



**REPORT 6 OF 2017**  
**SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5<sup>TH</sup> MPUMALANGA PROVINCIAL LEGISLATURE:**  
**DEPARTMENT OF EDUCATION (2016/17)**

## **1. INTRODUCTION**

The Select Committee on Public Accounts (SCOPA) hereinafter referred to as 'the Committee', examined the annual report of the Department of Education; hereinafter referred to as 'the Department', which includes the financial statements, report of the Auditor-General, report of the Accounting Officer and performance information.

The Committee sent preliminary questions to the Department and received responses which were subsequently presented during a hearing. This transparent process of engagement was aimed at assisting and guiding the Department on areas that require improvement and monitoring.

The Committee discharged its mandate of ensuring prudent financial management over the report of the Department.

## **2. COMMITTEE PROCEDURES**

The Committee met on 09 November 2017 to deliberate on the above reports on the House Resolutions of SCOPA. Meetings of the Committee are open sessions for the public including the media as required by Standing Rule 123 and section 118 (1) (b) of the Constitution of the Republic of South Africa, Act No. 108 of 1996.

The Committee agreed during the meeting that the Department will provide the progress report on the implementation of the House Resolutions and progress thereof not later than the 15 November 2017.

### 3. COMMITTEE FINDINGS AND RECOMMENDATIONS IMPLEMENTATION OF 2015/16 AUDIT ACTION PLAN

	House Resolution	Progress report of the Department	Status
3.1	(i) The Accounting Officer must ensure that adequate systems are put in place to maintain records of immovable capital assets.	The Department is currently embarking on the process of ensuring full operationalization of the Education Facilities Management System (EFMS) which is including the uploading of physical project data (financial and technical information) Manual Record Management is also maintained where payment vouchers and project information are copied and filed accordingly.	<b>On-Going</b> The Audit Committee has been working closely with the Department, regularly communicating with the Auditor General.
	(ii) The Accounting Officer must ensure that all documents submitted to the Auditor General are adequately prepared and recorded.	For the 2016/17 financial year, the Department ensured that all information and documents that were requested by the Auditor general were submitted accordingly. As part of the management and the monitoring of the process. The Department also convened the Audit Steering Committee meetings to ensure that information required by the Auditor General was adequate and submitted on time where the register of such was developed and managed by the relevant section within the Department.	<b>Closed</b>
4.	<b>Reporting on other legal regulatory requirements</b> (i) The Accounting Officer must ensure that reliable information is provided as required by the National Treasury's Framework for Managing Programme Information (FMPI)	The Department has developed a Management of performance information Procedures Manual which details how performance should be packed and presented in a credible and reliable manner. One on one session is conducted with managers responsible for performance indicators in order to ensure compliance.	<b>Closed</b>
	(ii) The Accounting Officer must ensure that the Department conduct through review of Performance Information on quarterly basis and evidence of performance be verified (MPV)	The Department does conduct quarterly review sessions. Performance is gauge against the targets set in the Annual Performance Plan. Evidence of performance is also verified on a sample basis due to limited capacity within the monitoring and reporting unit.	<b>Closed</b> <b>Internal assurance bodies must monitor effective implementation of measures suggested.</b>
4.2	<b>Achieved Planned Targets</b> (i) The Accounting Officer must ensure that planned targets are achieved	The Department continues to monitor the achievement of planned targets on a quarterly basis. The Department has developed learner improvement plans in order to ensure that the targets relating to learner performance are	<b>On- Going</b>

