



REPORT 10 OF 2017
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
MPUMALANGA TOURISM AND PARKS AGENCY (2016/17)

1. INTRODUCTION

The Constitution of the Republic of South Africa, Act 108 of 1996 empowers Provincial Legislatures to establish mechanisms to maintain oversight on provincial executive authority and organs of state. The Legislature through its Standing Rules and Orders has established the Select Committee on Public Accounts (SCOPA) hereinafter referred to as a Committee, and entrusted it with the responsibility to conduct financial scrutiny and examination of all financial statements and reports of the Auditor-General tabled before the House.

The Committee sent preliminary questions to the Mpumalanga Tourism and Parks Agency and received responses which were subsequently presented during a hearing of the Committee. 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 reports of the public entity and wish to report as follows;

3. COMMITTEE PROCEDURES

The Committee met with the entity on the 07 November 2017 to deliberate on the above reports. The Meeting of the Committee was open sessions for the public including the media as required by section 118 (1) (b) of the Constitution of the Republic of South Africa, Act No. 108 of 1996, read with the Standing Rules and Orders.

4. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee considered progress made by the entity in implementing previous House Resolutions relating to the 2015/16 financial year. The progress per House Resolutions is contained in the table below:

	RESOLUTIONS	PROGRESS AS ON	STATUS
1.1 VALUATION OF HERITAGE ASSETS	i. The Accounting Authority must put measures in place to ensure evaluation of its nature reserves are done according to the GRAP 103.	The entity conducted valuation of nature reserves in accordance with GRAP 103 and presented the report to AG were it was accepted.	Closed
	ii. The Accounting Authority must ensure that the process of valuation of assets is completed by the service provider not later than the 30 June 2017.	The valuation was completed in March 2017.	closed
2.1 CLEAN AUDIT	i. The Accounting Authority must develop a plan that will ensure that the entity obtains clean audit.	The plan was developed and submitted to Provincial Treasury for continuous monitoring.	Closed
2.2 OTHER INCOME	i. The Accounting Authority must ensure that the entity has a proper records management system not later than the 30 July 2017.	The entity has developed a proper records management system which includes amongst others contract management.	Closed
	ii. The Accounting Authority must consider taking disciplinary actions against officials that failed to ensure that agreements are signed on time.	Disciplinary action against officials could not be taken as delays in signing the agreements was due to challenges related to certain concessions.	Closed

	RESOLUTIONS	PROGRESS AS ON	STATUS
2.3SIGNIFICANCE OF UNCERTAINTIES	i. The Accounting Authority must ensure that the case of Grand Valley Estate and others is finalised and provide the progress thereof to the Committee on quarterly basis.	Find attached for your attention the Updated Progress Report on the law suit. Annexure 4 was circulated to meeting	Closed
2.4RELIABILITY OF REPORTED PERFORMANCE INFORMATION	i. The Accounting Authority must put measures in place that will ensure that performance information is reliable and verify all the data presented as Portfolio of Evidence.	The performance information policy has been drafted and will be approved before the end of the third quarter and implemented to ensure reliability of performance evidence.	Closed
	ii. The Accounting Authority must develop a strategy that will ensure that the entity achieves planned targets and portfolio of evidence is verified quarterly.	The entity is conducting monthly performance reviews to assess progress towards the attainment of planned quarterly targets and takes corrective actions where necessary.	Closed
2.5BUDGET	i. The Accounting Authority must consider taking disciplinary actions against officials who continuously violating Section 53(4) of the PFMA.	The overspending mainly relates to overtime work by field rangers and security staff working on Sundays and Public Holidays. Given the fact that the entity did not expect the exponential increase in poacher incursions, particularly on reserves that contain rhinos.	Closed
	ii. The Accounting Authority must develop a strategy that will ensure that the entity does not overspend on the allocated budget and achieves the planned targets as required.	The entity conducts monthly reviews of actual expenditure versus budget, confirmation of budget availability before initiation of transactions and enforcement of approved cost curtailment measures. This strategies are implemented to control overspending	Closed
2.6	i. The Accounting Authority must consider taking	Financials Statements were prepared in accordance with	Closed

