



REPORT 7 OF 2014
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (2013/14)

1. INTRODUCTION

The Select Committee on Public Accounts (SCOPA) hereinafter referred to as 'the Committee', examined the annual report of the Department of Agriculture, Rural Development and Land Administration; 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 oversight process was aimed at assessing prudent financial management, good governance and value for money appropriated by the Legislature. The Committee identifies areas that require attention of the department and measures that can be put in place to improve service delivery.

The Committee discharged its mandate over the reports of the Department and matters raised in the report of the Auditor General.

2. COMMITTEE PROCEDURES

The Committee met on 20 February 2015 to deliberate on the above reports and the meeting was adjourned and eventually reconvened on 11 June 2015 and considered its Committee draft report on 20 August 2015. Meetings of the Committee were open sessions for the public including the media as required by Standing Rule 116 and section 118 (1) (b) of the Constitution of the Republic of South Africa.

3. COMMITTEE FINDINGS AND RECOMENDATIONS

PROGRESS REPORT ON SCOPA RESOLUTION 2012/13 FINANCIAL YEAR

	<u>RESOLUTION</u>	<u>PROGRESS JANUARY 2015</u>	<u>STATUS</u>
3.1.1	<p>i. The Accounting Officer must ensure that the department's asset register is correctly updated and capacity workshops are provided to personnel responsible for asset register. A progress report must be submitted to the Committee on 30 November 2014.</p>	<p>The Department has an asset register on the LOGIS system. All additions are updated on the asset register on a monthly basis during the month they are acquired. Monthly reconciliations between the payment systems (BAS) and asset register system (LOGIS) are performed to ensure that all asset acquired are correctly captured on the asset register with the correct quantities and values. Quarterly asset verifications are conducted and the asset register is updated accordingly.</p> <p>Capacity workshops on the job-training are conducted continuously to all staff within asset management during the asset verification process and the process of updating the asset register.</p>	On-going
	<p>ii. The Accounting Officer must ensure that there is a system in place that will safeguard and maintain assets,</p>	<p>The Department is using the Logis Asset Reports to verify existence of assets in line with National Treasury prescripts. The assets are manually bar coded which ensures traceability.</p>	On-going

	<p>provide the progress thereof to the Committee on quarterly basis.</p>	<p>The Department did not report the progress and will henceforth ensure that it complies with the resolution. However the Department prepares quarterly reports to MANCOM and Audit Committee</p>	
	<p>iii. The Accounting Officer must take disciplinary action against Senior Management responsible for Masibuyele Emasimini Programme for overspending in the programme during 2012/13 financial year. A progress report must be forwarded to the Committee by 10 December 2014.</p>	<p>The Accounting officer is noting the recommendation made by the Committee. However, after the analysis of the information at hand, the Accounting Officer determined that the over expenditure was justified as there was a need on the ground and the services could not be stopped; therefore disciplinary action won't be taken against any officials.</p> <p>The Accounting Officer has discovered that in the period under review, several senior managers were responsible of the programme and in the process, it was difficult to pin it to one official.</p> <p>Letters had been written to all managers to explain why disciplinary action should not be taken against them for causing the accruals</p>	<p>On-going</p>
	<p>(iv) The Accounting Officer must ensure that the APP submitted to the Legislature is</p>	<p>The Department notes the recommendation and will ensure that the plan is implemented as approved. The department will also</p>	<p>On-going</p>

	implemented as approved and before it can be amended, the Legislature must be notified of such timeously.	<p>ensure that the Legislature is notified should there be any amendments made on the approved APP.</p> <p>The department did not effect any amendments to the approved APP. The Department notes that any deviations to the targets would have to be reported as such in the Annual Performance Report as per the Treasury regulation</p>	
Material Adjustment of financial statements	i. The Accounting Officer must take disciplinary action against official(s) who caused the accruals in the Masibuyele Emasimini Programme.	<p>The Department notes the recommendation and ensures that proper internal processes are followed to discipline the officials within the Masibuyele Emasimini programme who caused incurred accruals.</p> <p>The Accounting Officer has discovered that in the period under review, several senior managers were responsible of the programme and in the process, it was difficult to pin it to one official.</p> <p>Letters had been written to all managers to explain why disciplinary action should not be taken against them for causing the accruals.</p>	On-going
	ii. The Accounting Officer must clear accruals amounting to R113 000 000 (2012/13)	<p>The department honored all accruals incurred during 2012/13 financial year of R113 000 000 during the 2013/14 financial year. Accruals were funded through various means which included the</p>	On-going