		achieved. Infrastructure related targets are also closely monitored as in the main.	
	(ii) The Accounting Officer must in future implement disciplinary measures against officials who fail to implement APPs approved by the Legislature.	The necessary disciplinary actions will be taken against officials who fail to implement the approved APPs. For the 2016/17 financial year, only five (5) Senior Managers qualified for the incentive bonuses and the rest qualified for pay progression only.	<b>Closed</b>
4.3	<b>Annual Financial Statements, performance reporting and annual reporting.</b> (i) The Accounting Officer must consider taking disciplinary actions detailing steps taken against officials for contravention of Section 40 (1) (a) of the PFMA.	Due to negative audit opinion the Department took a decision of penalizing officials within the relevant unit by disapproving the incentive performance bonus in recognizing good performance	Closed
4.4	<b>Procurement and Contract Management</b> (i) The Accounting Officer must consider taking disciplinary action officials for contravention of Treasury regulations 16 A6.1.	The Department has not yet finalized the investigations of cases of irregular expenditure to determine any liability.	On- Going The Committee emphasized that disciplinary actions should not only be restricted to issuing of written warnings. Furthermore follow-ups should be made with the Office of the Premier to expedite all the cases.
	(ii) The Accounting Officer must take disciplinary actions against officials for contravention of the Preferential Procurement Policy Framework Act No 5 of 2000 of South Africa and Treasury Regulation 16 A6.3 (b).	The Department has not yet finalized the investigations of cases of irregular expenditure to determine any liability.	On- Going The Committee emphasized that disciplinary actions should not only be restricted to issuing of written warnings. Furthermore follow-ups should be made with the Office of the Premier to expedite all the cases.
4.5	<b>Expenditure Management</b> (i) The Accounting Officer must engage the RIU (Office of the Premier and	Cases relating to the Department of Public Works, Roads and Transport worth R41million, investigations had been finalized and the	<b>On- Going</b> The Committee emphasized that the

	Public works, Roads and Transport) on progress made on the investigations conducted on the irregular expenditure and further submit the progress detailing steps taken to recover from liable.	Department has since requested for condonation from the National Treasury. The Department awaits responses relating to cases handled by the Office of the Premier.	department should work on recovering losses caused by officials even after resignations and further submit a copy of the report.
	(ii) The Accounting officer must take disciplinary action against officials who caused the Department to incur irregular expenditure amounting to R353 665 000.	The Department of Public Works, Roads and Transport has issued a sanction of a written warning to the official who was responsible for the incurred irregular expenditure amounting to R41 000 000.	Closed  The Committee indicated that the sanction was lenient in relation to the offence.
4.6	<b>Financial And Performance Management</b> (i) The Executive Authority must consider taking actions against the Accounting Officer for the contravening section 38 (1) (C) (ii) of the PFMA.	Due to the negative audit opinion the Department took a decision of penalizing officials within the relevant unit by disapproving the incentive performance bonus in recognizing good performance.	<b>Closed</b>
5	<b>Investigations</b> (i) The Accounting Officer must engage the Integrity Management Unit in the Office of the Premier to expedite the thirty two (32) investigations on procurement irregularities, fraud, corruption, theft and misuse of public by employees.	The Department has received the investigation report in relation to status of the 32 cases.	<b>On Going</b> The Committee requires a signed copy of the received investigation report and the progress made on implementation of the recommendations.
	(ii) The Accounting Officer to submit a progress report to the Committee on this matter.	The Department has received the investigation report in relation to status of the 32 cases.	<b>On Going</b> The Committee requires a signed copy of the received investigation report and the progress made on implementation of the recommendations.

### **3. ANNUAL REPORT AUDIT FINDINGS**

#### **3.1 BASIS FOR QUALIFICATION**

The committee noted that the department obtained a qualified audit opinion for the 2016/17 financial year. This is a recurring finding over the period of three (3) financial years. The Department did not have adequate systems to maintain accurate record of expenditure incurred on immovable tangible capital assets.

The Accounting Officer indicated that the fair valuation of all identified assets has been concluded, the report is currently under scrutiny and the note has been compiled using the revised figures for six (6) months IFS. The note will be audited by Internal Audit and Auditor General, this will allow for any further corrections to be made in time before the annual audit.

The Accounting Officer indicated that monthly review of expenditure allocation is performed; misallocations are identified and corrected monthly and further stated that management of Physical Resource Planning has been strengthened by senior Managers as this will also bring stability such that systems and controls can be put in place.

