the actual amount that will be paid out within the financial year does not necessarily have to be the same as the indicative allocation.

- c There will be an ongoing audit process to ensure that payments are made for actual work done.
- d Receipt of the incentive: Public bodies will receive an allocation and disbursement schedule every quarter updating them on progress towards targets and the amount disbursed based on performance. It is the responsibility of public bodies to check that they have received the incentive disbursed.
- e Use of the incentive: As per the Division of Revenue Act, the incentive received must be used for growing or improving job creation programmes.

2.7 Step 6: Adjustments to Division of Revenue Allocations

Depending on the number of FTEs created by public bodies, the indicative incentive published in the 2009 Division of Revenue Act may be adjusted and if need be, an additional amount may be requested as part of the Adjusted Estimates of National Expenditure in order to fund the incentive for public bodies that exceed their targets.

The following factors will determine how the allocations are adjusted:

- a Performance by public bodies:
 - Public bodies that partially meet their targets will be paid the incentive on a pro-rata basis up to the full incentive amount as published in the 2009 Division of Revenue Act.
 - Incentive amounts from underperforming public bodies will be re-allocated to over performing public bodies. Projected performance will be based on actual performance to date and project plans.
 - Public bodies that exceed their targets may be paid an incentive in excess of their published incentive amount, subject to the availability of funds.
- b- National Public Works will undertake a midyear progress assessment of the programme and, in preparation for the Adjusted Estimates, make projections (estimates and plans) for the remainder of year for the programme in consultation with public bodies. This will be based on an updated programme performance report; projects in place and registered; the potential and basis for expansion; and the compliance status for participants. On this basis, Public Works will prepare the necessary motivation for adjusting the allocation in DORA.

INSTITUTIONAL ARRANGEMENTS,
ROLES & RESPONSIBILITIES

(APPLICABLE FOR ALL USERS)



CHAPTER 3

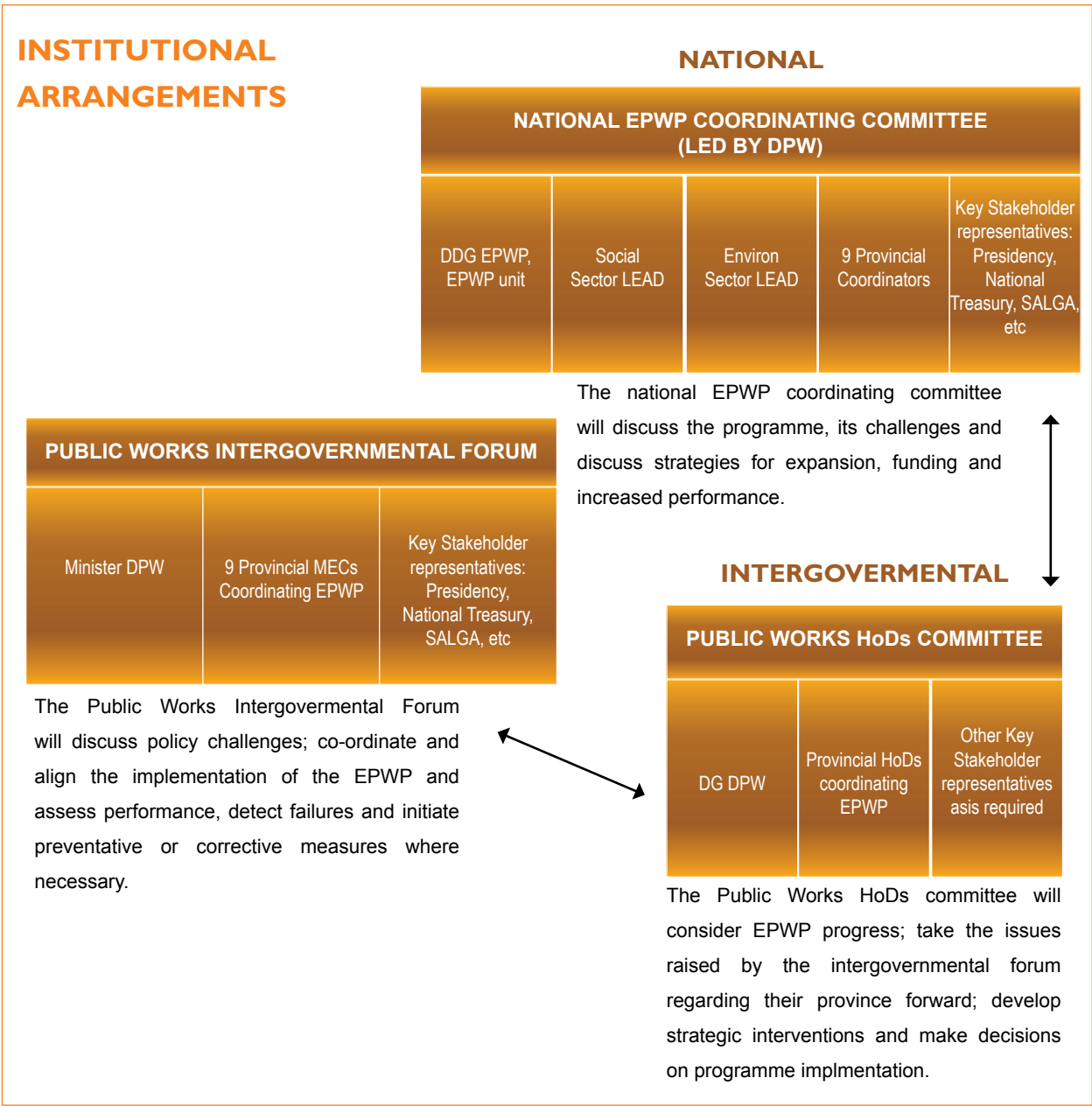
“The nature of the Expanded Public Works Programme is one of a cross cutting government programme implemented across all spheres of government as well as all sectors.”



3.1 Institutional Arrangements

There are various levels at which planning, coordination, implementation and management and reporting should take place. Figure 1 below reflects the institutional arrangements across the spheres of government that will manage the implementation of EPWP.

Figure 1: Coordination Arrangements for EPWP Coordination



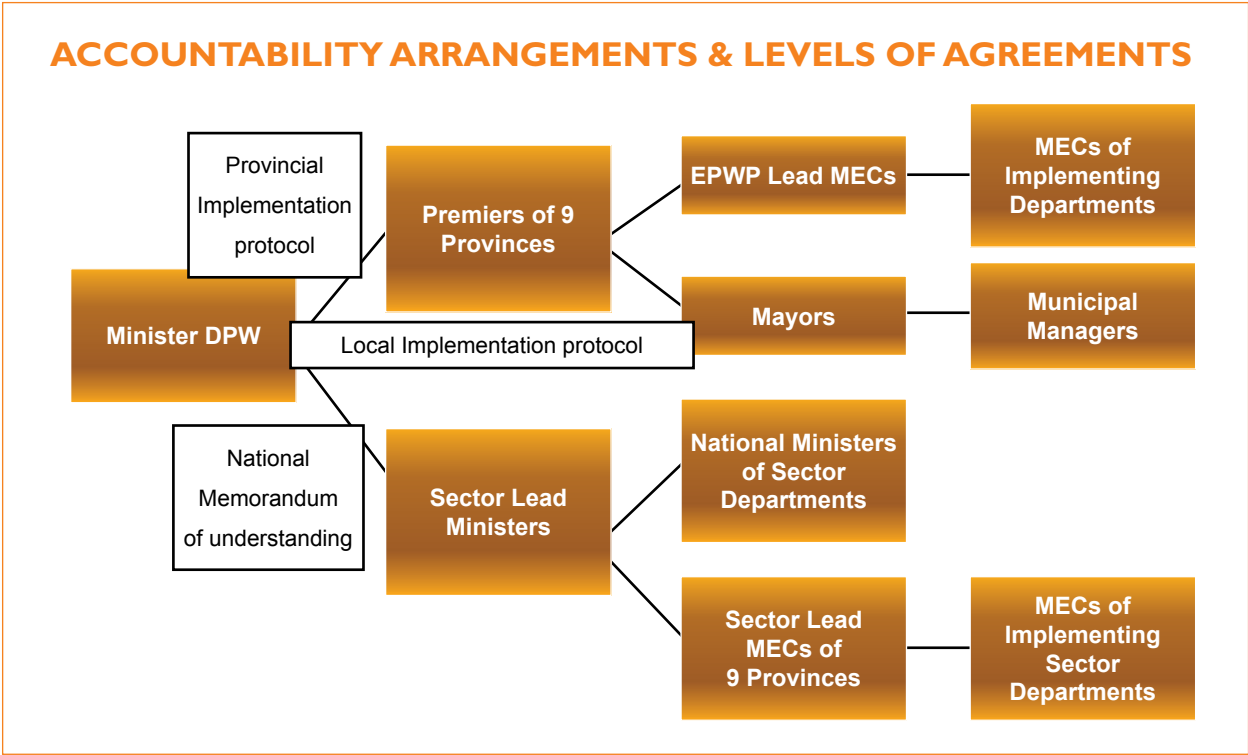
At the national level of government, the responsibility for the overall coordination of the programme will continue to rest with National Public Works. The DPW will also coordinate the infrastructure sector. The environment and culture and social sectors will be coordinated by the Department of Environmental Affairs and Tourism (DEAT) and the Department of Social Development (DSD) respectively.

National Public Works will coordinate the structures above to ensure the effective implementation of the programme:

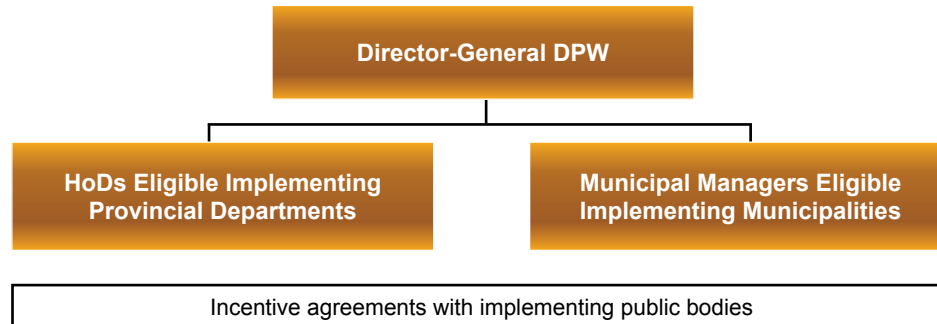
- a A Public Works Intergovernmental Forum whose focus will be coordinating the programme across all government spheres and sectors at an executive level.
- b A Public Works Head of Department Committee whose focus will be on provincial implementation challenges.
- c A national EPWP coordinating committee that is a technical working committee with sector and provincial representation aimed at assisting strategies for implementation, expansion and funding is developed and taken forward.

Figure 2 below reflects the accountability arrangements across the spheres of government that will be accountable for the implementation of EPWP as a whole and the range of agreements that will be concluded to ensure the commitment by all spheres of government to their respective targets. These overall commitments will be strengthened by the signing of Intergovernmental Implementation Protocols in accordance with the Intergovernmental Relations Act. These protocols are separate agreements from the incentive agreements (which deal specifically with the allocations and disbursement of the EPWP incentive).

Figure 2: Accountability Arrangements for EPWP Implementation



ACCOUNTABILITY FOR THE INCENTIVE AGREEMENT



3.2 Roles and Responsibilities of the parties

The key obligations of the implementing public body and the National Public Works required for the implementation of the EPWP Incentive Grant are detailed in the incentive agreement. Below is a sense of what this agreement captures:

Obligations of the eligible implementing public body

The public body must:

- a Prepare an EPWP project plan as part of its Infrastructure plan or Provincial Growth and Development Plan (for provincial departments) or Integrated Development Plan (for municipalities), recording the measures that it will implement in order to meet or exceed its performance target
- b Register all of its EPWP projects on the DPW's EPWP Management Information System by providing the information required in the EPWP MIS project data fields
- c Implement their planned EPWP projects
- d On a monthly and quarterly basis, report to DPW on the progress of its EPWP projects in order to update the status of these projects on the EPWP MIS
- e Maintain project and payroll records as specified in the EPWP audit requirements stipulated in the EPWP Incentive Grant Manual for all of its EPWP projects
- f Ensure that these project and payroll records are available for auditing by DPW
- g Comply with the terms of the EPWP Incentive Grant Manual, as amended from time to time, the relevant provisions of the 2009 Division of Revenue Act, the Incentive Agreement and any other terms and conditions determined by DPW
- h Comply with the directions of DPW regarding the contents of, and the form and manner in which, information regarding EPWP projects is provided and registered on the EPWP MIS.