	<p>and provide a progress thereof to the Committee on quarterly basis indicating measures used.</p>	<p>following:</p> <ol style="list-style-type: none"> 1. Through implementation of cost curtailment policy that was developed by the department. 2. The policy for the implementation of Masibuyele Emasimini programme was reviewed whereby 70% of the Masibuyele Emasimini targets for 2013/14 were delivered through the co-operatives and 30% was delivered through the use of service providers. These review of the implementing model for ME program resulted in the reduction of the cost of mechanisation. <p>Some of the targets for 2013/14 were reviewed to cater for accruals for example Masibuyele Esibayeni targets were reduced by 2 sets of the bull and heifer program. Projects were scaled down to available budget for 2013/14.</p> <p>Funding of R19.153 million was received during 2013/14 financial year from National department of Agriculture Forestry and Fisheries and Rural Development and Land Reform to honour accruals that emanated as a result of jointly funded projects. These were the infrastructure upgrade of the</p>	
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		Marapyane College and acquisition of tractors.	
	iii. The Accounting Officer must ensure that all planned targets as contained in the Annual Performance Plan are achieved.	The Department notes the recommendation by the House, and will ensure that targets are implemented as planned, progress reports on the projects and programmes' status will be submitted to the Committee on quarterly basis. Furthermore, the Department will furnish the Committee with an Annual Report delineating its achievements as per the Annual Performance Plan, at the end of the financial year.	On-going
Report on performance information	i. The Accounting Officer must ensure that all employees are assessed on time quarterly as required by the Performance Management Development System and avoid backdating of quarterly reviews.	<p>The Department conducted quarterly performance assessment for officials for the 2013/14 financial year. The Department will continuously ensure that all officials are submitting their performance packs and are assessed accordingly. The Department ensures that all programmes conduct quarterly performance monitoring sessions</p> <p>The department does hold quarterly performance reviews; however, there are still some individuals that are non-complying. To mitigate this, the Department issued letters to individuals informing them about the non compliance and the possible action that will follow</p>	On-going
	ii. All Managers who fail to timely review performance of those reporting to them must be disciplined with immediate effect.	<p>The Departmental Senior Managers assessed and submitted the performance quarterly reviews for officials at salary level 1-12. The Department has ensured that the quarterly moderations are conducted in time for all Directorates. Furthermore, the Department will ensure that corrective measures are taken against Managers who fail to comply timeously.</p> <p>During the year under review, the department was able to do quarterly</p>	On-going

		reviews for the Managers, however, with the Senior Managers the process could not be fully carried out due to the four changes that occurred in the Office of the Accounting Officer.	
	iii. The Accounting Officer must ensure that the department has realistic and achievable targets (listings).	<p>The Department develops and reviews its objectives, indicators and targets as per the Treasury planning cycle. During the process the targets are verified in relation to being realistic and achievable.</p> <p>During the preparation of the 2014/15 APP the National Treasury and the Office of the Premier: Macro Policy played an oversight role in determining that the targets are SMART.</p>	On-going
Verification of claims on recruitment	(i)The Accounting Officer must verify qualification of all potential employees as required by Public Service Regulations and take disciplinary actions against officials that are found with fraudulent qualifications. A progress report must be submitted to the Committee on quarterly basis.	The Department has put up systems to ensure that potential candidates are verified. The Department is verifying the qualifications of all potential candidates who are appointed in 2014/15. A progress report on the verification process will then be submitted to the Committee on quarterly basis.	On-going
	(ii)The Accounting Officer must take disciplinary actions against officials who failed to ensure that the leave forms are	The Department noted that the failure was by a number of officials in different programmes. The reasons have been detected as poor awareness on leave policies	Closed

	approved and captured accordingly.	<p>which leads to poor leave management. The Department has, in an endeavour to raise awareness on leave management issues, conducted workshops on HR policies including Leave Policy for all departmental employees at Head Office and the four District offices. The workshops were conducted from June to July 2014</p>	
Vacant funded posts	<p>i. The accounting officer must furnish the Committee with a progress report with regard to filling of vacant funded positions by 30 November 2014.</p>	<p>The Department reports to the Committee that forty two (42) vacant and funded posts were advertised on 24 August 2014. The Department has finalized appointments for twenty nine (29) posts; three (3) posts will be re-advertised whilst a further ten (10) is in the final stages of appointment. The department has abolished funded vacant posts as per the provincial moratorium except for the technical legislated posts in Veterinary Services.</p> <p>The non-filling of posts as mentioned above (i) and other critical posts possess major risk on leadership, governance and responsibility. However, as mitigation the Department had appointed officials to act on the critical posts without remuneration.</p>	On-going