Furthermore the Accounting Officer indicated that the Department continues to be assisted by the implementing agents in ensuring the consultants are appointed at a known and curbed percentage to allow the Department to account for fees at reporting period. The Accounting Officer indicated that this function is still a challenge as some final accounts are not sent on time as a result the Department is working closely with the Implementing Agents and Provincial Treasury to seek viable solutions.

The Committee indicated that the failure by Departments to implement consequence management has led to escalations of irregular expenditure. The Department need to act before the situation is uncontrollable. The Accounting Officer further indicated that constant engagements and follow ups are made with Office of the Premier to finalise the investigations on the RIU and litigations of irregular expenditure.

The Committee further engaged the Department on considering the establishment of the Directorate in Asset Management noting the size of the department's assets. The

Committee also raised sharply issues of resignations of officials who are still under investigations as a risk to the provincial administration.

### **3.1.1 RECOMMENDATIONS**

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must take disciplinary actions against officials who caused the Department to incur irregular expenditure amounting R828 000 000.
- (ii) The Accounting Officer must provide a progress report on the outcome of the investigations relating to irregular expenditure amounting to R178 000 000 in 2016/17 financial year and indicate which steps will be taken to recover the monies.
- (iii) The Accounting Officer must ensure that adequate systems are put in place to maintain accurate records of expenditure incurred on immovable tangible capital assets.
- (iv) The Accounting Officer must ensure that pension funds for officials who are still under investigation are withheld until their cases have been finalized.

### **3.2 MATERIAL UNDERSPENDING**

As disclosed in the appropriation statement, the Department materially underspent the budget on early Childhood Development by R38 654 000 (13%) and on Infrastructure Development by R180 784 000 (17%).

The Committee engaged the Department on the underspending on Early Childhood Development amounting to R38 654 000 and it was indicated that it was due to delays in processing the LTSM payments, non-commencement of the early Childhood Development NQF Level 6 training and translation of Grade R Practitioners as Educators. The Accounting Officer further indicated that NQF 5 were discontinued as there were not accredited. The Department has since implemented directly starting on NQF Level 6 from NQF Level 4.

The Accounting Officer indicated that certain challenges that the Department faces includes SGBs continuously visiting their offices without appointments which results in them failing to discharge their duties on time and high level of pressure.

The Committee engaged the Department on the underspending by R180 784 000 on Infrastructure Development.

The Accounting Officer indicated that there was late appointment of contractors on sanitation projects as a result the work was done, invoices were submitted late and could not be processed in time for payment before the financial year cut-off date.

The Committee asked what impact did the under spending have on the mandate of the Department and the future of the children.

The Accounting Officer indicated that the underspending had an impact on learning and teaching as earners did not have all the LSTM required and learning was not conducive without toilets.

The Committee asked the Accounting Officer if disciplinary actions were taken against officials who caused the Department to underspend in the Early Childhood and Infrastructure Development, if yes the Accounting Officer must provide proof and if no provide reasons why not.

The Accounting Officer indicated that no disciplinary actions were taken against the relevant officials since the Budget and Finance resolved that payments funded through equitable share must not be processed during March 2017 due budgetary constraints to pay COE for March 2017; furthermore the late appointment of contractors led to influx in invoices towards the end of the financial year in February and March just before the –off date resulting in handling huge volumes of invoices far exceeding its invoice capacity.

The Committee indicated that the justification by the Accounting Officer were not addressing the issue of underspending, the failure to take disciplinary actions thereof and furthermore the Committee noted poor planning from the side of the Department.

The Accounting Officer also indicated that capacity challenges and high staff turnover has hindered them from taking disciplinary actions against officials.

The Committee further engaged the Department on its strategy in staff retentions. The Accounting Officer indicated that it was difficult as in other instances no reasons are

attached to resignations and furthermore officials resigning do not want to participate in exit interviews but mostly the Department has found the environment to be stressful.

The Committee asked why did the Department fail to meet its planned target yet there was a shortage of Grade R furniture, outdoor play facilities and fewer Grade R teachers are appointed.