“The key obligations of the implementing public body and the National Public Works required for the implementation of the EPWP Incentive Grant are detailed in the incentive agreement”



Obligations of the National Department of Public Works

National Public Works will:

- a Assist the public body in preparing its EPWP project plan by helping to identify suitable EPWP projects and advising on the targets for such projects
- b Provide public bodies with support and assistance as agreed by the parties in order to promote the achievement of the public body's performance target; this may include providing technical support
- c Disburse the EPWP incentive grant for actual performance in each quarter, within 30 days of the end of the quarter, provided the public body has complied with the terms of the Incentive Agreement
- d Audit and verify the performance of the public body and determine the amount of the EPWP incentive grant that the public body will receive based on the public body's actual performance each quarter
- e Revise the public body's indicative incentive allocation based on actual and projected performance for 2009/10 in the Adjusted Estimates of National Expenditure
- f Adjust the final EPWP incentive grant payment to the public body based on the final audited performance results of the public body.

CONDITIONS APPLIED TO THE EPWP INCENTIVE GRANT
(APPLICABLE FOR IMPLEMENTING PUBLIC BODIES)



CHAPTER 4



“There are specific conditions that must be adhered to in by those accessing the Expanded Public Works Incentive Grant.”

There are specific conditions that must be adhered to in by those accessing the Expanded Public Works Incentive Grant.

4.1 General Conditions

The general conditions that apply to the grant are captured in detail in section 3 that deals with how the grant works.

Below is a quick summary view of what these are:

- a *Eligibility (Set out in detail in Chapter 2 Section 2.2 of this manual)*: Public bodies must meet the eligibility criteria in order to receive the incentive.
- b *Registration (Set out in detail in Chapter 5 Section 5.1 of this manual)*: All eligible public bodies must conclude an agreement with National Public Works in which they must agree to participate in the incentive on the basis of the rules and conditions in place.
- c *Reporting (Set out in detail in Chapter 5 Section 5.3 of this manual)*: All eligible public bodies must register all EPWP projects for which they will be claiming the incentive on DPW's EPWP management information System for the relevant reporting period; and update progress on these projects monthly by the required date in order to receive the incentive.
- d *Disbursement (Set out in detail in Chapter 6 of this manual)*: For provinces, provincial treasuries can only allow draw downs on the incentive grant in accordance with DPW's quarterly disbursement letter and must ensure that the funds are paid to the department whose performance is being rewarded.

4.2 Conditions in terms of the DORA Conditional Grant Frameworks

The conditions of the EPWP incentive grant are specified in the 2009 Division of Revenue Act. Section 23 of the DORA deals specifically with the EPWP incentive grant, but there are general provisions of the DORA that also apply to the EPWP incentive grant. The grant schedules attached to the DORA detail the specific conditions for provinces and municipalities. The full text of section of the DORA can be found at <http://www.treasury.gov.za>.

The conditions specified in the grant frameworks attached to the DORA are provided below:

Provinces	
Conditions	<ul style="list-style-type: none">• Targets along with incentive amounts to be paid out if targets are met, are published in the 2009 Division of Revenue Act• Works through the EPWP Management Information systems• All reported data must be subjected to verification and auditing• All project data must be available for auditing and performance adjusted in accordance with audited data

Municipalities	
Conditions	<ul style="list-style-type: none"> • Municipalities must conclude standard agreements with national Department of Public Works (DPW) by August 2009 to comply with the rules and conditions of the programme • Municipalities must include EPWP project plans and FTE targets in their Integrated Development Plans (IDPs) and register EPWP projects and FTE targets in National DPW's EPWP Management Information System (MIS) • Municipalities must report monthly to DPW through National DPW's EPWP MIS on all their projects for which they are claiming the incentive • Municipalities must maintain project and payroll records as specified in the EPWP audit regulations. All project and payroll data must be available for auditing, and performance will be adjusted in accordance with audited data

4.3 Requirements in terms of the 2009 Division of Revenue Act

The EPWP Incentive Grant has been classified as a Schedule 8 Grant in the 2009 Division of Revenue Act. As such, the following general conditions apply to the grant. In interpreting the stipulations in DORA, it should be noted that the National Department of Public Works is the transferring national officer and the eligible public body (provincial department or municipality) is the relevant receiving officer.

Duties of a receiving officer in respect of a Schedule 5, 6 or 8 allocation: Extract from DORA, Section 12

12. (1) The relevant receiving officer must, in respect of a Schedule 5, 6 or 8 allocation transferred to—

- (a) a province, as part of the report required in section 40(4)(c) of the Public Finance Management Act, report on the matters referred to in subsection (2) and submit a copy of the section 40(4)(c) report to the relevant provincial treasury and the transferring national officer;
- (b) a municipality, as part of the report required in terms of section 71 of the Municipal Finance Management Act, report on the matters referred to in subsection (4) and submit a copy of the section 71 report to the relevant provincial treasury, the National Treasury and the relevant transferring national officer; and
- (c) a province or a municipality, submit a quarterly performance report within 30 days after the end of each quarter to the transferring national officer.

12. (2) A report by a province in terms of subsection (1)(a) must set out for that month and for the financial year up to the end of that month—

- (a) the amount received by the province;
- (b) the amount of funds stopped or withheld from the province;
- (c) the actual expenditure by the province in respect of a Schedule 5 allocation;
- (d) the amount transferred to any national or provincial public entity to implement a programme funded by a Schedule 5 allocation on behalf of a province or assist the province in implementing such a programme;
- (e) the actual expenditure by a public entity referred to in paragraph (d);
- (f) the extent of compliance with the conditions of an allocation provided for in a framework and with this Act;
- (g) an explanation of any material problems experienced by the province regarding an allocation which has been received and a summary of the steps taken to deal with such problems; and
- (h) such other issues and information as the National Treasury may determine.



12. (4) A report by a municipality in terms of subsection (1) must set out for that month and for the financial year up to the end of that month—

- (a) the amount of funds stopped or withheld from the municipality;
- (b) the extent of compliance with the conditions of an allocation or part of an allocation provided for in a framework and with this Act;
- (c) an explanation of any material problems experienced by the municipality regarding an allocation which has been received and a summary of the steps taken to deal with such problems; and
- (d) such other issues and information as the National Treasury may determine.

12. (6) The receiving officer must, within two months after the end of the financial year, and where relevant, the municipal financial year, evaluate its performance in respect of programmes or functions funded or partially funded by an allocation and submit such evaluation to the transferring national officer.

Duties in respect of annual financial statements and annual reports for 2009/10: Extract from DORA, Section 13

13. (3) The 2009/10 financial statements of a provincial department receiving an allocation in terms of Schedule 4, 5 or 8 must, in addition to any requirements in terms of any other applicable law—

- (a) indicate the total amount of all allocations received;
- (b) indicate the total amount of actual expenditure on all allocations except Schedule 4 allocations; and
- (c) certify that all transfers in terms of this Act to the province were deposited into the primary bank account of the province or, where appropriate, into the corporation for public deposits account of a province.

13. (4) The 2009/10 annual report of a provincial department receiving an allocation in terms of Schedule 4, 5 or 8 must, in addition to any requirements in terms of any other applicable law—

- (a) indicate to what extent the province met the conditions provided for in the relevant framework of such an allocation and complied with the provisions of this Act;
- (b) indicate the steps taken to deal with non-compliance with the conditions provided for in the relevant framework of such an allocation and the provisions of this Act;
- (c) indicate the extent to which the objectives and outputs of the allocation were achieved; and
- (d) contain such other information as the National Treasury may determine.

13. (5) The 2009/10 financial statements and annual report of a municipality must be prepared in accordance with the Municipal Finance Management Act.

13. (6) The National Treasury may determine how transferring departments and receiving municipalities report on local government allocations on a quarterly basis to facilitate the audit of allocations for both the national and municipal financial years.

GENERAL PROCEDURES FOR ELIGIBLE PUBLIC BODIES
(APPLICABLE FOR IMPLEMENTING PUBLIC BODIES)



CHAPTER 5



“The EPWP unit, in cooperation with the sector, lead departments and the provincial coordinating departments, will increase capacity to provide technical support to those public bodies that require it.”

5.1 Registration Procedures

In order to secure participation in the incentive grant, all public bodies must follow certain defined procedures.

These will basically involve:

- a *Signing of the Agreement:* An invitation will be extended to all eligible public bodies (provincial departments and municipalities) inviting them to participate in the incentive grant, which will be accompanied by an incentive agreement and a detailed manual on how the grant will work and what is expected from each participant. Every public body should confirm their willingness to participate in the grant as well as their undertaking to put in place measures to abide by the requirements of the reporting, audit and disbursement procedures by signing the incentive agreement.
- b *Establishing the basis of participation:* This is determined by the submission of public bodies to National Public Works of a project list and detailed project information (this is further explained in section 8) for the registration of projects onto the EPWP MIS. There will be further discussion with the public body and assistance from DPW where it is necessary to further plan how projects can meet FTE targets. Registration of projects onto the EPWP MIS:
 - Provinces and municipalities are required to load all their EPWP projects onto DPW's EPWP MIS on a continuous basis; only projects on the MIS qualify for the incentive grant. It is the responsibility of the public body to ensure that they have collected the standard information required regarding their projects in the prescribed forms and that the data captured on the system is correct.
- c *Establishing the basis of Technical support:* Each public body should ensure that they have the requisite capacity and systems to participate in the grant, maintain the necessary controls and checks and provide the required information timeously for performance monitoring. In doing so, the public body may also be able to determine whether there are specific areas in the management of the programme which National Public Works may be able to assist with in terms of their defined Technical Support programme. These indications and negotiations should be initiated on registration.

Table 3: Registration timelines

Registration Activities	Provincial deadline	Municipal deadline	Responsibility
Signing Letters of Intent for Technical Support	1 July 2009	1 Aug 2009	National Technical Team & public body
Loading project information onto EPWP MIS	Ongoing through the year		TA assigned to provincial dept/municipal
Signing Incentive Agreements	30 June 2009	30 Aug 2009	HODs of Provincial Departments & Municipal Managers

5.2 Technical Support

In terms of technical support, National Public Works is responsible for directly engaging on a limited and prioritised basis with implementing public bodies on the ground in each sector. The EPWP unit, in cooperation with the sector lead departments and the provincial coordinating departments will increase capacity to provide technical support to those public bodies that require it (mainly public bodies that are not able to meet targets or meet all specified requirements; and those requiring training to take on the MIS data capturing function).

Areas in which technical support will be provided are:

- a Assisting public bodies to develop plans to meet targets
- b Assisting public bodies to identify suitable EPWP projects and programmes
- c Assisting public bodies in the design of projects and programmes (including advising on contract documentation details and the alignment of procurement processes to facilitate EPWP implementation)
- d Creating enabling conditions for implementation of EPWP projects, such as: setting wage rates, facilitating the training of contractors in labour intensive methods of construction, mainstreaming the EPWP through the adoption of particular policies and procedures.
- e Implementation support: This involves reviewing the progress of public bodies, including reviewing site visit reports and performance information; identifying and understanding blockages to implementation and developing innovative methodologies for resolving them. It also may include the identification of training needs for projects selected and the facilitation of procuring such training.
- f Reporting support: This focuses on developing effective management information systems and processes, assistance in ensuring that reporting is done on EPWP projects implemented.