<p>Declaration forms</p>	<p>i. The Accounting officer must take disciplinary actions against the 17 officials implicated in 20 encountered transactions contravening Treasury Regulation 16A8.3 (2012/13)</p>	<p>Disciplinary actions were taken against the relevant officials. Attached is proof of the sanctions</p> <p>The 17 officials reported are for only 2011/12. They were all subjected to disciplinary hearing with a warning as a sanction.</p> <p>During the financial year 2012/13, the department only reported five new officials which are different from 2011/12.</p> <p>They were all subjected to disciplinary hearing and were given a warning as a sanction. Four officials were disciplined and the other official resigned. See attached Annexure (G (I) of the 5 officials.</p> <p>For the financial year 2011/12, the disciplinary actions were taken in 2011/12 and for 2012/13 the actions were taken in 2013/14.</p>	<p>On-going</p>
	<p>ii. The Accounting Officer must ensure that declaration forms (SBD4) are submitted by service providers and ensure that all tenders awarded are registered accordingly.</p>	<p>The recommendation of the Committee is being implemented accordingly. The Department ensures that when service providers are appointed to render services, the following measures are implemented:</p> <ul style="list-style-type: none"> • Original valid Tax certificates are attached as part of the Bid document 	<p>On-going</p>

		All other declaration are made and evidence provided as part of the standard bidding documents (SBD forms) developed by the National Treasury.	
Internal Controls Weaknesses	i. The Accounting Officer must ensure that section 38 (i)(a)(i) of the PFMA is not contravened.	The resolution of the Committee is noted and the department will ensure that section 38 (1)(a)(i) will be implemented. In bringing this into effect the department has a Risk Management Committee that evaluate the implementation of mitigation controls established by the department to reduce identified risks to acceptable levels. This Committee is chaired by the external person. The department further has a full functional Audit Committee that monitors the department on the continuous basis to ensure that internal controls weaknesses as identified by the internal audit unit are addressed. The Audit Committee is established in line with the requirement of section 77 of the PFMA which requires that it must consist of at least three person of whom in the case of the department; (1) must be from the outside of the Public Service.	On-going
	(ii) The Accounting officer must ensure that the Human Resource Management Strategy is	The Department has an approved Recruitment Strategy and Leave Management Policy and are implemented accordingly. Leave	On-going

	effectively implemented and monitored, on quarterly basis	<p>management is audited and officials are encouraged to always utilise their remaining leave days within the current leave cycle.</p> <p>Furthermore, the Department follows procedures stipulated in the Recruitment Strategy when advertising positions. Shortlisting and interviews are also conducted in accordance with procedures. Employment Equity and disable people are taken into consideration when shortlisting of staff is conducted. In terms of staff turnover, an Exit Interview form is completed by the exiting official. All exit interview forms are analysed to give an informed decision when it comes to replacement of vacated positions. A quarterly HR oversight report is developed to observe the movements of staff.</p>	
Financial and Performance management	i. The Accounting Officer must ensure quality assurance on information, prior to submission to the Auditor General, Treasury and the Legislature.	<p>The resolution of the SCOPA is noted and will be implemented through</p> <ul style="list-style-type: none"> • Management review of information prior to submission to various stakeholders <p>Internal Audit, Provincial Treasury and Audit Committee review of financial statements and Annual Report prior to submission to the</p>	On-going

		Auditor-General and Provincial Legislature	
	ii. The Accounting Officer must on quarterly basis monitor the department asset register and ensure that it reconciles with LOGIS. A copy of the asset register must be submitted to the Committee within 15 days at the end of each quarter.	<p>Monthly reconciliations between the payment systems (BAS) and asset register system (LOGIS) are performed to ensure that all asset acquired are correctly captured on the asset register with the correct quantities and values</p> <p>The Department notes the resolution to submit the asset register on a quarterly basis and will adhere as required.</p>	Closed
Governance	i. The Accounting Officer must take disciplinary actions against officials who fail to implement recommendations of the Internal Audit Unit.	<p>The Department acknowledges the recommendation of the house. The Department will through its internal processes ensure that necessary disciplinary actions are taken against officials who failed to implement the Internal Audit recommendations.</p> <p>Furthermore, in a venture to ensure that all oversight bodies' recommendations are implemented, the Department is currently working on merging the recommendations/resolutions by the Auditor General, Internal Audit, Risk Management, Portfolio Committee and SCOPA into one document (Departmental Action Plan) which will be monitored on monthly basis and presented the management meetings.</p>	On-going

		<p>The Department is currently evaluating the root-cause of non-implementation of the Internal Audit recommendations.</p> <p>In the process the Accounting Officer has informed/alerted all Senior Managers of the consequences of the non-compliance with a view of taking consequence management in the future.</p>	
	<p>ii. The Accounting Officer must on quarterly basis monitor that all sections implement recommendations of the Internal Audit and Risk Management Unit.</p>	<p>The department has through the Risk Management Committee and Internal Audit Committee; ensured that Chief Directors presents progress reports on the risk mitigating factors as per their respective risk registers and overall performance as well as Audit Committee resolutions.</p> <p>Furthermore, the Department will continuously monitor the implementation of the recommendations by Internal Audit and Risk Management units through the monthly management meetings.</p>	On-going
<p>Report of the Audit Committee</p>	<p>i. The Accounting Officer must take disciplinary actions against responsible officials for failing to</p>	<p>The Department acknowledges the recommendation of the house. The Department will conduct an assessment of the root-cause for the identified none compliance with</p>	