In its explanation The Accounting Officer indicated that there was a rechanneling of planned level 5 training for 2016/17 to training 300 practitioners on Early Childhood Development NQF Level 6 Diploma to further professionalise the ECD sector.

Furthermore according to the Accounting Officer, it should be noted that a Grade R classroom is not like a mainstream classroom where every learner has a chair or desk as a result not all Grade R learners required to sit on a chair simultaneously. The Accounting further indicated that the Department has supplied desks and chairs in the 2014 academic year and informed schools through a circular in October 2017 to notify the Department of shortages in Grade R furniture.

The Accounting Officer did not adequately respond to the Committee' concerns in the matter above, the explanation did not address the question at hand.

The Committee asked the Accounting Officer to indicate how the failure to utilise the budget impacted on the quality of teaching and learning and provision of textbooks to grade R LTSM.

The Accounting Officer indicated that the underspending had an impact on learning and teaching as learners did not have all the LSTM required and quality learning was affected. The Accounting Officer further assured the Committee that this matter has been fully addressed.

The Committee asked what actions were put in place to ensure that performance of the programme improves.



The Accounting Officer indicated that ECD NQF Level 6 training commenced in the first quarter of 2017/18 financial year and payment will be made in two tranches. The first tranche of payment will be made by 15 November 2017. The LSTM will be supplied to 1071 schools and 500 community based centres before closure of the 2017 academic year and payment will be made in the fourth quarter of 2017/18 financial year. The quarterly reviews and Budget Advisory Committee meetings monitors the implementation of the 2017/18 APP and budget respectively.

The Committee asked the Department to provide such plan to the Committee.

The Accounting Officer summarised the plan as follows.

Priority	Activity	Reporting timeline
Professionalising ECD sector	Training 300 Grade R practitioners on ECD NQF Level 6 which commenced in June 2017	Training is monitored as per timetable supplied by Northwest University.
Translation of Grade R Practitioners as Educators	Updating Grade R database when new Practitioners are appointed or when they exit the system	Monthly basis
Procurement of Grade R and Pre-Grade R LTSM	Identification of LTSM material and submission to PMU.	Progress provided in Monthly meetings between Department and PMU.

The Committee further engaged the Department on training of Grade R Practitioners being provided by the University of Northwest and the University of Mpumalanga. The Accounting Officer indicated that University of Mpumalanga is currently not accredited to provide such training; furthermore the University of Northwest is currently providing such training. The Department hopes in future the University of Mpumalanga can provide such training.

### 3.2.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must take disciplinary actions against officials who caused late payment of the LTSM.

- (ii) The Accounting Officer must take disciplinary actions against officials who caused the late appointment of contractors resulting in underspending amounting R180 784 000.

### **3.3 ANNUAL FINANCIAL STATEMENTS, PERFORMANCE REPORT AND ANNUAL REPORT**

The Committee noted that the financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by Section 40 (1) (a) and (b) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving qualified audit opinion.

The Committee asked the why the Department contravened section 40 (1) (a) and (b) of the PFMA.

The Accounting Officer indicated that the Department could not accurately determine the opening balances of the WiP commitments and Immovable Assets balances for the 2016/17 as a result the Auditor General concluded that was a contravention of section 40 (1) (a) (b) of the PFMA. The accuracy was impacted by fair values which were not acceptable to the Auditor General as there were not in compliance with approved methodology.

The Committee engaged the Department on its failure to correct the financial statements for consecutive years without improving.

The Accounting Officer indicated that in previous years the immovable asset disclosures were subject to the requirement of Accounting Manual for Departments where the Department was not allowed to fair value immovable assets which was contrary to the Modified Cash Standard. The high staff turnover on key positions over the years has contributed to the instability within the infrastructure unit responsible for the note and within finance unit.

The Committee asked what corrective measure will be implemented to ensure that the financial statements are prepared in accordance with the prescribed financial framework and how does the Department plan to improve its record keeping as it is also a cause for the underperformance.