Typical activities to be included in the support programme are detailed below:

Table 4: Technical Support Programme managed by DPW

Technical Support Activities	Purpose	When	Category
Assess the capacity of the 40 prioritised municipalities	Determine the capacity of public bodies to deliver and select those for engagement/ technical support	Beginning of each financial year after agreement on the need for technical support	Municipal Prioritisation
Assess the organisational capacity and commitment to the EPWP Identify potential EPWP project clusters			
Technical assessment of project lists: Confirming the status and suitability of projects and number of potential work opportunities Technical interaction to assess operational readiness (policies, processes and structures) Establish the basis of support, objectives and reporting and review	Establish the basis of support, its objectives, the areas and duration	Beginning of each financial year	Structuring the Engagement EPWP Unit

Technical Support Activities	Purpose	When	Category
<p>Identified projects are registered as EPWP projects and loaded onto the MIS</p> <p>Assessment of training requirements per project (identification and quantification)</p> <p>Preliminary project diagnosis: Identify preliminary key challenges and blockages per project</p>	<p>Identification of suitable projects for EPWP, training needs and possible challenges of implementation</p>	Ongoing process	Specific project support
<p>Review and align municipal tendering and contracting documents to EPWP guidelines</p> <p>Facilitate training and coordination capacity</p> <p>Facilitate consultant and contractor compliance</p>	<p>Municipal institutional blockages to EPWP implementation removed and an enabling environment created</p>	Ongoing process	General Technical Support Interventions
<p>Maintain and update project data</p> <p>Prepare project status and output reports</p> <p>Analyse reports and identify required interventions</p>	<p>Ensure up to date reporting on projects. Also ensures analysis of reports and the identification of required interventions</p>	Ongoing process	Project Monitoring & Analysis
<p>Brief municipality on blockages and required interventions</p> <p>Implement and monitor planned interventions</p> <p>Develop solutions to generic blockages</p>	<p>Ensure municipality 'buy in' to resolving blockages on projects</p>	Ongoing process	Implement project interventions
<p>Prepare and submit the training plan to the Department of Labour (DoL)</p> <p>Follow up with DoL on training readiness (funding, service providers, logistics)</p> <p>Monitor training implementation</p>	<p>Ensure that training of beneficiaries on projects being supported are carried out.</p>	Ongoing process	Worker Training

5.3 Reporting

There are specific set procedures and deadlines to be met in terms of reporting:

Loading updated project performance on the EPWP MIS

- a Provinces and municipalities are required to update project information at every monthly reporting cycle (25th of every month) onto DPW's EPWP MIS.
- b Key data that must be reported on for every project at every reporting period as specified includes:
- **Beneficiary information:** A beneficiary list must be uploaded for every project. This list will contain information of the profile of beneficiaries. A beneficiary form (template) will be provided to public bodies through their information pack. This form should be filled in (either weekly or bi-weekly) and provided per project per monthly reporting cycle. This form requires the following information which must be kept and maintained for audit purposes:
 - i. Identity – name, surname, date of birth and a unique identifier number
 - ii. Gender, age and disability status
 - iii. Education and literacy level
 - iv. Daily wage to be received
 - v. Training attended
 - **Site information:** The following information must be maintained and provided by the public body to National Public Works on a monthly basis. This generally seeks to confirm the number of people at work daily.
 - i. Daily site attendance register – register showing all the beneficiaries that were registered at work everyday. Attendance registers are completed on site on a daily basis. These are signed off by the project manager on a weekly basis. The contracted consulting organisation will pay beneficiaries fortnightly.
 - ii. Summary of monthly attendance: The contracted consulting organisation will compile a monthly summary for the public body.
 - **Payment information:** This generally seeks to confirm what was paid, for how much work and to whom. There are various ways this can be provided and should be signed off by the project manager:
 - i. Payment register – which is a list of workers, paid showing wages paid per beneficiary, signed off by each beneficiary as proof of acceptance of payment. This register includes: the name of the worker, either an identity (or other unique identifier) number, the number of days that the pay period covers, the wage rate and total wages paid.
 - ii. Bank records showing the transfers to each worker account signed by contractor as proof of payment – which must specifically show the name of the worker, the identity (or other unique identifier) number
 - **Performance information:** This information will be captured in a progress report template and will draw information on person days of work, performance against FTE targets, training days, beneficiary profiles and wages paid.



“National Public Works will assist public bodies to produce monthly and quarterly reports from the system...”



Process and timeline for project progress reporting on the EPWP MIS

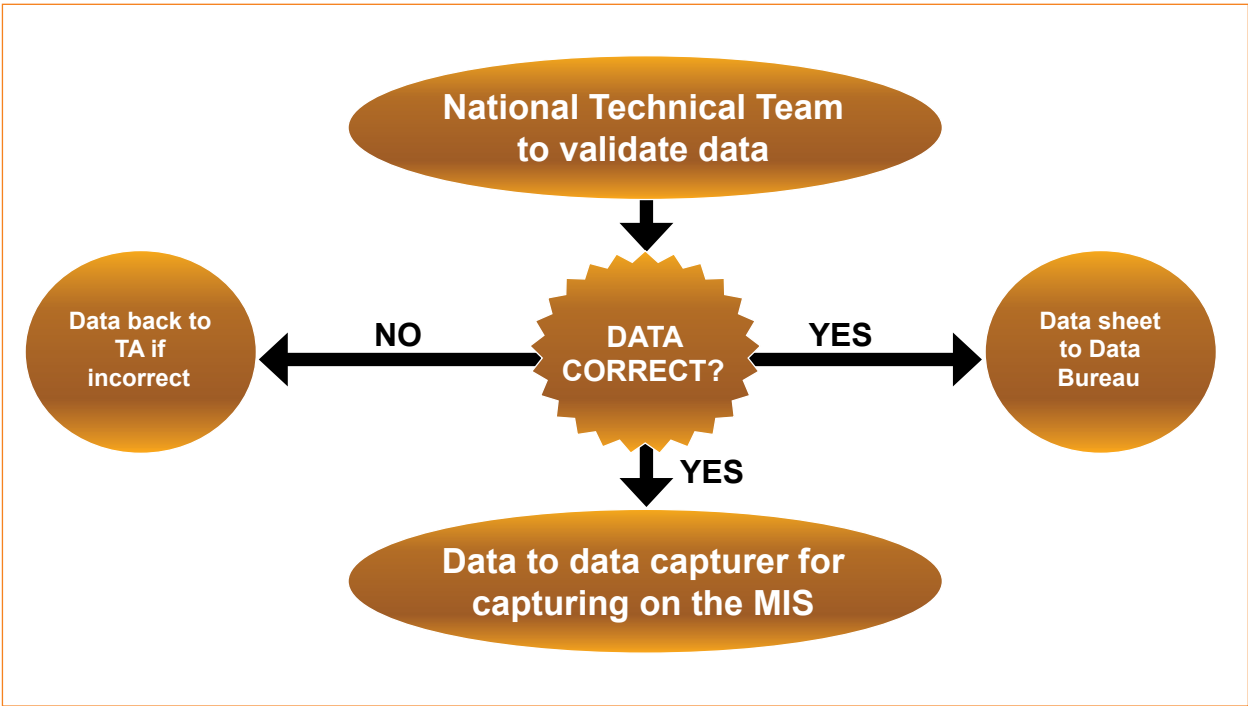
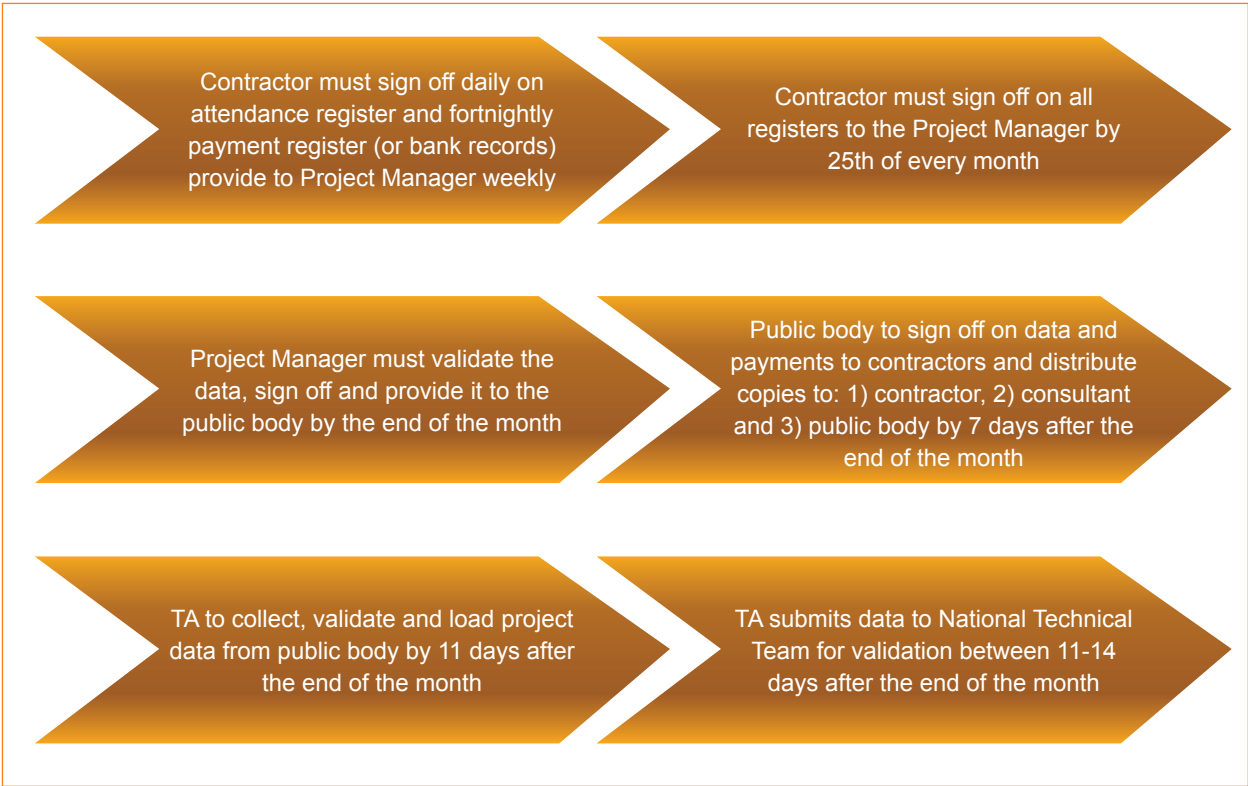
c To ensure that the required data is collected every month, there are specific due dates for submission:

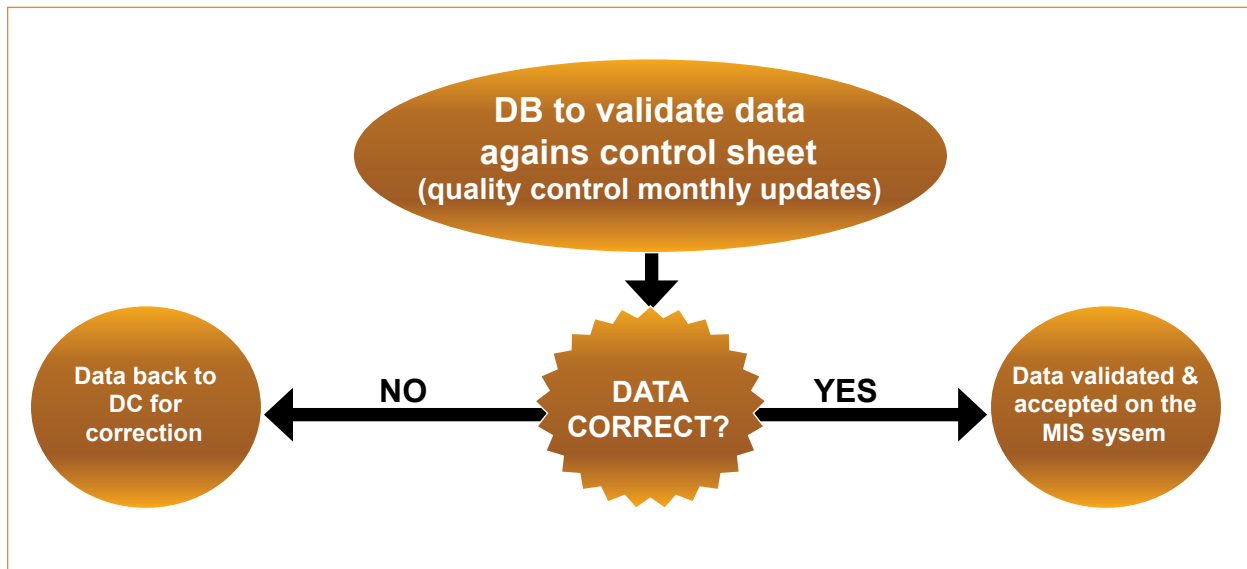
- By the 25th of every month, the above required data must be collected by the contractor.
- The contractor will provide the progress report to the project manager for sign off before the end of the month. The project manager will then submit all the necessary signed off documentation to the public body.
- The public body will approve and sign off on the submitted report by 7 days after the end of the month and will provide the TA with a copy of the data.
- There will be a process of validation between the TA and the public body thereafter from 7-14 days after the end of the month (which can happen before, and after the capturing of data onto the MIS).
- The TA will enter the data onto the EPWP MIS before 11 days after the end of the month. All information loaded on the EPWP MIS must be signed off quarterly by the relevant public body (represented by the delegated official) in order to be considered for the incentive for that quarter.