	<p>implement all recommendations of the Audit Committee in the 2012/13 financial year.</p>	<p>regards to implementing the Audit Committee recommendations and the outcome of such assessment conducted will determine the action to be taken.</p> <p>The Department is currently evaluating the root-cause of non-implementation of the Internal Audit recommendations.</p> <p>In the process the Accounting Officer has informed/alerted all Senior Managers of the consequences of the non-compliance with a view of taking consequence management in the future.</p> <p>The envisaged assessment will take a period of two months ending 31 July 2015. For it to be linked with the results of the Auditor General to assess whether the same issues persists.</p>	
<p>Immovable Assets</p>	<p>i. The Accounting Officer must ensure that all recorded immovable assets are timely transferred to Department of Public Works, Roads and Transport and a quarterly report be submitted to the Committee.</p>	<p>The recommendation of the Committee is noted and will be implemented. The department monitors expenditure on immovable asset on a monthly basis, reconciliation of all expenditure incurred on immovable asset is prepared on monthly basis. Transfers are made to the DPWRT once projects have been completed and are made to PWRT on expiry of retention period and retention amount paid. Attached is the report for the third quarter ending 31 December 2014.</p>	<p>On-going</p>

<p>Fruitless and Wasteful expenditure (R865 000.00)</p>	<p>i. The Accounting Officer must take action against all officials implicated in the fruitless and wasteful expenditure amounting to R865 000 failure to take effective steps to prevent it as required by section 45 (c) of the PFMA.</p>	<p>The department takes note of the recommendation. Appropriate steps have been taken against responsible officials that caused the fruitless and wasteful expenditure. The responsible official is no longer working for the department. The department has instituted civil action against the responsible official to recover the loss suffered.</p> <p>The Department took disciplinary action against the Senior Official involved in 2012 (attached is the proof of the charges as Annexure L(i) however on further interrogating the documents it has been established that she cannot be linked to the fruitless expenditure of R865 000.00. Therefore the civil action supposed to be instituted against the official could not continue.</p> <p>The fruitless expenditure was reported to Treasury as per regulations and linked to another Senior Manger. However, no disciplinary action was taken against him. Upon following up on the matter, it was realized that no concrete evidence could be pinned down directly against the official.</p>	<p>On-going</p>
<p>Contingent liabilities</p>	<p>i. The Accounting Officer must assess risks and put measures to minimise contingent liabilities and provide a progress report to the Committee on</p>	<p>The department ensures that risks factors leading to contingent liabilities are assessed. As a measure to minimise contingent liabilities in as far as litigation matters are concerned, the department will conduct trainings in the fourth quarter 2014/15 to officials on the misuse of Government vehicles and delegations of authority.</p>	<p>On-going</p>

	quarterly basis.	The Department conducted training on the misuse of government vehicles and delegation of authority during the fourth quarter in the three Districts to raise awareness on minimizing the contingent liabilities.	
Progress towards achieving clean audit 2014	i. The Accounting Officer must ensure that all measures and remedial plans put in place are effectively implemented.	<p>The department has developed an Audit Action Plan to address all issues that were raised by Auditor-General. Progress on the implementation is monitored on the monthly basis and an appropriate action taken.</p> <p>The Audit Action Plan has assisted the Department throughout the financial year as several issues were raised and by the time when the AG assessed the Department only 3 issues were raised that needed further attention, namely asset Management, Records Management and accruals.</p> <p>The Department had insufficient capacity within Asset Management Lack of proper records management within Human Resource Management Inadequate financial management resulting into accruals not properly accounted for. The Department has put mitigating controls to overcome the highlighted challenges as follows:</p>	Closed

		<p>Asset Management: The Department capacitated the unit with addition resources to clear asset management issues.</p> <p>Lack of proper records management: The Department has performed a record check for all Officials in ensuring that proper records are kept in terms of the prescripts.</p> <p>Inadequate financial management: The Department has since reduced the level of Accrual which will make it easier for Accounting purposes.</p>	
	<p>(II)The Accounting Officer must implement recommendations by the Audit Committee, Internal Audit and Risk Management</p>	<p>The department on quarterly basis implements and monitors the recommendations made by Risk Management Committee. Reviews are conducted during the meeting to track the progress on the precious meeting's recommendations.</p> <p>The Accounting Officer will further ensure full implementation of the Audit Committee, Internal Audit and Risk Management recommendations by fixing a slot in each management sitting where progress on implementation will be discussed and each recommendation will be given priority.</p>	On-going
	<p>iii. The accounting Officer must on quarterly basis review compliance with legislation.</p>	<p>The Department will continuously review compliance with legislation through its Internal Audit Activity and Risk Management as well as ensuring that identified red flags are presented in the monthly management meetings.</p>	Closed