The Accounting Officer indicated that the Department has reconstructed the WiP, Commitments and Immovable Assets disclosure note as at 30 September 2017 to be

subjected to an interim by Auditor General. The Department has procured caseware system to enable it to improve on the compilation of the annual financial statement. The Department has operationalized the Education Facilities Management and technical information which includes the uploading of physical project data within the infrastructure unit to improve on records management.

### **3.2.1 RECOMMENDATIONS**

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must take disciplinary actions against officials who contravene section 40 (1) (a) and (b) of the PFMA.
- (ii) The Accounting Officer must ensure that financial statements are prepared in accordance with the prescribed financial reporting framework.
- (iii) The Accounting Officer must take disciplinary actions against officials who fail to safeguard records of the Department.

### **3.3 EXPENDITURE MANAGEMENT**

The Committee noted that Auditor General reported that effective steps were not taken to prevent irregular expenditure of R178 300 000 as disclosed in note 24 of the financial statements as required by Section 38 (1) (c) (ii) of the PFMA and Treasury Regulations; Contractual obligations and money owed by the Department were not met or settled within 30 days, as required by Section 38 (1) (f) of the PFMA and Treasury Regulations 8.2.3.

The Committee enquired about the irregular expenditure amounting to R178 300 000 and the Accounting Officer indicated that payments were made before the receipt of goods and services, in contravention of Treasury regulations (15)10.1.2; this was as a result of a payment made to a technical and vocational education and training before the goods and services were received. The Accounting Officer also indicated that in the main this irregular expenditure was due to NSNP bid set aside by the High Court in 2014 and procurement of mobile classrooms without issuing an official order prior to delivery.

The Accounting Officer further indicated that there were various circumstances that led to the Department to incur irregular expenditure. Below is a table indicated the circumstances:

Item	Amount R'000	Cause
Internal Procurement cases	R25 690	Procurement before issuing an order
NSNP	R98 463	High Court setting aside the bid in 2014
RIU projects	R3 350	RIU Procurement
OTP Litigation	R5 588	OTP centralization of legal services
Sport attire bid	R1 478	BEC and BAC recommended 2 different service providers and the HOD approved both service providers. The Department failed to report this to Treasury and AGSA as required by prescripts. The Department will report the matter by end of November 2017 to avoid further irregular expenditure as the contract will end in 2018.
Internal Audit	R738 000	Non-compliance with internal processes e.g. payment of S&T without approval by HOD, acting allowance approved by non-delegated officials, payment to unregistered ECD centres.
Conditional Grants	R10 250	Overall Programme 2 overspent which houses conditional grants although the actual grants were surrendered to Provincial Treasury.
Cases identified by Auditor General	R25 072	Resettlement, prepayments and transfer payments to Universities.
Prior Year	R7 939	Internal procurements not following processes e.g. unregistered ECD centres.
Total	R178 568	

The Accounting Officer indicated that services were sourced solely from the University of Northwest as it was the only University in the country that is accredited to offer NQF 6 training in Early Childhood Development (ECD).

The Department has implemented the following measures to detect irregular expenditure:

- Central Finance Committee to review all procurement/requisitions from responsibility managers.
- Term contracts have been put in place for items that are frequently procured by the Department. The Department reviewed all contracts that caused irregular expenditure, corrected the specifications for new contracts.

- Deviations on procurement have been stopped and only those that meet the criteria are approved by the Accounting Officer and reported to Treasury and Auditor General monthly. Deviations that are as a result of poor planning are not approved by the Department.

The Accounting Officer further stated that matters of non-compliance and causing the Department irregular expenditure has been referred back to responsibility managers in different sections for investigations. The Committee requested the Accounting Officer to provide the Committee with timeframes for the matters referred to responsibility managers.

The Committee engaged the Accounting Officer to submit proof that the irregular expenditure was reported to relevant Treasury for condonation and that a register is kept.