National Public Works will assist public bodies to produce monthly and quarterly reports from the system as indicated above.

It should be noted that the process below is merely the process of collecting project progress data on a monthly basis – this is not the quarterly process for disbursement.

Figure 3: Process for monthly project progress data collection and validation





There are various types of reports that can be generated from the MIS to help all parties to manage or oversee the programme, at different levels. These will be pre-formatted and can be accessed by public bodies (via the TA) as is needed.

Below is a brief outline of the key compliance reports required for the programme.

Compliance Reporting and Evaluation

a Monthly Expenditure Reporting:

- In terms of Section 10(5) of the 2009 DORA and Section 40(4) of the PFMA, National Public Works will report to National Treasury on a monthly basis on transfers to public bodies in terms of the grant.
- In terms of Section 12(1)(a) and (c) as well as Section 12(2) of the 2009 DORA, Provincial Departments will also report via their Provincial Treasuries on a monthly basis on receipt and expenditure on the grant as well as material compliance issues
- In terms of Section 12(1)(b) as well as Section 12(4) of the 2009 DORA, municipalities will also report on a monthly basis on receipt and expenditure on the grant as well as material compliance issues.

- b Division of Revenue Quarterly Disbursement Reporting in terms of Section 23(4)(b) and Section 23(9) and 23(10):* National Public Works will report to National Treasury on a quarterly basis (by 20 days after the end of the quarter) on disbursements to public bodies as well as the basis of those disbursements in terms of key performance indicators agreed (these include: progress in meeting minimum performance thresholds, progress in meeting FTE performance targets, and disbursements against the DORA indicative incentive allocation). This also includes the finalisation of the quarterly DORA gazette and a revised payment schedule.

Table 5: Reporting timeframes and key stakeholders

Reporting milestones	National DPW deadline	Provincial deadline	Municipal deadline	Responsibility
Public bodies submit signed monthly report for loading onto MIS ↓		7 days after end of every month, starting from 7 May 2009 (for April)	7 days after end of every month, starting from 7 July 2009 (for June)	TA assigned to public body / public body
TA to capture performance data onto the MIS		7-11 days after end of every month, starting from 7 May 2009	7-11 days after end of every month, starting from 7 June 2009	TA assigned to public body / public body
Verification of information ↓	11-14 days after end of every month	11-14 days after end of every month, starting from 7 May 2009	11-14 days after end of every month, starting from 7 June 2009	System managers with TA assigned to public body / public body
MIS reports locked	14 days after the end of every quarter	N/A	N/A	National DPW
PFMA Section 32 Report	15 days after the end of every month	N/A	N/A	National DPW
Key KPI Progress to National Treasury	20 days after end of month	N/A	N/A	National DPW
DORA Quarterly Payment Schedule determined	20 days after the end of every quarter			National DPW
Provincial Technical Monthly Management Progress Meetings	Every month	Every month	Every month	National DPW & Technical Team, Provincial Coordinators
Quarterly DORA Gazette	30 July, 30 Oct, 30 Dec, 30 March			National DPW & Treasury
DORA Incentive Disbursements to public bodies		30 July, 30 Oct, 30 Dec	30 Oct, 30 Dec	Naitonal DPW, Provincial and Municipal Treasuries
Quarterly EPWP Report		30 July, 30 Oct, 30 Dec, 30 March	30 July, 30 Oct, 30 Dec, 30 March	National DPW
Programme evaluation	4 months after year end			National DPW in coordination with implementing & coordinating bodies
Programme audit	4 months after year end	4 months after end of financial year	6 months after end of financial year	National DPW

“The Internal Audit units of public bodies must undertake to keep the relevant documentation required by DPW”



- c *Division of Revenue Quarterly Performance Reporting in terms of Section 23(4)(d) and Section 23(9) and 23(10) of the 2009 DORA:* National Public Works will report to oversight bodies (to National Treasury by 30 days after the end of the quarter) on a quarterly basis on the performance of the programme in terms of various indicators (includes: project lists; project data; beneficiary data; job creation data; wage data; training data; etc). This report will be similar to the current EPWP quarterly report with some additional information targeted towards providing progress on the effectiveness of the grant. This report will be made available to the EPWP coordinating department in each province and national sector lead departments to inform discussions or actions to enhance delivery, resolve blockages or identify best practices.
- d *Programme auditing:* The Internal Audit units of public bodies must undertake to keep the relevant documentation required by DPW. DPW will undertake an annual audit on the performance of the programme; but will also on a sample basis undertake sample audits during the year on performance information validity, control effectiveness and compliance which will inform the results of the overall audit.
- e *Programme evaluation:* Various studies will be undertaken through the EPWP unit detailing:
 - How the programme has impacted on the communities and beneficiaries (income improvements/ transfers, standard of living, skills development, exit opportunities, local economic development, assets created)
 - Programme effectiveness (relevance and quality of training; role of contractor (targeting, training etc); community perceptions of the benefit of the project; efficacy of design and implementation, etc)
 - Best practices to feed into programme design
 - Impact of the incentive.

Stakeholder Reporting

- a It is important that the institutional structures set up to coordinate EPWP implementation engage with report information through its structures and that there is sphere and sector accountability for performance.

DISBURSEMENT PROCESSES

(APPLICABLE FOR IMPLEMENTING PUBLIC BODIES & TREASURIES)



CHAPTER 6



“At the beginning of every new financial year, DPW will sign an incentive agreement with all eligible public bodies...”

6.1 Process of Disbursing the Incentive to public bodies

- a At the beginning of every new financial year, DPW will sign an incentive agreement with all eligible public bodies; this agreement will specify the minimum performance threshold (the number of FTE Jobs which must be created before the incentive can be accessed); the FTE performance target for the year and the indicative incentive allocation per provincial department and municipality linked to that FTE target. This information will also be captured in an Allocation and Disbursement schedule that will be copied to provincial treasuries. It is the responsibility of the provincial treasuries to ensure that the indicative incentive allocation is indicatively appropriated against the correct provincial department's budget.
- b It should be clearly noted that this is only an indicative allocation which can only be paid out on the instruction of DPW after an assessment of performance and its proof.
- c There will be various verification procedures undertaken before assessing performance to ensure that there is compliance with the programme rules and conditions. These include sample audits and verification of performance data imputed into the system, etc.
- d Part of this verification, is the verification of banking details. National Public Works will compile a list of banking details for each public body (as specified in the 2009 Division of Revenue Act) which will be sent to treasuries for checking and confirmation by the end of May to ensure a smooth disbursement process.
- d To ensure that the incentive is paid out, there are specific due dates for submission:
 - The public body will approve and sign off on the submitted monthly report by 7 days after the end of the month and will provide the TA with a copy of the data.
 - The TA will enter the data on the EPWP MIS and produce a quarterly report which must be signed off by 14 days after the end of the quarter by the relevant public body (represented by the delegated official) in order to be considered for the incentive for that quarter.
 - The performance verified in this progress report will be the basis upon which payment certificates for each province and municipality will be produced. National Public Works will also verify that the public bodies have met the necessary requirements, including audit and compliance requirements.
 - 20 days after the end of the relevant quarter, DPW will send National Treasury a payment schedule for the quarter based on performance and progress against targets.
 - Public bodies and Treasuries will receive a Disbursement letter 30 days after the end of the quarter updating them on public bodies' progress towards targets; and allowing a specific amount to be disbursed to each public body based on verified performance. Only on receipt of (and in accordance with) this Disbursement letter, can the specified funds be released to the public body. It is the responsibility of public bodies to check that they have received the incentive disbursed.

Table 6: Process for quarterly progress report and disbursement
EPWP incentive payments timeline ²

Step	Description of reporting activity	Time for activity to be completed – specified in (Number of Days after end of the quarter)
1	Data for the final month of the quarter is signed off by the municipality or provincial department	7
2	Data for the quarter is verified and quarterly report is generated by DPW	10
3	Quarterly report is signed off by the municipality or provincial department	14
4	Quarterly report is submitted to M&E	15
5	Quarterly report is checked and signed off by M&E	20
6	DPW sends Payment Schedule and KPI report to National Treasury	20
7	Quarterly report/payment requests is submitted to DPW Finance for payment	25
8	DPW Finance pays municipalities and provincial departments	30
9	DPW sends Quarterly Performance Report to National Treasury	30

6.2 Receipt of the incentive

- a For 2009/10, provinces will receive 3 payouts of the incentive falling into the 2009/10 national financial year.
- b For 2009/10, municipalities will receive 3 payouts of the incentive falling into the 2009/10 municipal financial year.

The table below explains the payout date for provincial departments and municipalities. The number in brackets represents the number of the payout of the national or municipal year respectively. The last column indicates which DORA grant allocation the funds will be paid out of.

Table 7: How the Incentive will be paid out/received

Performance period	Provincial Department payout	Municipality payout	Allocation paid out of
April - June 2009	30 July 2009 (1st)	No payment	2009/10 DORA
July - September 2009	30 October 2009 (2nd)	30 October 2009 (1st)	2009/10 DORA
October - December 2009	30 January 2009 (3rd)	30 January 2009 (2nd)	2009/10 DORA
January - March 2010	30 April 2010 (1st new year)	30 April 2010 (3rd)	2010/11 DORA
April - June 2010	30 July 2010 (2nd)	30 July 2010 (1st of new year)	2010/11 DORA
July - September 2010	30 October 2010 (3rd)	30 October 2010 (2nd)	2010/11 DORA
October - December 2010	30 January 2010 (4th)	30 January 2010 (3rd)	2010/11 DORA
January - March 2011	30 April 2011 (1st new year)	30 April 2011 (4th)	2011/12 DORA

² The shaded steps refer to activities that must be carried out by National Public Works; while the steps not shaded refer to activities that must be carried out by the public body.

6.3 Payment Instructions to Provincial and Municipal Treasuries

- a Treasuries need to ensure that the payment received is disbursed to the correct provincial/ municipal department as indicated by DPW in the disbursement letter sent out every quarter. This will uphold the condition that the incentive is paid out based on actual performance – thus the department who created the FTEs must receive the incentive payment.
- b These disbursements represent the only draw downs that can be made on the incentive grant. Treasuries should ensure that the only draw downs from Provincial/ Municipal Revenue Funds in terms of the grant are those authorised by DPW 30 days after the end of every quarter; representing
 - 3 draw downs for provinces for the 2009/10 national financial year – 30 July; 30 Oct; 30 Jan
 - 2 draw downs for municipalities for the 2009/10 national financial year – 30 Oct and 30 Jan.
- c Provincial/ Municipal Treasuries must for every quarter, 30 days after the disbursement (30 August; 30 November; 30 February) provide proof to DPW that the incentive has been correctly disbursed. This can be provided in any format, but should:
 - Demonstrate that the amount in the disbursement letter from DPW is the amount that has been “drawn down” by the correct provincial department
 - Clearly indicate the date of the drawdown.
- d DPW would like to request that treasuries and participating public bodies specifically nominate 1-2 relevant officials who will liaise with DPW and ensure that the correct payments are disbursed and received by provincial municipal departments timeously. The names of these officials should be indicated with the first quarter’s confirmation of disbursement by Treasuries.