		<p>The Department has strengthened the reporting line of Internal Audit and Risk Management that reviews compliance matters to report on each Audit Committee sitting.</p> <p>The Annual Audit Plan has been implemented and the results and emerging risks were reviewed in the Management meetings (MANCOM & Audit Committee) held on monthly basis</p>	
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3. COMMITTEE FINDINGS AND RECOMMENDATIONS

3.1 MOVABLE TANGIBLE ASSETS

The Committee noted that the Auditor General had raised that the Accounting Officer had failed to ensure that the department has adequate controls over safeguarding of movable assets. The Accounting Officer indicated to the Committee that they had since put controls in place to safeguard assets and had conducted asset verifications and updating of the Asset Register. It was further indicated that asset policies and procedures are in place. The Accounting Officer admitted that the department still has challenges in the implementation of established internal controls with regard to safe guarding of movable asset more especially with the physical movement of asset from one location to another and updating of the asset register.

The Committee noted that the department had used the services of a third party (company) to assist with assets management whereas there were officials in the department responsible for asset management. The Accounting Officer indicated that the service provide was only appointed for an asset register and the department has being doing verification and compiling reports.

3.1.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must consider taking disciplinary action against official(s) who failed to ensure safe guarding of assets in 2013/14 as required by section 45 of the PFMA.

- (ii) The Accounting Officer must ensure that the department submit a plan of how it will manage the movement and safe-guarding of assets

3.2 ACCRUALS (R28 MILLION)

The Committee noted that the department had reported accruals amounting R28 000 000.00. According to the report the Accounting Officer had failed to provide the Auditor General with the necessary supporting documents to support the accrued amounts. The Committee further noted that the accruals were overstated in the financial statements by R7 635 441.00.

The Accounting Officer indicated that the challenge is that the department is operating in a decentralized environment and the department was not provided with sufficient time to collect the documents from District Offices. It was further indicated that each District is responsible for safeguarding its payment vouchers after processing.

The Accounting Officer further indicated that the department will enhance the system that will ensure that creditors submit invoices as and when the service has been provided. The age analysis of outstanding orders and commitments will be done and reconciled on a monthly basis to monitor and track outstanding invoices. The Committee was further informed that the department had no senior managers in place and there was a lack of capacity within the financial management, the department has developed a turnaround strategy that is presented to the Executive Council.

The Committee enquired whether the Accounting Officer can provide detailed evidence of the R28 854 000.00 accruals as disclosed in note 19 of the financial statements. The Accounting Officer provided a detailed report and explained that the S&T claims on the list are for March 2014 since employees cannot claim in advance before the end of the month. The travel

agencies are for accommodation & flights for March since the service providers take a long time to submit the invoices. The department under spent its budget by **R85 000 000.00**.

The Committee raised that controls that were implemented by the department had failed to prevent significant increase of accruals in the 2013/14 financial year. The Accounting Officer indicated that systems have been put in place to monitor creditors, but the problem was the delay in the submission of the invoices either by the suppliers or the requesting officer. The Department has since improved on this finding by establishing a central point where invoices are to be submitted within the supply chain management unit. The Committee was informed by the Accounting Officer that they have put measures in place to avoid the matter from recurring in the next financial year, the Department has currently put systems in place that are working and there is a significant reduction of accruals from R28 000 000.00 to R15 000 000.00.

3.2.1 RECOMMENDATION

The Committee recommended that the House resolve that:

- (i) The Accounting Officer must provide a report on progress made in settling the outstanding accruals amounting R28 000 000.00.
- (ii) The Accounting Officer must ensure put measures in place that will ensure that payments are timeously done.

3.3 COMPENSATION OF EMPLOYEES

The Committee has noted that the Auditor General reported that the Accounting Officer failed to provide supporting documents for the payments made to employees amounting to R393 248 000.00. The Accounting Officer indicated that the Department has since embarked on the verification of all employees' files to ensure that key supporting documents are filed adequately and necessary steps are taken to correct the situation. The **R393 248 000.00** is the total amount for compensation of employees that the Department incurred as at 31 March, 2014 for 1 764 employees.

The Accounting Officer confirmed that payments were done to the officials that are existing in the Department and the list of employees was submitted to the Committee, a PERSAL report indicating how much each official was paid (salaries and benefits). The Committee was further informed that the Department will ensure that all payments are recorded through the PERSAL

system and they have finalized the verification of all files for the appointed employees. The Accounting Officer also indicated that the Internal Audit will conduct an audit and exceptions will be rectified.