The Accounting Officer indicated that the Department submitted to Provincial Treasury on the 26 June 2017 a request for condonation of the R1 782 000 paid to the ECD centers that were not registered with the Department.

The Committee engaged the Accounting Officer on disciplinary action taken as required by Treasury regulation 9.1.1.

The Accounting Officer indicated that no disciplinary actions were taken as the cases that were identified have been referred to various responsible managers for further investigation and handling.

The Committee engaged the Accounting Officer on whether the investigations were done on the irregular expenditure incurred and what consequences meted by the officials who contravened the due processes.

The Accounting Officer indicated that investigations by various responsibility managers are underway and expected to be finalized by the 31 October 2017. The irregular expenditure within ECD programme resulted in one (1) investigation being finalized by the Department and the official was found guilty of misconduct which resulted to dismissal.

The Committee engaged the Accounting Officer to explain why the investigations on irregular expenditure are taking too long.

The Accounting Officer indicated that the matters were referred to relevant responsible managers to investigate these by the end of October 2017 understanding that the Labour Relations unit does not have the necessary capacity due to moratorium on filling of posts to investigate all cases.

### **3.3.1 RECOMMENDATIONS**

The Committee recommends the House to resolve that:

- (i) The Executive Authority must take disciplinary actions against the Accounting Officer for causing the Department an irregular expenditure amounting to R1 478 000 by approving 2 different service providers for the same service.
- (ii) The Accounting Officer must take disciplinary actions against officials who approved acting allowances by non-delegated officials.
- (iii) Accounting Officer must take disciplinary actions against officials who failed to verify documents before making payments to ECD centres.
- (iv) The Accounting Officer must provide a progress report on criminal cases of fraud around Ehlanzeni District and a plan for recovery from those liable in law.
- (v) The Accounting Officer must take disciplinary actions against officials who contravened Section 38 (1) (h) of the PFMA causing the Department to incur irregular expenditure amounting R178 300 000.
- (vi) The Accounting Officer must submit a progress report on how the irregular expenditure amounting R178 300 000 has been treated and outcome of request for condonement by relevant Treasury.

### 3.4 PROCUREMENT AND CONTRACT MANAGEMENT

The Committee noted that goods and services with a transaction value of R 500 000 were procured without obtaining the required price quotations, contrary to treasury regulations 16A6.1. This occurred during the procurement of catering and cleaning services.

The Committee engaged the Accounting Officer how many awards of catering services were made without obtaining the required price quotations at what value in the 2016/17 financial year.

The Accounting Officer indicated that the following awards were made by the Departments for catering and cleaning services.

No	Item description	Total rand value of award	Expenditure (payments – current year
1	Talkzinto Trading (Catering services Highveld Comprehensive High School – Gert Sibande District	R 26 145.00	R26 145.00
2.	Beadesac Trading (Catering Services at Ehlanzeni District)	R59 685.00	R59 685.00
3.	Servest PTY LTD (Procurement procedure to acquire hygiene services at MSTA building in Emalahleni.	R52 113.96	R52 113.96

The Committee engaged the Accounting Officer on disciplinary action taken against the officials who caused the department to procure catering services without obtaining the required price quotations.

The Accounting Officer indicated that no disciplinary actions had been taken as yet as the cases that were identified and referred to various responsible managers for further investigations and handling. The Accounting Officer indicated that they anticipate finalizing these cases by January 2018.

The Committee engaged the Accounting Officer to confirm that all the catering and cleaning services procured in 2016/17 was done through the PROQUOTE system and

further enquired if the system was aligned to the Supply Chain Management policy and if so how did it fail to detect that the services exceeded the threshold.

The Accounting Officer indicated that all procurement done through the PROQUOTE system; the system was aligned to the SCM policy and the main cause was the failure for suppliers selected the departmental database to respond within the required time frames and at times they would not respond at all.

