



REPORT 13 OF 2017
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (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 Department of Cooperative Governance and Traditional Affairs 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 Department and wish to report as follows;

2. COMMITTEE PROCEDURES

The Committee met on the 21 November 2017 and considered the report on the 08 February 2018. Meeting of the Committee are 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 of the Mpumalanga Provincial Legislature, 2013.

The department responded to various questions posed by the Committee during the hearing.

**A. PROGRESS REPORT ON THE IMPLEMENTATION OF HOUSE RESOLUTIONS
2015/16 FINANCIAL YEAR**

NO.	RESOLUTION	PROGRESS AS ON	STATUS
3.1	The Accounting Officer must provide a report on progress made in settling the outstanding accruals amounting R1 390 000.00	The accruals of R 1 390 000 which relate to contractual obligations invoices were settled within the allocated budget and will not have a negative impact on the implementation of APP for 2016/17 financial year.	Ongoing
3.2	The Executive Authority must provide a progress report on the investigation on irregular expenditure and measures taken to accordingly regulate the expenditure.	The Irregular expenditure of R 1.419 million incurred by the Department relates to centralized legal fees from the Office of the Premier and is still under investigation by the Internal Audit Unit. Progress report will be tabled before SCOPA upon finalization of the investigation	Ongoing
3.2	The Accounting Officer must expedite the litigations and provide the Committee with a progress report.	The Department is working closely with the State Attorney to expedite the finalization of the litigations. To date the Department managed to reduce the litigations by R 30.449 million from R 57.891 million in 2015/16 financial year to R 27.442 million by the end of September 2017.	Ongoing
3.3	The Executive Authority (MEC) must through the Premier write to the Presidency and request that the investigation on Water for All flagship Projects be expedited to finality.	The Executive Authority has issue a letter to the Premier's Office to request the Presidency to expedite the investigation of the Water for All Flagship Projects and subsequently submit a report to the Province / Department for consideration of the recommendations.	Ongoing

COMMITTEE FINDINGS AND RECOMMENDATIONS

3. UNAUTHORISED EXPENDITURE

The Committee noted that the Auditor General has found that the department has unauthorized expenditure of R 22 011 000 that was incurred in 2015/16 financial year and according to the AGSA's report this unauthorized expenditure remained the same during the period under review. The Accounting Officer indicated unauthorized expenditure of R 22.011 million is a result of an over expenditure on the payment of salaries during the absorption of CDWs amounting to **R 4.737 million** in 2017/18 financial year, as well as over spending on the Water for All Projects to the value of **R 17.274 million** in 2009/10 financial year.

The Committee was informed that during 2008/09 financial year, the Department incurred an unauthorized expenditure to the value of **R 8.607 million** due to over spending on Compensation of Employees under Programme 2 : Local Governance with an amount of **R 4.737 million** and Programme 4 : Traditional Institutional Management with an amount of **R 3.870 million**.

The Committee wanted to know what corrective measures did the department put in place to prevent the recurrence of the unauthorized expenditure. The Accounting Officer indicated that the department has improved the budgeting processes with regards to provision for Compensation of Employees and section 139 Interventions as a result we have no incident of over expenditure on Compensation of Employees (COE) which resulted in Irregular Expenditure since 2011/12 financial year.

3.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Officer motivate to the Committee and Provincial Treasury why the unauthorized expenditure amounting **R 22011 million (CDW) must be reconsidered for Condonation.**

4. IRREGULAR EXPENDITURE

The Committee has noted that the Auditor General found that department has irregular expenditure of **R9 699 000** relating to prior year has escalated to **R9 813 000** during the current year – see page 119 of the A/R. The Irregular Expenditure escalated by **R114 000**. The Committee wanted to know why did the Accounting Officer incur Irregular Expenditure amounting R114 000. The Accounting Officer indicated that irregular expenditure of **R 0.114 million** incurred by the Department relates to centralized Legal Fees from the Office of the Premier and is still under investigation by the Internal Audit Unit. Progress report will be tabled before SCOPA upon finalization of the investigation.

The Committee wanted to know why did the Accounting Officer contravene section 38(1) (c) (ii) of the PFMA and Treasury Regulation (TR) 9.1.1. The Accounting Officer indicated that the department contravened section 38(1)(c) of the PFMA and Treasury Regulation (TR) 9.1.1 because the department was of the view that proper procurement processes were followed by the Office of the Premier when procuring the Legal Services and subsequently directing all Departments to utilize the services without an exception.