3.3.1 RECOMMENDATIONS

The Committee recommended that the House resolve that:

- (i) The Accounting Officer must submit a Personnel Report to the Committee detailing the PERSAL Number, Identity, Qualifications and work station of each employee.

3.4 MATERIAL UNDER SPENDING OF THE BUDGET

The Committee has noted that the Auditor General reported that the department had underspent by R87 932 000 in the 2013/14 financial year. The Accounting Officer reported that under spending was as a result of the following amongst others, compensation of employees underperformed due to terminations resulting from resignations, deaths and transfers that occurred during the financial year and could not be filled. Masibuyele Emasimini underperformed due to the lack of capacity where cooperatives were expected to deliver the required hectares of work.

It was further reported that there were challenges with the appointed service provider on Masibuyele Emasimini and had to verify the actual work done. Most of the Cooperatives appointed were from the poor resourced background and didn't have financial capacity to fix the tractors and put diesel on tractors. The Cooperatives took longer to begin with the implementation. The implementation of the Fresh Produce Market and Agri-Hubs was delayed due to the transition of the Fresh Produce Market from DARDLEA to MEGA. The administration of the transfer took longer than expected as they were issues to be finalized like the signing of the Service Level Agreement between the two parties and the official handover to MEGA in terms of procedures and systems.

The Accounting Officer indicated that some of the projects ploughing, planting of the fields and supplying of livestock to the farming communities were not achieved resulting in food insecurity and low production in farms where the department was supposed to provide on farm infrastructure and breeding bulls and cows. The under achievement meant that some other projects were not fully undertaken in the set financial year, however the department will ensure such targets are carried over in the following financial year 2015/16. The under-expenditure was on infrastructure projects (especially on programme 4), current payments and subsidies.

The under-expenditure on current payments was a result of the freezing of appointments and the cost curtailment measures employed in dealing with the recurrent accruals.

The Committee required the Accounting Officer to give clarity on why did the department fail to achieve all targets as planned while it has utilized 92% of its budgets. The Accounting Officer informed the Committee that budget was utilised to honour the accruals of **R113 million** incurred during the year 2012/13 whose output were reported on during the year 2013/14, the department reprioritized the budget to accommodate the accruals and this inevitably affected the targets that were to be achieved. The Committee noted the explanation given by the Accounting Officer and it was not satisfied with the reasons given for under spending and further requested the Accounting Officer to ensure that there is enough capacity within the department.

3.3.4 RECOMMENDATIONS

The Committee recommended that the House resolve that:

- (i) The Accounting Officer must take remedial action against Senior Managers who failed to achieve their planned targets for 2013/14 as contained in the approved APP.
- (ii) The Accounting Officer must ensure that budget of each programme is monitored on a quarterly basis against the achieved targets.
- (iii) The Accounting Officer must on quarterly basis investigate reasons for material under spending and take corrective action on time.

3.5 REPORT ON PERFORMANCE INFORMATION

The Committee has noted that the Auditor General reported that the Accounting Officer had failed to ensure that management adequately reviews financial and performance reports to ensure that reported information was valid, accurate and complete.

The Accounting Officer informed the Committee that the misstatements that were identified by the Auditor General had since been corrected through the establishment of the Annual Financial

Statement Steering Committee. The Monitoring and Evaluation Unit in both Head Office and districts further ensures that performance reports are supported by credible evidence.

. The Committee was informed that the department had failed to ensure that the reported targets are validated and accurate as a manual system was utilized, the department however, endeavors to implement an electronic system that will be able to detect data validity and integrity as well as the completeness of the submitted information.

it was also noted that the Department will migrate to an electronic system called Agricultural Information Management System (AIMS) after the implementation by National Department of Agriculture, Forestry and Fisheries

The Accounting Officer informed the Committee that the matter of managing programme performance has been identified as a shortcoming within the Department and the challenges have been noted. This has since been elevated to the management meetings so that it can be addressed.

3.5.1 RECOMMENDATIONS

The Committee recommended that the House resolve that:

- (i) The Accounting Officer must conduct quarterly Programme Performance Reviews with Senior Management.
- (ii) The Accounting Officer must ensure that Portfolio of evidence is properly kept to support reported achievements.

3.6 ANNUAL FINANCIAL STATEMENTS, PERFORMANCE REPORTS AND ANNUAL REPORT

The Committee has noted that the Auditor General reported that the Accounting Officer had failed to prepare correct financial statements in accordance with the prescribed financial reporting framework as per section 40(1) (a) and (b) of the PFMA. The Accounting Officer indicated that corrections are as a result of findings during the audit process that the Department is in agreement with the Auditor General that necessitated the adjustments on the

Annual Financial Statements. The Committee was further informed that the financial information was reviewed by Management, Internal Audit, Audit Committee and Provincial Treasury.