### **3.4.1 RECOMMENDATIONS**

The Committee recommends the House to resolve that:

- (i) The accounting officer must submit investigation report from all responsible managers
- (ii) The Accounting Officer must take disciplinary actions against officials who made awards without obtaining the required price quotations and further submit outcomes of the investigations to the Committee.
- (iii) The Accounting must submit proof that suppliers failed to respond within the required timeframes

### **3.5. FINANCIAL AND PERFORMANCE MANAGEMENT**

The Committee noted that non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored. The Department prepared quarterly financial statements, which assisted them in preparing annual financial statements; however management did not adequately review the annual financial statements and relied on internal and external auditors to identify errors.

The Committee noted that management did not timeously implement proper record-keeping controls to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting. The reported performance against predetermined objectives was not verified against supporting evidence to ensure that it was valid, accurate and complete.

The Committee asked why the Accounting Officer failed to review the annual financial statements to ensure that they are error free when submitted to the auditors. The



Accounting Officer indicated that the Department has various mechanisms in place which aims at ensuring the annual financial statements are accurate, complete and free from material misstatements.

The Committee enquired from the Accounting Officer on the challenges that are face by the Department when it comes to proper record keeping and what caused those challenges when the Department is close to full capacity in its staff establishments.

The Accounting Officer indicated that the Department encountered challenges with high staff turnover at the Physical Resources and Management unit that is responsible for Infrastructure facilities as a result there is lack of stability in the unit; furthermore availability of historical project information from the relevant implementing agents. The Accounting also indicated that consultants claim on work performed on projects received years after projects were closed off and the changes in the reporting framework and its manual caused numerous differences in interpretations between the Department, Provincial Treasury and the Auditor General.

The Accounting Officer further indicated that the Department was not fully capacitated and was nowhere close to that when compared to its approved organogram and has continuously struggled with loses on key positions within the Finance unit.

The Committee asked the Department to clarify why management at the appropriate level failed to ensure that compliance with laws and regulations were reviewed and monitored.

The Accounting Officer indicated that lack of leadership within the infrastructure unit throughout the financial year is the most notable reason for non-compliance.

The Committee engaged the department on its plan to address the issues as it had serious implications on the financial and performance of the Department.

The Accounting Officer indicated that the fair valuation of all identified assets has been concluded, the report is currently under scrutiny and the note has been compiled using the revised figures for six (6) months IFS. The note will be audited by Internal Audit and Auditor General, this will allow for any further corrections to be made in time before the annual audit.

The Accounting Officer indicated that monthly review of expenditure allocation is performed; misallocations are identified and corrected monthly and further stated that management of Physical Resource Planning has been strengthened by senior Managers as this will also bring stability such that systems and controls can be put in place.

Furthermore the Accounting Officer indicated that the Department continues to be assisted by the implementing agents in ensuring the consultants are appointed at a known and curbed percentage to allow the Department to account for fees at reporting period. The Accounting Officer indicated that this function is still a challenge as some final accounts are not sent on time as a result the Department is working closely with the Implementing Agents and Provincial Treasury to seek viable solutions.

### **3.5.1 RECOMMENDATIONS**

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must take disciplinary actions against officials who failed to comply with the laws and regulations in place.
- (ii) The Accounting Officer must take disciplinary actions against officials who failed to implement proper record keeping controls.
- (iii) The Accounting Officer must take disciplinary actions against officials who failed to ensure that supporting evidence was verified.
- (iv) The Accounting Officer must ensure that restatements of balances are at an acceptable level to curb on misstatements in the Annual Financial statements.

## **4. CONCLUSION**

The Committee has satisfied the requirements of the Mpumalanga Provincial Legislature Rules and Orders of conducting oversight over the financial statements of the Department.

**Unless otherwise stated a report detailing progress made in the implementation of all recommendations in this report should be forwarded to the Committee by 30 March 2018 and thereafter on quarterly basis.**

## 5. ADOPTION OF THE REPORT

The Select Committee on Public Accounts recommends that the House adopt this report and its recommendations as House Resolutions.



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**Hon. SI Malaza**  
**Chairperson**  
**Select Committee on Public Accounts**  
**Mpumalanga Provincial Legislature**



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**Date**