The Committee wanted to know whether did the Accounting Officer take disciplinary action against those who caused the department to incur the Irregular expenditure amounting R114 000 as required by section 38 (1) (h) of the PFMA. The Accounting Officer indicated that the department has written to the Office of the Premier requesting the centralized Internal Audit Unit to conduct an investigation and will consider the recommendations thereof. The Accounting Officer also indicated no progress made towards recovering the money as the matter is still under investigation by the Office of the Premier.

The Committee was informed that the Department has further written to the Provincial Treasury requesting the condonement of **R 6.127 million** over expenditure on Compensation of Employees caused by the section 139 intervention to Municipalities.

4.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Executive Authority must consider taking disciplinary actions against the Accounting Officer/official (s) for incurring irregular expenditure amounting **R 114 000** in the 2016/17 financial year.
- (ii) The Executive Authority must provide a progress report on the investigation on irregular expenditure and measures taken to accordingly regulate the expenditure.
- (iii) The Accounting Officer must make a follow up with the Office of the Premier requesting the progress made in finalizing investigations on irregular expenditure
- (iv) The Accounting Officer must provide Committee with Provincial Treasury response on the request to Condone **R 6.127 million** (over expenditure on Compensation of Employees caused by the Section 139 intervention to Municipalities).

5. ACCRUALS

The Committee has noted that the Auditor General found that department has accruals of **R1 745 000.00** in contrast to **R 1390 000.00** for the prior year. This represents a growth of **R355 000.00** which translate to 20 % increase. The Committee wanted to know why did the Accounting officer incur accruals of **R 1 745 000.00** during the period under review.

The Accounting Officer indicated that accruals of **R 1.745 million** incurred by the department relate to payment of invoices for contractual obligations which were received after the cut-off date due to different billing dates of the service providers. The invoices and claims were received in April 2017 but relate to goods and services certified as received during March 2017. It should was further brought to the attention of the Committee that the accruals were budgeted for in the subsequent financial year and paid within 30 days without any negative impact on the approved APP of the Department for 2017/18 financial year.

. The Accounting Officer indicated that the increase or growth The Committee further enquired why the Accounting Officer allowed the accruals to grow by 20 % between the prior year and the current year of 20% on Accruals has been caused by the high billing of **R 0.693 million** invoice submitted by the Office of the Auditor General as well as an invoice amount of **R 0.232 million** for the procurement of Land Survey Equipment after the cut-off date for 2016/17 financial year.

5.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must ensure invoices are paid within 30 days after receipt of invoice and take disciplinary measure against those official(s) that have violated Treasury Regulation 8.2.3.

- (ii) The Accounting Officer must develop a plan that will ensure that invoices are paid within the required time on quarterly basis.

6. CLEAN AUDIT

The Accounting Officer was required to explain why is it difficult for the Department to ensure that the municipalities achieve clean audits. The Accounting Officer indicated that the department has prepared detailed analyses of the 2015/16 Municipal Audit Outcomes as well as the Financial Situation of the 20 Municipalities in the Province and identified areas of interventions with a clear programme of actions. The non-availability of budget to fund the identified areas of interventions and programme of actions proposed by the department makes it difficult for it to ensure that these Municipalities achieve clean audits and improve service delivery within their communities.

The Committee enquired whether the Integrated Municipal Support Plan (IMSP) is effective in terms of yielding the desired results. In response, the Accounting Officer indicated that Integrated Municipal Support Plan (IMSP) is an effective tool for integrated support to municipalities. The IMSP measures the performance of municipalities by using the five key focus areas (KFA) that are also aligned to the pillars of the back to basics.

6.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must monitor the implementation of IMSP (Integrated Municipal Support Plan) and ensure that municipalities are assisted achieve clean audits.

7. CONCLUSION

The Committee has satisfied the requirements of the Mpumalanga Provincial Legislature Rules and Orders of conducting oversight over the financial statements of the Cooperative Governance and Traditional Affairs (COGTA).

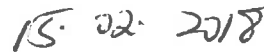
Unless otherwise stated a report detailing progress made in the implementation of all recommendations in this report should be forwarded to the Committee by 30 March 2018 and thereafter on quarterly basis.

8. ADOPTION

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



HON. S I MALAZA
CHAIRPERSON: SCOPA



DATE