6.4 Adjustments to the Payout

- a There will be an ongoing audit process to ensure that payments are made for actual work done. The audit work to be undertaken could unearth non-compliance or inaccurate performance data. Should it be found that:
 - There is non-compliance with the provisions of DORA, including reporting at the time specified
 - There is non-compliance with the rules and conditions of the programme (as captured in DORA, grant frameworks, incentive agreement and manual)
 - There is non-compliance with the Audit Requirements, such as a lack of documentation upon which to base incentive claims
 - *Misrepresentation*: such as inaccurate performance information provided, the inclusion of non-EPWP projects, misappropriation of incentive (not used for job creation programmes).
- b In consultation with Treasury, DPW will be responsible for deciding not to disburse funds. In this regard, they will:
 - *In terms of non-compliance*: Not disburse funds in the relevant quarter and notify the public body by the next reporting month of finding the problem. In order to receive the incentive for the next quarter, the public body must be able to prove that the fault has been rectified by the end of the next quarter’s reporting deadline.
 - *In terms of inaccurate performance data*: Make the necessary payment adjustments (if and where necessary) and base such adjustments on the audit results of performance data; such adjustments would be applied to the following quarter’s incentive payment.

6.5 Accountability for the Use of the incentive

- a As per the 2009 Division of Revenue Act, the incentive received must be applied to job creation programmes
- The intention is for the incentive to be applied to expand job creation opportunities and programmes under the management of the public body. The application of the disbursement is not restricted to the programme that created the FTE jobs and can be applied to new or existing programmes and projects in any sector.
 - The use of the disbursement must be disclosed in the following reports:
 - i. The annual report of the public body
 - ii. The final quarter 4 report to National Public Works on EPWP performance
 - iii. The EPWP annual evaluation report and audit report prepared by National Public Works.
 - The type of information that will be required on the use of the incentive is indicated in the table below; this information should be gathered/ recorded as these funds are spent so that it is reflected in PFMA and MFMA reporting as well as in annual reports.

Table 8: Information required on the use of the Incentive

	Programme 1: Name	Programme 2: Name	Programme 3: Name
Total Incentive Received (R'000)			
Total Incentive Spent (R'000)			
Project 1 Name			
Project 1 Total Budget (R'000)			
Incentive amount allocated to project 1 (R'000)			
<i>By Economic classification</i>			
<i>By Item</i>			
<i>% of total budget</i>			
What was the incentive used for?			
What did the incentive buy?			
<i>KP11</i>			
<i>KP12</i>			
Project 2 Name			
Project 2 Total Budget (R'000)			
Incentive amount allocated to project 2 (R'000)			
<i>By Economic classification</i>			
<i>By Item</i>			
<i>% of total budget</i>			
What was the incentive used for?			
What did the incentive buy?			
<i>KP11</i>			
<i>KP12</i>			

AUDIT REQUIREMENTS AND COMPLIANCE
(APPLICABLE FOR THE INTERNAL AUDIT OF PUBLIC BODIES)



CHAPTER 7

“This chapter provides the basic regulatory framework for maintaining an effective internal audit function to be able to receive the EPWP Incentive Grant.”



This chapter provides the basic regulatory framework for maintaining an effective internal audit function to be able to receive the EPWP Incentive Grant. The Audit Requirements apply to the internal auditors of eligible public bodies in terms of the 2009 DORA Framework for the EPWP Incentive Grant to provinces and municipalities. It is expected that public bodies will compare their current practices and approaches to the management of project information with these requirements and take the necessary action to comply with the stated requirements. These Audit Requirements have been formulated as a set of principles for all public bodies to assist their understanding in meeting these requirements.

7.1 Management Arrangements

Key Principles

- a *Independence and objectivity*
- Organisational independence:* The Internal Audit function must be free to perform work and communicate results. The Internal Audit function must remain independent of all line and functional management and will be answerable solely to the public body's Management and Audit Committee. The independence of the Internal Audit unit will be ensured by:
- a clear in-principle agreement that internal audit will have full access at all times to any records, properties and resources relevant to the projects under review
 - access to the Chairperson of the Audit Committee
 - not assuming any line management control
 - the Internal Audit function being free of any undue influences or interferences which could restrict, overrule or otherwise affect the judgement as to the content of a report or in any way require the unit to function under duress or which could affect the conduct of an investigation.

Individual objectivity: Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

- b *Proficiency and Due Professional Care*
- Internal auditors must possess the knowledge, skills, and other competencies needed to perform their responsibilities in terms of these Audit Requirements. Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.
- c *Quality Assurance*
- Internal Auditors shall at all times conduct the work assigned to them in accordance with the Audit Methodology and the Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors (refer to www.theiia.org). Internal Audit shall further comply with the Code of Ethics of Internal Auditors, as published by the Institute of Internal Auditors. Regular reviews will be performed by DPW's Internal Audit unit to assess compliance with the Audit Requirements including, but not limited to, the scope of work conducted and the monthly, quarterly and annual reports submitted by Public Bodies Internal Audit.
- d *Capacity*
- The Internal Audit function must establish sufficient capacity to conduct the scope of audit work required to receive the Incentive Grant. Internal Audit units at public bodies need to be properly supervised to ensure objectives are achieved, and quality is assured. If an eligible public body does not have an established internal audit function, the public body is advised to make the necessary arrangements to outsource or co-source the function to ensure compliance with the Audit Requirements.

“The purpose of the Internal Audit function at public bodies for the EPWP Incentive Grant is to maintain an independent objective assurance activity designed to improve the public body’s infrastructure project management operations”



7.2 Internal Audit purpose and objective, roles and responsibilities

a Purpose

The purpose of the Internal Audit function at public bodies for the EPWP Incentive Grant is to maintain an independent objective assurance activity designed to improve the public body’s infrastructure project management operations. It will assist the public body accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal Audit will therefore provide the management of the public body, the Audit Committee and DPW’s Internal Audit Management with analysis, appraisals, recommendations and information concerning the project activities and information reviewed.

b Objective

The objective of the Internal Audit function at public bodies for the EPWP Incentive Grant is to identify and evaluate significant exposures to risk and contribute to the improvement of risk management, control and governance systems. This should include:

- Overseeing the risk management framework and monitoring risk
- Reviewing the established systems to ensure compliance with those procedures, laws and regulations that could have a significant impact on operations and report and determine whether the public body is in compliance
- Ensuring that an effective system of internal controls exist and is operating as required
- Evaluating the reliability and integrity of financial, project management and other operational information.



c *Roles and Responsibilities of relevant Parties*

The Internal Audit unit of public bodies

- The role of the Internal Audit unit is to assist the public body to meet their objectives by providing an independent appraisal of the adequacy and effectiveness of the controls set up by the public body to manage infrastructure project implementation, with particular interest to those projects claiming the grant.
- The Internal Audit unit of each public body is responsible to render the internal audit services required in terms of these Audit Requirements, DORA requirements, the Incentive Grant Agreement, the Incentive Grant Manual and any other relevant documentation issued by DPW in terms of the Incentive Grant.
- The responsibilities of the Internal Audit unit include:
 - i. developing and implementing an annual audit plan using an appropriate risk based methodology, including any risk or control concerns identified by the public body's Management and submit that plan to the Audit Committee for review and approval
 - ii. maintaining a professional audit staff with sufficient knowledge, skills, experience and professional certification
 - iii. issuing periodic reports to the Audit Committee and the public body's Management summarising the results of the audit activities
 - iv. providing a list of significant results to the public body's Management, the Audit Committee and DPW's Internal Audit.

The Public body

- Although the role of Internal Audit unit is to review internal controls, system procedures, risks etc, ultimately the public body retains full responsibility for ensuring that they actually implement and maintain an appropriate framework of controls.
- The public body also has the responsibility and accountability for addressing non-compliance, weaknesses and inefficiencies that have been identified by both External Audit and Internal Audits (conducted by DPW and Public Body Internal Audit), and for taking the necessary corrective action.
- The public body is further responsible for:
 - i. providing input on the areas of investigation by Internal Audit
 - ii. ensuring support for the Internal Audit function, including ensuring that the Internal Audit unit has unrestricted access to all relevant functions, records and personnel pertaining to any project whose activities are under review
 - iii. maintaining internal control, including proper accounting records and other management information required for proper and compliant project governance
 - iv. compelling project managers to respond to internal audit queries submitted
 - v. reviewing Internal Audit reports and implementing recommendations as considered appropriate or as required by DPW
 - vi. informing the Internal Auditors of any significant internal control problems.

The Audit Committee

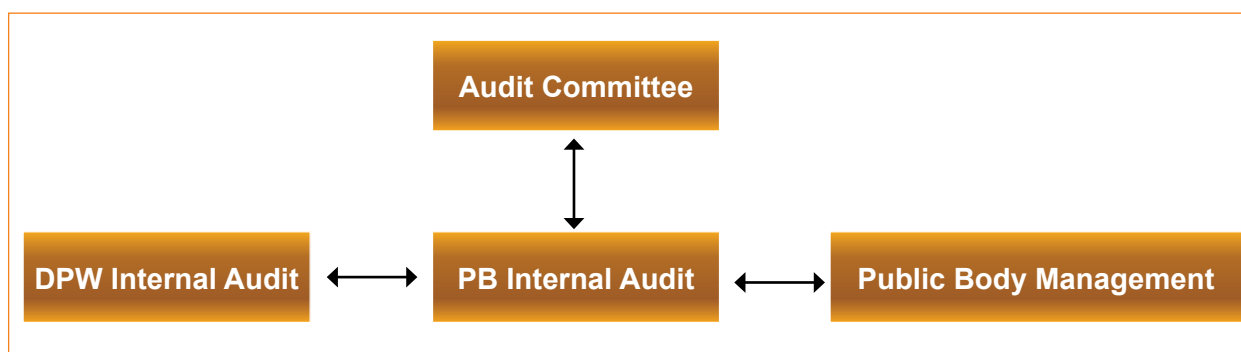
- The Audit Committee in conjunction with the Accounting Officer is responsible for reviewing the scope of Internal Audit work and the action to be taken on the outcome or finding from their work.
- The Audit Committee will:
 - i. ratify the approval of the internal audit charter or annual audit plan
 - ii. ensure that the Internal Auditors effectively perform their responsibilities and duties
 - iii. ensure that the Internal Audit unit complies with the relevant audit rules and regulations
 - iv. ensure that the Internal Audit unit maintains its independence
 - v. review the results of any audit work performed
 - vi. review the internal audit reports to the public body's Management and their response thereto
 - vii. liaise with DPW's Internal Audit when necessary.

7.3 Audit Accountability Arrangements

The Internal Audit unit of each public body shall be responsible to report to DPW's Internal Audit on:

- compliance with the conditions of the Incentive Grant
- risk management and risks
- the controls in place to collect and verify the performance information upon which the Incentive Grant is disbursed; and other information required as part of the Audit Requirements.

Figure 4: Audit Accountability Arrangements



7.4 Scope of Work

a *Planning*

DPW's Internal Audit must adequately plan for the performance of audit procedures to ensure the objectives of the audit is achieved.

- The primary purpose of planning the internal audit work for the grant is for each public body to determine priorities in order to establish the most cost-effective means of achieving audit objectives; to assist in the direction and control of audit work completion in accordance with predetermined criteria.
- It is important that the internal audit planning include:
 - i. defining internal audit objectives
 - ii. obtaining a comprehensive understanding of the MIS, project operations and management
 - iii. identifying, evaluating and ranking risks to which the public body is exposed
 - iv. taking into account the weaknesses of the public bodies' controls and management concerns
 - v. identifying audit areas and determining the type of audit and audit procedures.
- Operational work plans should be prepared for each internal audit assignment, including:
 - i. objectives and scope of the audit
 - ii. time budget and staff allocations
 - iii. methods, procedures and reporting arrangements, including supervision and allocation of responsibilities.

b *Risk Management*

DPW's Internal Audit must evaluate the effectiveness of the risk management process of the EPWP Incentive Grant at public bodies. As part of the evaluation consideration will be given to, inter alia, the appropriateness and sufficiency of resources with the necessary competencies in the Public Bodies Internal Audit function to perform the audit procedures.