The Committee noted the response by the Accounting officer but it was not convinced by the explanation given and enquired as to why did the Accounting Officer contravene section 40(1) (a) and (b) of the PFMA. The Accounting Officer indicated that the over statement of the accruals could not be addressed in time due the decentralized procurement system which led to the late submission of some of the invoices. Assets were not properly verified and Human Resource information was not complete which the Department has now addressed.

Furthermore the Committee enquired as to what measures have been put in place to ensure that financial statements are prepared in accordance to the prescribed financial reporting framework and supported by full and proper records in the 2014/15 financial year. The Accounting Officer indicated that the Department has established an AFS Steering Committee that deals with the AFS and Auditor General issues before they are reviewed by the MANCOM, Internal Audit, Audit Committee and Provincial Treasury. The Committee strongly felt that the Accounting Officer has contravened section 40(1) (a) and (b) of the PFMA by failing to prepare correct financial statements in accordance with the prescribed financial reporting framework.

3.6.1 RECOMMENDATIONS

- (i) The Accounting Officer must take disciplinary action against the official(s) who failed to prepare correct financial statements in accordance with the prescribed financial reporting framework as per section 40(1) (a) and (b) of the PFMA.
- (ii) The Executive Authority must consider taking disciplinary action against the accounting officer for failure to prepare correct financial statements in accordance with the prescribed financial reporting framework as per section 40(1) (a) and (b) of the PFMA.

3.7 PROCUREMENT AND CONTRACT MANAGEMENT

The Committee has noted that the Auditor General reported that the Accounting Officer had failed to comply with Treasury Regulation (TR) 16A6.1 and an explanation was required by the Committee. The Accounting Officer indicated that the Province took the decision through CRDP strategy to support cooperatives in different sectors and of which fencing development was

allocated to the Department. The department established four fencing cooperative one per districts the objective of establishing this cooperative was to empower them through job creation and to ensure that government procure fencing for all its fencing projects from the established cooperatives. The department therefore in line with the cooperative development strategy did not obtain price quotations from other service providers but used the fencing cooperative established to deliver the fencing material.

The Committee noted that the department had to request deviation through normal tender process from Treasury. The Accounting Officer informed the Committee that the CRDP is a specialized government vehicle specifically established to support local service providers. A memo was submitted to Cabinet requesting permission to source services from local Cooperatives as per the CRDP Preferential Procurement Strategy. In the future the Department will inform Treasury and Auditor General accordingly.

The Committee could not accept that informing Cabinet exonerate the department from complying with Treasury Regulation 16A6.1.

The Accounting Officer indicated that matter was under investigation and the report will be submitted to the Committee upon completion.

3.7.1 RECOMMENDATIONS

The Committee recommended that the House resolve that:

- (i) The Executive Authority must take disciplinary action against the Accounting Officer for failing to comply with Treasury Regulation (TR) 16A6.1.
- (ii) The Accounting Officer must take disciplinary action against the official(s) who failed to comply with Treasury Regulation (TR) 16A6.1 during the procurement of Fencing in the 2013/14 financial year and report outcomes to the Committee.
- (iii) The Accounting Office must ensure that training is provided to the SCM personnel to ensure that they are updated with the latest updates in regulations.

3.8 PREFERENTIAL PROCUREMENT POLICY

The Committee has noted that the Auditor General reported that the department had awarded work to bidders who did not score the highest points in the evaluation process. The Accounting Officer indicated that the quotations in question were sourced from 3 suppliers from the departmental database. The District Bid Adjudication Committee evaluated the bidders on the basis of price since it was below R500 000. The appointment of the preferred bidder which was number 2 (two) was done on the basis of the advice by the Engineer estimate. The District BAC was of the view that the first bidder which scored the highest points has under quoted as per the advice by the Engineer which meant that the Supplier (Tazavasele General Trading at R394 193.65) will be unable to deliver as per the specification.

The Committee could not accept the explanation by the department as there was no tested proof that the highest scoring service provider will not deliver the services. The advice of the engineer was not tested or substantiated by sourcing quotations direct from manufactures and adding a mark-up percentage on those quotes. The Committee is of the view that advices from Consultants are not a law to the department but remains advise and it is upon the department to ensure that correct procedures are followed and there is compliance with prescripts.

The Committee concludes that the Advisor, District BAC and Accounting Officer caused the department to contravened section 2(1)(f) of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No.5 of 2000) and Preferential procurement regulations and remedial action must be taken against them.