	RESOLUTIONS	PROGRESS AS ON	STATUS
ANNUAL FINANCIAL STATEMENTS, PERFORMANCE REPORT AND ANNUAL REPORTS	disciplinary actions against officials who failed to prepare financial statements according to the prescribed financial reporting framework as required by section 55(1) (a) and (b) of the PFMA.	Generally Recognized Accounting Practice (GRAP). The inaccuracies discovered were subsequently corrected and were further not found to be material hence no disciplinary action was taken.	
	ii. The Accounting Authority must develop a strategy that financial statements are properly reviewed on quarterly basis and prior to submission for audit.	The financial reports are reviewed quarterly by management, Audit Committee and approved by the Board.	Closed
	iii. The Accounting Authority must put measures in place that will ensure that financial statements are prepared in accordance with the prescribed financial reporting framework and supported by full and proper records.	The financial statements were prepared in terms of Generally Recognised Accounting Practices (GRAP). Proper accounting records are filed securely and presented to auditors when required.	Closed
2.7EXPENDITURE MANAGEMENT	i. The Accounting Authority must consider taking disciplinary actions against officials who allowed the entity to incur irregular expenditure amounting to R13 843 960 as required by Section 38(1) (g) of the PFMA.	The Accounting Authority conducted an investigation into the irregular expenditure in accordance with the requirements of Section 38(1) of the PFMA. The report did not identify any official liable in law for disciplinary actions. The irregular expenditure was submitted to Treasury for condonation	Ongoing
	ii. The Accounting Authority must consider taking disciplinary actions against officials who failed to submit proof that the irregular expenditure was	The report on irregular expenditure was approved by the Board and submitted to Provincial Treasury. A proof of submission was presented to the Committee with the previous progress report.	ongoing

	RESOLUTIONS	PROGRESS AS ON	STATUS
	reported to Provincial Treasury.		
	iii. A report on the Investigation of the Irregular Expenditure (R13 843 960) be submitted to the Committee by 30 July 2017.	The report on irregular expenditure was submitted to the Committee with the previous progress report	Closed
2.8 REVENUE MANAGEMENT	i. The Accounting Authority must consider taking disciplinary actions against officials who failed to take effective and appropriate steps to collect all monies due as required by Section 51(1) (a) (1) of PFMA and Treasury Regulation 31.2(a) and (e).	Disciplinary action against officials could not be taken as delays in signing the agreements was due to disputes amongst various parties, e.g. land claimants, MTPA and concessionaires.	Ongoing
2.9 INTERNAL CONTROLS	ii. The Executive Authority must consider taking disciplinary actions against the Accounting Officer failing to implement effective human resource management to ensure adequate and sufficient skilled resources were in place and that performance was monitored.	The CEO position has been filled and the process of filling the other key management positions will be completed before end of financial year.	Ongoing

COMMITTEE FINDINGS AND RECOMMENDATIONS

5. PROPERTY, PLANT AND EQUIPMENT

The Committee noted that the Auditor General's reported that the entity failed to ensure that the entity has adequate controls in safeguarding and monitoring of assets. The entity indicated that controls of safeguarding and monitoring of assets are in place. There are assets belonging to Department of Public Works, Roads and Transport where ownership has not been agreed for transfer to the MTPA, Swadini and Sterkspruit bridges. This will be resolved during the third quarter of 2017-2018 financial year.

The Committee enquired on infrastructure assets amounting to R 31 276 861.00 that could not be traced to the fixed assets register during the audit process. The entity indicated that infrastructure assets that could not be traced to the fixed assets register relate to assets belonging to Department of Public Works where ownership has not been agreed for transfer to the MTPA., Swadini and Sterkspruit bridges. It was also reported that the entity is engaging with the Department to determine if the assets are listed on their asset register and if not then the MTPA will incorporate them into its asset register. If the assets are listed in the Departments asset register then the Department will need to formally transfer them to the MTPA.

The entity has started the process to perform infrastructure verification from floor to register in order to ensure that all assets are accounted for in the asset register. The infrastructure verification process will be completed in the third quarter 2017/18.

The Committee was furnished with an Asset Management Plan and a commitment was made that the implementation will be monitored on a quarterly basis.

5.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- i. The Accounting Authority must take disciplinary actions against official(s) who failed to ensure that the entity has adequate controls in safeguarding and monitoring of assets.
- ii. The Accounting Authority must ensure that the entity has an accurate asset register before the end of the financial year 2017/18.

6. ZITHABISENI RESORT OWNERSHIP PROPERTIES

The Committee required that the entity provide progress made towards resolving the property ownership Zithabiseni Resort and Conference Centre. The Committee was informed that Zithabiseni business is registered as a proprietary limited entity, with its own directors and the Department of Economic Development and Tourism being the sole shareholder. The property is a subject of land restitution claim which implies that all assets will naturally be transferred to an entity owned by the claimants.

The Committee was also informed that the audit of the last two years have now been completed in order to facilitate a due diligence exercise. That will thereafter be followed by the winding up and de-registration. A meeting was held between the Minister of Rural Development and Land Reform as well as the MEC for Economic Development to facilitate the speedy resolution of the land claim on Zithabiseni Resort.

The Committee needed clarity on what is the level of certainty on the investment made by government on the property and what is the basis for future investment at the current situation. The entity indicated that government is currently investing **R22 million** towards cost of employment at Zithabiseni and own revenue generation (**R6 million**) is used to fund operations. It was also mentioned that currently there is a process to re-deploy current staff to other Government Departments / Entities. It was further indicated that the process of securing a private sector partner working together with claimant communities has already started with the expression of interest advertisement already sent out.

6.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must ensure the entity provide progress made towards resolving the property ownership of Zithabiseni Resort and Conference Centre.
- (ii) Portfolio Committee must meet with Rural Development and follow-up on the Zithabiseni land claim.