Public Bodies Internal Audit must evaluate risk exposures regarding the reliability and integrity of information and compliance with to the DORA requirements, the Incentive Grant Agreement, the Incentive Grant Manual and any other relevant documentation issued by DPW in terms of the Incentive Grant and contribute to the improvement of risk management. As part of the evaluation consideration will be given to, inter alia, significant risks identified and assessed and potential for the occurrence of fraud and how fraud risk is managed.

c *Control*

The Public Body's Internal Audit must evaluate the adequacy and effectiveness of controls related to the Incentive Grant regarding the reliability and integrity of information and compliance with the DORA requirements, the Incentive Grant Agreement, the Incentive Grant Manual and any other relevant documentation issued by DPW in terms of the Incentive Grant.

When evaluating the internal controls within the EPWP MIS, Internal Audit should:

- understand the system parameters and control objectives
- assess whether the controls put in place meet control objectives for the projects under review
- test the operation of the controls in practice for the projects under review
- provide an opinion based on audit objectives as to whether the system provides an adequate basis for effective control and whether it is properly operated in practice.

7.5 Detailed audit procedures

Documentation and information

Public Bodies Internal Audit must ensure on a monthly basis that specific documentation and information is collected and retained – this is detailed in Chapter 5 Section 5.3. Access to project records and required information must be controlled. Retention requirements for project records must be complied with.

Controls and verification of information

Public Body Internal Auditors must identify, analyse, evaluate and document sufficient information to achieve the internal audit objectives.

Public bodies internal audit procedures must include but not be limited to:

- Test the control of the sign-off of the attendance register, beneficiary information and proof of payment
- Conduct surprise visits to ensure actual attendance in accordance with attendance registers
- Conduct surprise visits to ensure the validity of recorded beneficiary information
- Compare worker details on the attendance register with supporting copies of identifying documents
- Conduct tests to ensure that the information on the EPWP MIS agrees with supporting documents
- Conduct tests to ensure that the information on the proof of payment agrees with the attendance register
- Test the proof of payment to ensure that each contract worker signed that payment was received or that similar proof exists
- Conduct tests to ensure that the rate of pay falls within the specified parameters
- Ensure that disbursements reach the intended public body (test the accuracy of the provincial treasury's confirmation).

The following table reflects the minimum required internal controls and procedures that must be put in place by the public body to ensure that the performance information provided upon which the incentive disbursement is made, is credible as far as possible.

Table 9: Controls and Audit Procedures for the Public Body in collecting key project data

Activity	Responsibility	Risk	Time-lapse	Internal Controls	Audit Procedures	Sample method / Methodology	Time-frame for audit procedures
Contractor to provide information to Project Manager							
Contractor to sign off daily on attendance register and provide to Project Manager weekly	Contractor to complete and sign off Contractor to provide to Project Manager weekly	Incorrect information compiled Invalid information compiled	Continuous-Weekly	Sign-off by contractor	Public Body internal auditors: 1) to test control of sign-off of attendance register 2) to conduct surprise visits to ensure actual attendance in accordance with register 3) Compare worker details on attendance register with supporting copies of identifying documents	100% Once a month 20%	Monthly

Activity	Responsi- bility	Risk	Time- lapse	Internal Controls	Audit Procedures	Sample method / Methodol- ogy	Time- frame for audit pro- cedures
					<p>4) Include results in audit report to be issued two weeks after the end of the quarter.</p> <p>DPW Internal audit to review monthly and quarterly reports from Public Body internal auditors (completed and submitted within two weeks after the close of the quarter) and select public bodies on which further audit work will be conducted</p> <p>DPW Internal audit to review audit reports/ consult with auditors of MIG 8 reporting on Actual employment and minimum daily wage rate.</p> <p>DPW Internal audit: 1) to test control of sign-off of attendance register 2) to perform detail testing on supporting documentation dependent on risk assessment taking Public Body internal auditors' audit work and extent of reliance into account.</p>		<p>Within two weeks after close of quarter</p> <p>To be completed within week three and four after close of quarter</p>

Activity	Responsi- bility	Risk	Time- lapse	Internal Controls	Audit Procedures	Sample method / Methodol- ogy	Time- frame for audit pro- cedures
Contractor to gener- ate signed fortnightly payment register or bank records and provide to Project Manager	Contractor	Incorrect information compiled	Every fort- night from beginning of month	Sign-off by contractor	Public Body internal audi- tors: 1) to test control of sign-off of payment register	100%	Within two weeks after close of quarter
		Invalid information compiled			2) to conduct tests to ensure information on payment register or bank records agree with attend- ance register	100%	
		Payment to fictitious workers			3) test payment register or bank records to ensure proof of payment and receipt	100%	
		4) conduct tests to ensure rate of pay falls within the specified parameters 5) include results in audit report to be issued two weeks after the end of the quarter.			50%		
					DPW Internal audit: 1) to test control of sign- off of attendance register 2) to perform detail testing on supporting documen- tation dependent on risk assessment taking Public Body internal auditors' audit work and extent of reliance into account 3) include results in audit report to be issued four weeks after the end of the quarter.		To be completed within week three and four after close of quarter

Activity	Responsibility	Risk	Time-lapse	Internal Controls	Audit Procedures	Sample method / Methodology	Time-frame for audit procedures
Contractor to sign-off on all registers to Project Manager	Contractor	Incorrect information compiled Invalid information compiled	Once a month	Sign-off by contractor	See previous audit procedures Identify the registers relevant for audit purposes		
Contractor to capture information and submit to Public Body and TA							
Project Manager to submit information to the public body	Project Manager	Incorrect or incomplete information loaded Invalid information loaded	Continuous -Weekly	Sign off by consultant MIS controls	Public Body internal auditors: 1) to test control of sign-off 2) to conduct tests to ensure information on MIS agrees with supporting information 3) include results in audit report to be issued two weeks after the end of the quarter. DPW Internal audit: 1) to test control of sign-off 2) to conduct tests to ensure information on MIS agrees with supporting information. 3) Include results in audit report to be issued four weeks after the end of the quarter.	100%	Within two weeks after close of quarter To be completed within week three and four after close of quarter

Activity	Responsibility	Risk	Time-lapse	Internal Controls	Audit Procedures	Sample method / Methodology	Time-frame for audit procedures
Project Manager to generate payment certificate at the end of the month and submit to public body – outputs and expenditure data for progress report	Project Manager	Incorrect , invalid or incomplete information	End of month	Sign-off by Project Manager Sign off by contractor Sign off by Public Body	Public Body internal auditors: 1) to test control of sign-off 2) include results in audit report to be issued two weeks after the end of the quarter DPW Internal audit: 1) to test control of sign-off 2) include results in audit report to be issued four weeks after the end of the quarter	100%	To be completed within two weeks after close of quarter To be completed within week three and four after close of quarter
Project Manager to sign-off and distribute copies to: i) contractor, ii) own record, iii) public body	Project Manager	Incorrect , invalid or incomplete information	End of month	Sign-off by Project Manager	Refer audit procedures above		

Compliance

Public Bodies Internal Audit must test compliance with the DORA requirements, the Incentive Grant Agreement, the Incentive Grant Manual and any other relevant documentation issued by DPW in terms of the Incentive Grant. Below is a complete list of conditions and rules that public bodies should ensure are met. The highlighted portions are requirements of the 2009 Division of Revenue Act and compliance must be specifically reported on by DPW. The compliance checklist must be completed by the Public Bodies Internal Audit and any non-compliance must be reported to management, the Audit Committee and DPW as part of the monthly and quarterly reports.

Table 10: Compliance checklist for the use of Public Bodies

COMPLIANCE CHECKLIST			NAME OF PUBLIC BODY
Category	Condition	Additional info	x / ✓
Eligibility	Compliance to criteria of reporting on contribution in eligibility period		
	- for 2009/10: eligibility period by 2007/08		
	- for 2010/11: eligibility period by 2008/09		
	Attained Minimum Threshold	Number of FTE's	
Secured	Signed Intergovernmental Protocol	Date	
Participa- tion	Signed Incentive Agreement	Date	
	Registration of projects on the EPWP MIS		
	Developed a plan to meet or exceed targets		
	EPWP project plans and DTE targets incorporated into PGDS/Infrastructure plan (provinces) or in Integrated Development Plans (minus)		
	Registration of projects and their FTE targets on the EPWP MIS		
Reporting	Loaded projects fall within defined mandate of the public body		
	Number of projects not complying with EPWP definition		
	Minimum required project data reported monthly		
	Monthly confirmation by public body that payroll and project data is being maintained		
	Reporting every month by 7th of the month		
	Reporting every month on all projects claiming the incentive		
	Minimum daily wage above R50 per day	Amount	
	Maximum daily wage below R150 per day	Amount	
	Incentive used for job creation programmes		
Audit require- ments	Signed Payment registers submitted	No. unsigned held back	
	Project Daily attendance registers submitted	No. not submitted	
	Internal audit capacity of public body set up		
	Audit on beneficiary info completed 7 days after the end of every month		
	Audit on payroll data completed 2 weeks after end of the quarter		
	Comparative audit matching beneficiary and payroll completed for the quarter		
Technical Support	Signed Letter of Intent	Date	

7.6 Adherence to timelines

Public Bodies need to strictly comply with prescribed timelines indicated in Table 9.

Any non-compliance with the Audit Requirements in fact or appearance must immediately be reported, including the details of non-compliance to DPW's Internal Audit, Chief Internal Auditor. It should be noted that this will be dealt with as specified in Chapter 6 Section 6.4 of this manual.

7.7 Sampling

Appropriate means for selecting items for testing to gather sufficient appropriate audit evidence to meet the objectives for the audit procedures must be applied. Results of the tests on the sample must be extrapolated over the population as a whole.

7.8 Communicating results

Communication must be accurate, objective, clear, concise, constructive, complete and timely. Should the public body require a template, it may be requested from DPW's Internal Audit unit.

Monthly audit reporting

The Internal Audit unit of public bodies must report to DPW's Internal Audit on a monthly basis - two weeks after the close of every month, based on audit procedures completed, on, inter alia, the following:

- a Any non-compliance with the DORA requirements, the Incentive Grant Agreement, the Incentive Grant Manual and any other relevant documentation issued by DPW in terms of the Incentive Grant. The compliance checklist can be used as a basis to identify any non-compliance.
- b Any weaknesses in controls, procedures, information collated and reported or problematic outcomes for the month.

Table 11: Template for monthly audit reports by Public Bodies

Headings to be covered	Example
Title	"Public Body Name" Internal Audit Report on the EPWP Incentive Grant for the month of March 2009
Addressee	The report should be addressed to Management with copies to DPW Internal Audit
Scope	The audit procedures performed should be described
Audit findings	Any non- compliance, weaknesses in controls, inaccurate and incomplete information reported with an indication of the effect/impact, recommendations and management comments.
Repeat findings	
Significant risk identified	
Other matters for attention	
Conclusion	
Sign-off report	Report to be signed off by Chief Internal Auditor indicating the date of sign-off

Quarterly audit reporting

The Internal Audit unit of public bodies must report to DPW Internal Audit on a quarterly basis - two weeks after the close of every quarter, on, inter alia, the following:

- a Purpose, authority and responsibility of Public Body Internal Audit
- b Objectives and scope of the audit work completed for the quarter
- c Based on audit procedures completed, the audit findings/results including any weaknesses in controls, procedures, information collated and reported or problematic outcomes for the quarter
- d Quantification of errors extrapolated over population
- e Repeat findings with reference to findings reported in previous months or quarters by Internal Audit and management actions were required but not yet implemented
- f Significant risk exposures
- g Conclusion based on appropriate analysis and evaluations
- h Recommendations and action plans
- i Other matters needed or requested.

DPW Internal Audit must also obtain confirmation from Provincial/ Municipal Treasuries on a quarterly basis that the incentive has been correctly disbursed.

At the time that progress reports are loaded onto the EPWP MIS (15 days after the close of the quarter), National Public Works will then verify that the public bodies have met the necessary requirements, including audit and compliance requirements. It is at this point that the quarterly audit report will feed into the performance assessment and disbursement process. Only once there is this confirmation that compliance has been satisfied and there are no significant audit issues raised, will DPW will process payments to public bodies through the relevant treasuries. It is within DPW's responsibilities in terms of the grant to adjust the final payment in line with the audited performance results of the level of employment created.

Table 12: Template for quarterly and annual audit reports by Public Bodies

Headings to be covered	Example
Title	"Public Body Name" Internal Audit Report on the EPWP Incentive Grant for the month of 30 June 2009
Addressee	The report should be addressed to Management with copies to DPW Internal Audit
Accountability	Indicating what the accountability of the varies parties are including Management and the Public Body Internal Audit
Scope	The audit procedures performed should be described
Audit findings	Any non- compliance, weaknesses in controls, inaccurate and incomplete information reported with an indication of the effect/impact, recommendations and management comments.
Extrapolation of errors	Based on errors find in information reported the error extrapolated over the population if relevant
Repeat findings	
Significant risk identified	
Other matters for attention	
Conclusion	
Sign-off report	Report to be signed off by Chief Internal Auditor indicating the date of sign-off

“During the audit process, the Internal Auditors of the public body must complete follow-up procedures...”



Annual Reporting

Public Bodies Internal Audit must report to DPW Internal Audit on an annual basis - two weeks after the close of the financial year - on, inter alia, the following:

- a Purpose, authority and responsibility
- b Objectives and scope of work completed for the quarter
- c Based on audit procedures completed, any weaknesses in controls, procedures, information collated and reported or problematic outcomes for the quarter.
- d Quantification of errors extrapolated over population
- e Repeat findings
- f Significant risk exposures
- g Governance issues
- h Conclusion based on appropriate analysis and evaluations
- i Recommendations and action plans
- j Other matters needed or requested.

7.9 Follow-up procedures

During the audit process, the Internal Auditors of the public body must complete follow-up procedures to monitor and ensure actions have been effectively implemented or that senior management accepted the risk of not taking action. Follow-up procedures will form part of the audit procedures performed every quarter and has to be included as part of the repeat findings of the quarterly and annual Public Body internal audit reports.

7.10 Internal audit representations

As part of the audit procedures, it is required of the Internal Audit of Public Bodies to make quarterly and yearly representations by completion and sign-off of the compliance checklist.

NAVIGATING THE EPWP MIS

(APPLICABLE FOR IMPLEMENTING PUBLIC BODIES)



CHAPTER 8



“...the MIS is managed by a Data Bureau function, procured by National Public Works.”

8.1 Introduction to the EPWP MIS

The ‘EPWP MIS’ is a planned system of collecting, processing, storing and disseminating data on EPWP projects in the form of information needed to carry out the functions of management.

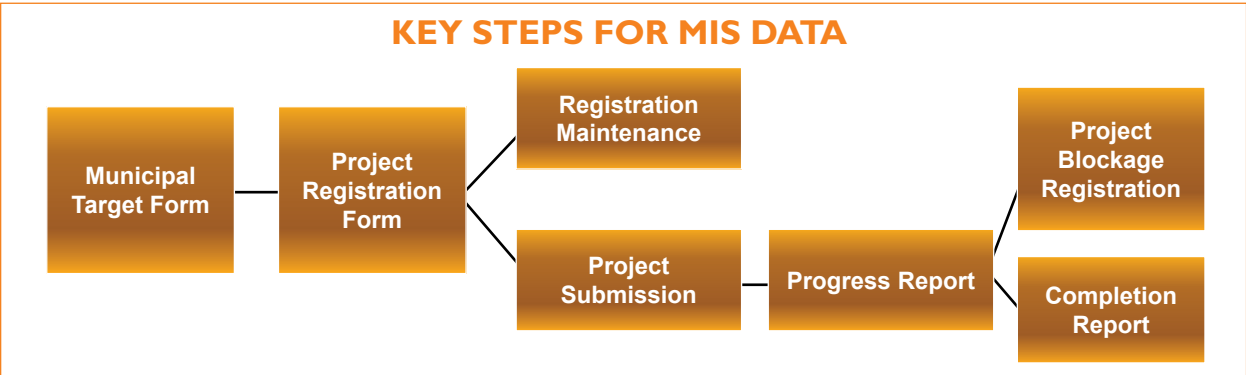
For the most part, the MIS is managed by a Data Bureau function, procured by National Public Works.

- a Who can gain access to the system? The delegated representative from a public body implementing EPWP projects (from Internal Audit and the Project Management Unit).
- b How can one gain access to the system? A Data Bureau person has been assigned to deal with technical system support. The details of such person are reflected in the attached contact list. This person may be contacted to process your registration on the system. Specific information is required by the Data Bureau to register a person on the MIS system. This includes:
 - Name and Surname
 - Name of Public Body
 - Departments of Public Body
 - List of Departments of the Public Body allocated to you, these departments have to be added to the Public body on the MIS system.
 - Telephone Number, Fax Number and Cell Number
 - Physical Address, Postal Address and Email Address (Your email address will be used as your username on the MIS system)
 - As soon as you have been registered on the system, you will receive an e-mail with a password to Logon to the MIS system.
- c A Data Bureau will provide the necessary support to officials via telephone and training sessions.

A detailed user manual has been developed for EPWP II (2009-2014) to explain exactly how the MIS works, the fields required for completion and the process of registering, loading and updating/ amending data. In addition, training and information workshops on the EPWP MIS will be accessible to public bodies through the technical support staff assisting public bodies in meeting audit requirements through reporting on the system or to appointed public body MIS system controllers.

The figure below is an overview of the key points at which data is loaded onto the MIS.

Figure 5: Key Steps in Data Loading on the MIS

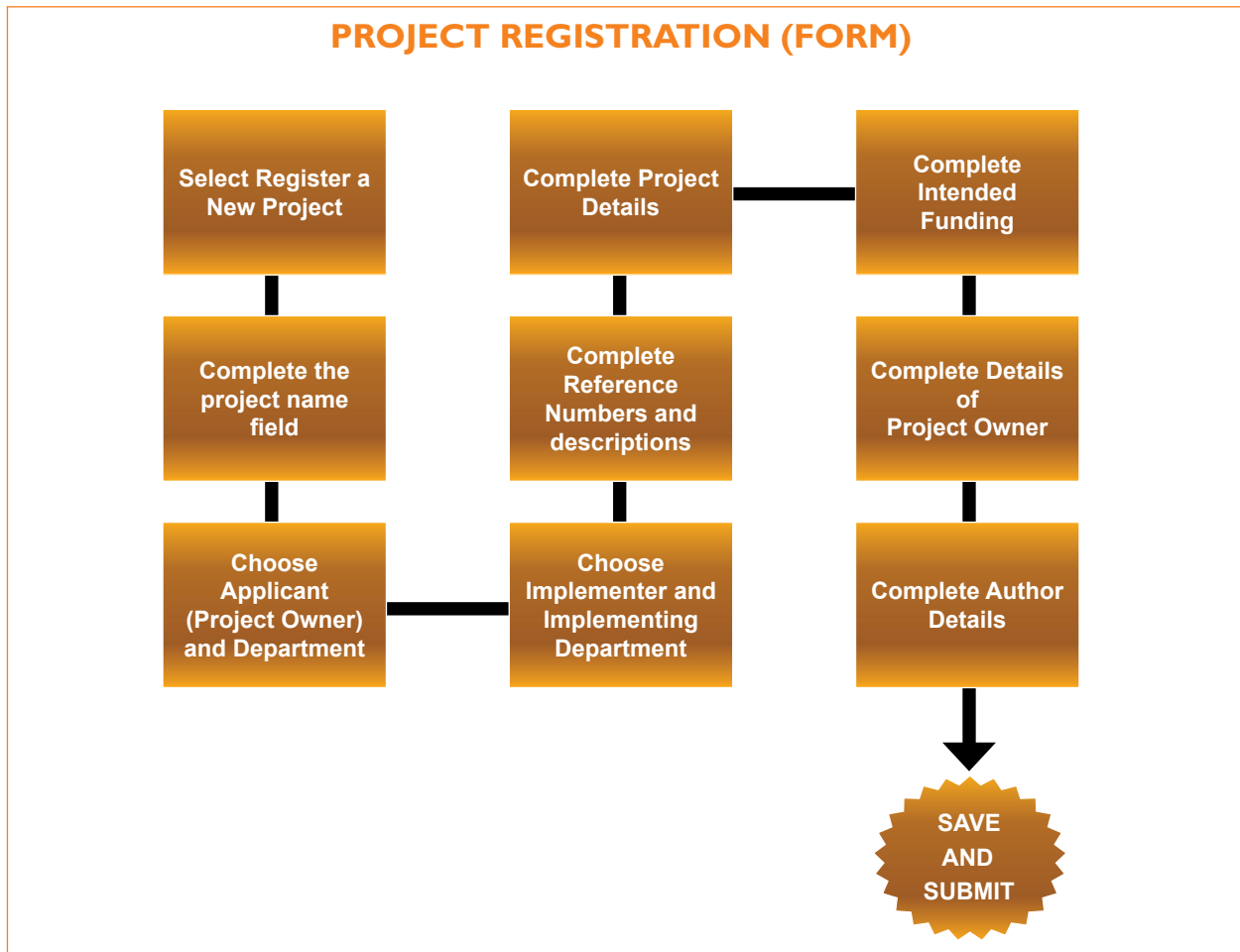


On the following page is a brief explanation of the procedures and requirements at these key steps.

8.2 Project Registration

The figure below is an overview of the procedure to register the project as well as the MIS view.

Figure 6: Project Registration Procedure



The Project Registration Form allows a public body to capture basic project data on the MIS once it has been included in the Integrated Development Plan, Provincial Growth and Development Strategy or infrastructure plan, i.e.

- Name of the project
- Project owner, department and implementer
- The EPWP programme and the sector the project falls into
- Municipal and IDP reference number
- Project location by district
- Priority (or objective) of the project
- Start and end dates for the project
- Funding source: MIG information, intended funding
- Organisation and author details.

8.3 Project Submission and Registration Maintenance

- a The project submission step simply allows for the capture of more detailed data once project budgets have been approved by the public body. The type of detailed data that should still be captured in addition to the initial project registration are:
- Budget amounts
 - Planned expenditure per quarter
 - Milestones
 - EPWP key performance indicators
 - Planned training
 - Planned labour days
 - Planned Job creation details.

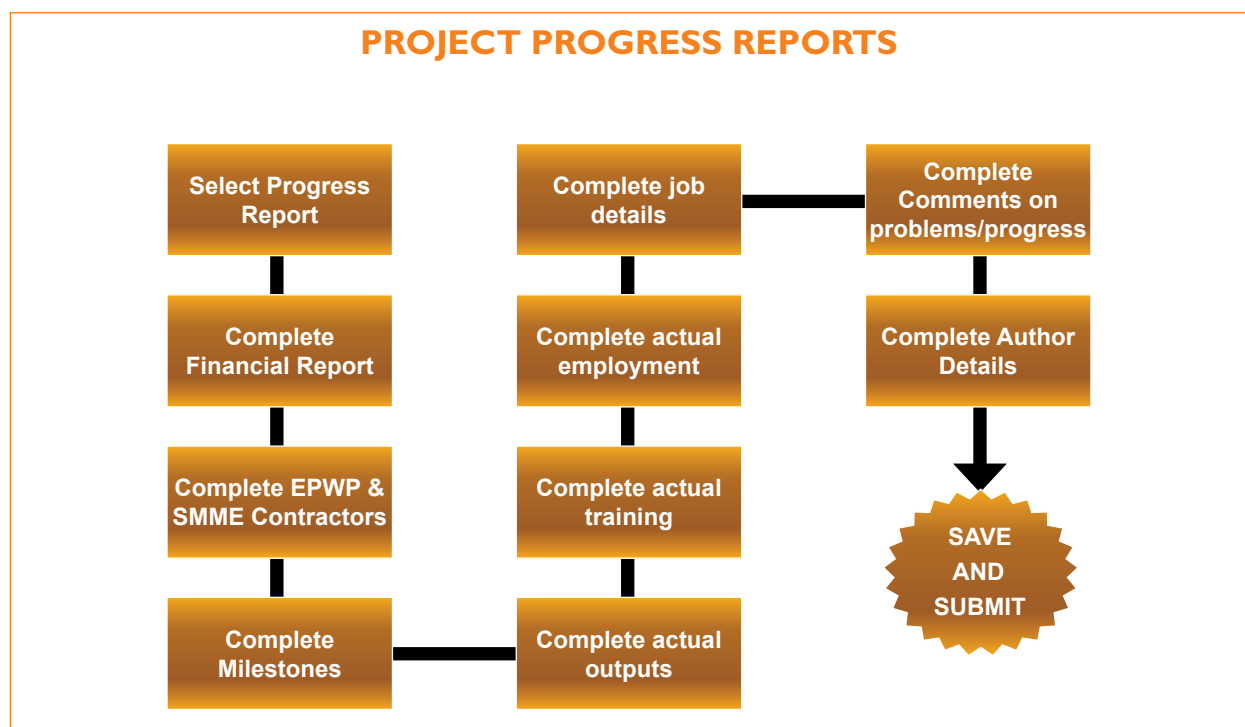
Figure 7: Project Submission Procedure



- b There are specific reasons that allow for the generation a Registration Maintenance Form:
- Project name was spelled incorrectly
 - Wrong department was selected under project ownership
 - Wrong implementer and implementing department was selected under project ownership
 - There is no municipal reference number or an incorrect number was captured
 - There is no source of municipal reference number or the incorrect information was captured
 - There is no IDP reference number or the incorrect number was captured
 - An incorrect district municipality/metro was selected under project location
 - An incorrect local municipality/metro region was selected under project location
 - There is no municipal area or it was incorrectly captured
 - Project start and end dates were incorrectly captured or changed
 - The project description is missing or was incorrectly captured
 - A incorrect project group was selected
 - MIG or IGP was incorrectly selected as yes/no
 - MIG and IGP reference numbers were incorrectly captured or not captured
 - An incorrect sector and sub-sector was selected
 - An incorrect project environment was selected
 - An incorrect source of funds was selected
 - An incorrect budget was captured or budget changed
 - An incorrect project owner was selected.
- c My Allocations: When a form with wrongly captured information or empty fields is referred back to the public body by Field Support, the list of forms allocated back for correction can be viewed via “my allocations”.