7. OTHER INCOME: CONCESSION FEES

The Committee enquired about the management of Concession fees collected by the entity. It had been noted in the Annual Report that there are challenges related to certain specific concession contracts where revenue could not be collected.

The entity indicated that the challenges related to concession agreements inherited from Limpopo Province. The Committee wanted to know why did the Accounting Authority failed to ensure that the entity has contract management systems. The entity indicated that it has a contract management system in place however there are challenges related to certain specific concession contracts where revenue could not be collected. The Committee was also informed that revenue was disclosed in the financial statements as a contingent asset.

7.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must ensure that the entity operates with adequate and effective contract management system.

8. PREDETERMINED OBJECTIVES

The Committee noted that the entity failed to provide adequate evidence to the Auditor General for audit purposes in relation to certain targets. The entity indicated that the packaging of the evidence was a bulk of receipt documents and they could not be cross-

referenced to the number of people that entered the reserves. The entity has improved its process flow and reporting mechanism from the moment a tourist enters the reserve.

The Committee asked whether the entity lacks filing, evaluation and monitoring systems. The entity reported that it does not lack filing, evaluation and monitoring system, the receipt books are kept at the reserves. The entity indicated that it has improved its process flow and reporting mechanism from the moment a tourist enters the reserve.

The performance information policy has been drafted and will be approved before the end of the third quarter and awareness will be conducted with all managers. Currently processes and procedures are in place, reviews are conducted quarterly because of shortage of staff in the unit.

8.1 RECOMMENDATIONS

- (i) The Accounting Authority must ensure that the Performance Information Policy is developed and implemented accordingly.
- (ii) The Accounting Authority must conduct quarterly review on performance information and ensure that MOV's is verified and filed proper.

9. MATTERS OF EMPHASIS (LAND UTILIZATION LAWSUIT OF R740 MILLION)

The entity was required to brief the Committee on the progress made for the land utilization lawsuit of **R740 million** since this matter is recurring. The entity indicated that the matter is still at its beginning stages with no determination made yet by the court therefore a few years could pass before the matter is finalized.

The entity also indicated that the other action related to the alleged corruption lawsuit amounting to R1, 175 million has been withdrawn in June 2017 following a mediation that the Plaintiffs held with defendants, the prove thereof was provided to the Committee.

9.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Authority must provide progress regarding land utilisation claim amounting to R740 million.

10. IRREGULAR EXPENDITURE

The entity indicated that comparatively it has less irregular expenditure this year as the value decreased from **R13.5 million to R4.9 million**. The entity committed to act on the recommendations of the investigation once it receives the report.

The Committee was also informed that irregular expenditure was as a result of security contracts that did not yield responsive bids and had to be re-advertised which ultimately lead to the extension of the existing contract.

The entity further reported that it had prior year Irregular Expenditure amounting to **R 35 957 190.00** which awaiting condonation. The investigation has been completed and submission has been made to Treasury for the process to regularize the expenditure.

10.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Authority must provide progress report and/or outcome of the submission to Treasury (irregular expenditure **R 35 957 190.00**)
- (ii) The Accounting Authority must take disciplinary actions against the official(s) liable in law for incurring irregular expenditure who caused the entity to incur the Irregular Expenditure amounting **R 4.9 million**.

11. COMPLAINE WITH LEGISLATION (COMPILATION OF FINANCIAL STATEMENT)

The Committee noted that the accounting Authority failed to prepare the financial statements in accordance with the prescribed financial reporting framework as required by Section 55(1) (a) and (b) of the PFMA. The entity accepted that information on its Annual Financial Statement was not accurate. There was capacity constraints and inadequate internal controls. The entity had since rationalized staff to cover critical areas.

11.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Authority must establish a system of development and reviewing of Financial Statements on Quarterly basis and a quality assurance team to review Annual Financial Statements.

13. PROCUREMENT AND CONTRACT MANAGEMENT

The Committee noted that the Auditor General report indicates that the Accounting Authority contravene Treasury Regulation 16A6.3, 16A9.1 (d) and Preferential Procurement Regulations. The entity indicated that the Tax Clearance Certificates had been requested from service providers and received after award date and payment was not processed without confirmation of the tax compliance.

The entity indicated that they have introduced a checklist to ensure that no orders or awards are made without confirmation of tax compliance status of service providers. The Committee also wanted to know what actions has the Accounting Authority taken against the officials that were involved in the non-compliance or contravention of the key legislations. The amount was recognized as part of the irregular expenditure under investigation at the time.

13.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must take disciplinary actions against officials contravene Treasury Regulation 16A6.3, 16A9.1 (d) and Preferential Procurement Regulations

15. CONCLUSION

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

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.

16. ADOPTION OF THE REPORT

The Select Committee on Public Accounts recommends that the House adopt this report.



**HON. SI MALAZA
CHAIRPERSON
SELECT COMMITTEE ON PUBLIC ACCOUNTS**



DATE