8.4 Project Progress Reporting

Figure 8: Project Progress Reporting



Project data must be updated on a monthly basis. It will be possible to register projects throughout the financial year. When registering a project after the start date of the project, it will be necessary to complete a progress report for each month of the project since the start of the project.

The Project Progress Report allows the public body to capture monthly performance progress on each project. The following are a sample of how key fields will capture important data inputs:

a *Expenditure*

FINANCIAL REPORT

Please give a complete financial report of the project on the VALID DATE. Include ALL SPENDING on the project regardless of the Source of Funds.

For example, also include payments made using funds generated by the project from your own funds in your financial report added to the funds that you received from the Main source of funds.

Expenditure (All Sources of Funds)			
	Labour	Training	Other
Total Previous Report	0.00	0.00	
Total Since Start	100000	15000	300000

b *EPWP & SMME Contractors*

c *Milestones*

MILESTONES

Item to Track	Target Date	Actual / Revised Date	Achieved (Y/N)
Project Approved	01/08/2007	20/06/2007	Y
Consultant contract compliant	01/08/2007	20/06/2007	Y
Detailed design specifications approved	01/08/2007	20/06/2007	Y
Tender report approved	01/08/2007	20/06/2007	Y
Contractor awarded compliant with EPW requirements	01/08/2007	20/06/2007	Y
Implementation complete	31/08/2008		N

d *Actual outputs, Actual training and Actual employment (labout days)*

ACTUAL OUTPUTS

Output	Decription	Achieved QTY	Achieved Date	% Complete
Km of Roads constructed to standard	Upgrade of Gravel Roads	0.00		

ACTUAL TRAINING

Note: The number of disabled people trained is included in the other columns. The total number of people trained is calculated by adult men + adult women + youth men + youth women

Training Category	Description	No of Training Days	No of People Attended	No of Women Attended	No of Youth Attended	No of Disabled Attended
Non-Accredited Training	In House					

ACTUAL EMPLOYMENT

Employment Category	Person days supplied by Adult Men	Person days supplied by Adult Women	Person days supplied by Youth Men	Person days supplied by Youth Women
EPWP				
Normal				

e Employment generation details



GLOSSARY OF TERMS³

(The following terms are used throughout this document)

Term	Definition
Audit Sampling	This involves the application of audit procedures to less than 100% of the items within a class of transactions to enable the auditor to obtain and evaluate audit evidence about some characteristics of the items selected, in order to form or assist in forming a conclusion concerning the population. Audit sampling can use either a statistical or non-statistical approach.
Average income of EPWP participants	This will be calculated by dividing the total wages paid to EPWP workers by the total number of job opportunities.
Code of Good Practice for Special Public Works Programmes	The Minister of Labour issued a Ministerial Determination and Gazetted a Code of Good Practice for Special Public Works Programmes in 2002 which allows for special conditions to facilitate greater employment on Public Works Programmes. Gazette No 64, 25 January 2002.
Compliance	Compliance means adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.
Compliance reports / reporting	Reports that must be provided on the programme's performance in terms of legislation, regulations or other agreements.
Condition (al)	Stipulation or requirements that must be met or should be present.
Control	Control means any action taken by management and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.
Cost per job	The cost per job is calculated by dividing the total expenditure on an EPWP project by the number of job opportunities created.
Criteria	A set of decisive factors or elements often used to reach a decision.
Department	Refers to the National Department of Public Works.
Draw down	A draw down is a request by a provincial/ municipal department to its provincial/ municipal treasury for the release of funds from the Provincial/ Municipal Revenue Funds in terms of its cash flow requirements.
Eligible Public Body	Refers to any organisation defined by legislation as a government body; and for purposes of this document, refers to a province, municipality or public entity within these spheres of government that complies with the criteria of eligibility as set by DPW.
EPWP MIS	The EPWP MIS is a planned system of collecting, processing, storing and disseminating data on EPWP projects in the form of information needed to carry out the functions of management.
EPWP Project Plan	An EPWP project plan records the measures that the public body will implement in order to meet or exceed its performance target; and should include a list of the planned EPWP projects that will be implemented; the list must specify the name, budget, estimated number of work opportunities and full time equivalent jobs to be created in respect of each EPWP project. The EPWP Project plan should be developed as part of the public body's growth and development plans.

³ This glossary of terms has been aligned with the glossary of terms provided by National Treasury for conditional grants.

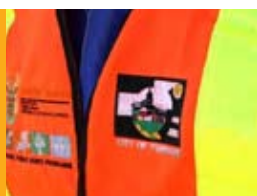
Term	Definition
EPWP Target group	Unemployed, local, low skilled South Africans willing to work on EPWP projects and programmes for a wage rate between R50 and R150 a day.
Expenditure per work opportunity	Total project costs divided by the work opportunities created.
Full time equivalent (FTE) Job	FTE refers to one person-year of employment. One person year is equivalent to 230 person days of work. Person-years of employment = total number of person days of employment created for targeted labour during the year divided by 230. For task-rated workers, tasks completed should be used as a proxy for 8 hours of work per day.
Framework	A framework means the conditions and other information in respect of a conditional allocation published by the National Treasury in terms of section 24 of the 2009 Division of Revenue Act.
FTE factor	This is the number of FTEs of work to be created per Rand million of the infrastructure grant budget allocated to the public body. Each infrastructure portfolio has a different FTE factor.
Incentive Grant	Incentive paid to public bodies to incentivise job creation. The incentive is paid per quantum of employment created for the EPWP target group and can be measured in person-days of work or full time equivalent jobs.
Independence	Is the freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditor, engagement, functional, and organisational levels.
Indicative incentive allocation	An Indicative incentive allocation is the amount available for payout to the respective public body within the budget appropriated by Parliament provided that relevant performance criteria are met.
Indicators	Indicators are qualitative and quantitative markers that define how performance toward the achievement of the programme, project or activity objective will be measured. There are different levels of indicators including – input, output, outcome and impact.
Infrastructure Budget	Infrastructure budget for this purpose refers to the infrastructure conditional grant allocation to a province or municipality available for construction or the maintenance of infrastructure.
Intergovernmental Implementation Protocol	Refers to the Protocol signed between the Minister responsible for the National Department of Public Works and the Premier of each Province as a sign of commitment to implement the EPWP programme, its objectives and goals in the manner prescribed by relevant legislation/ agreements.
Internal Audit	Means an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control.



GLOSSARY OF TERMS

Term	Definition
Minimum performance threshold	The minimum performance threshold is the number of Full Time Equivalent Jobs that need to be created from existing budgets before any incentive can be paid. Every FTE above the minimum performance threshold will qualify for the incentive.
Monitoring	Monitoring is a process that involves measuring and tracking progress according to the planned situation including; inputs, resources, completion of activities, costs, timeframes, etc.
Non-urban (rural) municipalities	Non-urban or rural municipalities are all areas that fall outside the nine municipalities defined as urban (these are the members of the South African Cities Network, consisting of the six metros, Buffalo City, Mangaung and Msunduzi).
Payment schedule	The payment schedule for the incentive grant means a schedule which sets out the amount of each transfer of the incentive grant allocation to a provincial department or municipality in the 2009/10 financial year.
Performance	Performance is the achievement, accomplishment, success towards realizing an objective/goal.
Performance targets	Performance targets are the targeted number of Full Time Equivalent Jobs that the public body should aim to create to qualify for the full indicative incentive allocation.
Programme	A programme is a coordinated approach to explore a specific area related to an organisation's mission. It usually includes a plan of action or events which identifies staff and related activities or projects leading towards defined and funded goals.
Project	Specific component of a programme usually funded by a defined budget and a single donor. A planned undertaking designed to achieve specific objectives within a given budget and within a specific period of time. A project usually includes a detailed plan of actions to be undertaken.
Public body	Public body is any organisation that is defined by legislation as a government body; and for purposes of this document, refers to a province, municipality or public entity within these spheres of government.
Receiving officer	(a) in relation to a Schedule 4, 5 or 8 DORA allocation transferred to a province, means the accounting officer of the provincial department which receives that allocation or a portion thereof for spending via an appropriation from its Provincial Revenue Fund; or (b) in relation to a Schedule 4, 6, 7 or 8 DORA allocation transferred to or provided in kind to a municipality, means the accounting officer of the Municipality.
Reporting	Reporting is a process that best communicates the required information collected during monitoring and/or evaluation for optimum use by different stakeholders.

Term	Definition
Reporting requirements	Reporting requirements are the information needs of key stakeholders.
Risk	Risk is the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.
Risk management	Risk management is the process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.
Targets	Targets are quantifiable levels of achievement for a specific activity within a specific time frame.
Technical Support Staff	Staff appointed by the Department of Public Works to assist provinces and municipalities with the implementation of the EPWP and accessing the EPWP incentive grant.
Transferring national officer	A transferring national officer means the accounting officer of a national department that transfers a Schedule 4, 5, 6 or 8 DORA allocation to a province or municipality or spends a Schedule 7 DORA allocation on behalf of a municipality.
Urban municipalities	Urban municipalities are defined as the members of the South African Cities Network, consisting of the six metros, Buffalo City, Mangaung and Msunduzi.
Work opportunity	Paid work created for an individual on an EPWP project for any period of time. The same person can be employed on different projects and each period of employment will be counted as a job opportunity.
X portfolio FTE / R million	The number of Full Time Equivalent Jobs created per rand million of the budget for a particular portfolio of infrastructure.



ABBREVIATIONS

(The following abbreviations are used throughout this document)

Term	Definition
BAS	Basic Accounting System
DB	Data Bureau
DC	Data capturer
DORA	Division of Revenue Act
DoL	Department of Labour
DG	Director-General (of a national department)
DPLG	Department of Provincial and Local Governement
DPW	Department of Public Works
EPWP	Expanded Public Works Programme
FTEs	Full Time Equivalent Jobs
HoD	Head of (each provincial) Department
IDP	Integrated Development Plan
IGP	Infrastructure Grant to Provinces
KPIs	Key Performance Indicators
M & E	Monitoring and Evaluation
MEC	Member of the Executive Council (of a province)
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MinMec	Forum of Provincial Ministers of Executive Councils
MTEF	Medium Term Expenditure Framework
MIS	Management Information System
PFMA	Public Finance Mangement Act
PGDP	Provincial Growth and Development Plan
SMME	Small medium and micro enterprises
TA	Technical support staff





EPWP Infrastructure Sector Chief Directorate
National Department of Public Works

TEL: 012 337 2651 / 3000

FAX: 086 665 9584

www.epwp.gov.za