3.8.1 RECOMMENDATIONS

The Committee recommended that the House resolve that:

- (i) The Accounting Officer must take disciplinary action against;
 - (a) All officials who were part of the District BAC Committee
 - (b) The Engineer implicated

3.9 REGISTRATION WITH CIDB ACT

The Committee required that the Accounting Officer explain why construction projects were not registered with the Construction Industry Development Board as required by section 22 of the CIDB Act, 2000 and CIDB Regulation 18. The Accounting Officer indicated that the process of registration by department to CIDB took longer than anticipated some registration of project were not finalised. It was also mentioned that all construction projects are registered with CIDB as per requirements and the Department had to first register in the CIDB website as an institution before it can register any project.

.3.9.1 RECOMMENDATIONS

The Committee recommended that the House resolve that:

- (i) The Accounting Officer must ensure that the department register all projects as required by section 22 of the CIDB Act, 2000 and CIDB Regulation 18.

3.10 EXPENDITURE MANAGEMENT

The Committee has noted that the Auditor General reported that the department incurred irregular expenditure amounting R107 000.

Upon these findings, the Committee required the Accounting Officer to explain the circumstances regarding the irregular expenditure amounting to R107 000. The Accounting Officer informed the Committee that the irregular expenditure came as a result of irregular of appointment of the service provider for construction of fencing infrastructure without following proper processes. No quotations were sourced during the appointment of the service provider and the appointed company was Mfungelwa Trading Company who coordinated and paid the EPWP workers.

The Committee wanted to know why did the Accounting Officer failed to put effective internal controls to prevent the irregular expenditure in the department. The Accounting Officer informed the Committee that the Department has a Procurement Policy that clearly indicates processes that should be followed when procuring goods and services. The officials concerned failed to

follow the prescribed departmental policy, hence, the irregular procurement of goods and services. Capacity building has been provided to officials responsible for procurement. The Committee further enquired that the Accounting Officer submit proof that the irregular expenditure was reported to Provincial Treasury and that a register was kept. The Accounting Officer indicated that the irregular expenditure was picked up by the AG and declared in the AFS and matter was not reported to Provincial Treasury.

3.10.1 RECOMMENDATIONS

The Committee recommended that the House resolve that:

- (i) The Executive Authority must consider taking disciplinary actions against the Accounting Officer for incurring irregular expenditure amounting R 107 000 in the 2013/14 financial year.
- (ii) The Executive Authority must take disciplinary actions against the Accounting Officer for failure to timely report to Treasury the irregular expenditure amounting R 107 000 in the 2013/14 financial year as required by Section 38(1)(g) of the PFMA.
- (iii) The Accounting Officer recover the irregular expenditure amounting R107 000 from the official(s) who caused the department to incur the irregular expenditure.

3.11 CONTRACTUAL OBLIGATIONS AND MONEY OWED

The Committee noted that the Auditor General found that the Department has contravened section 38(i) (f) of PFMA in ensuring that service providers are paid within 30 days.

The Accounting Officer indicated that there were instances where some service providers were paid after 30 days and this was mainly due to lack of sufficient documents to effect payments. In addressing this challenge the Accounting Officer reported that all invoices are submitted to the central point within Finance to enable the department to monitor the time taken to effect the payment.

3.11.1 RECOMMENDATIONS

The Committee recommended that the House resolve that:

- (i) The Accounting Officer must take disciplinary action against the officials who failed to ensure that service providers were paid within 30 days in 2013/14 as required by section 38(i) (f) of PFMA.

3.12 REVENUE MANAGEMENT

The Committee noted that the Auditor General found that the Department has failed to take effective steps to collect all money due to the department as required by section 38(1)(c)(i) of the PFMA.

The Accounting Officer informed the Committee that receivables as indicated on Annual Report of the Department were reduced from R9 645 000 in 2012/13 to R8 022 000 in 2013/14. The 74% of the debts relate to amount receivables from Government Department and Public entities. The department has followed up these debts with government institutions on a monthly and quarterly basis. She also indicated that department is unable to take legal action against these government institutions in the spirit of Chapter 3 of the Constitution.

The Committee noted with disappointment that departments fail to coordinate timely payments amongst themselves and this must be the reason why municipalities are also not paid.

3.12.1 RECOMMENDATIONS

The Committee recommended that the House resolve that:

- (i) The Accounting Officer must put measures in place that will ensure that the department collect all money due as required by section 38(1)(c)(i) of the PFMA.
- (ii) The Accounting Officer must assess and report to the Committee the extent to which the department owe municipalities in the province

3.13 INVESTIGATIONS

The Committee required the Accounting Officer to provide an update on the progress on the status of the forensic investigation and provide background information on the investigation. The Accounting Officer reported that the investigation was instituted by Office of the Premier and the progress with regard to the investigation is still awaited and will be send directly to the Office of the Premier once finalized. The Office of the Premier commissioned the forensic investigation. It has been finalized and the report can be obtained through Office of the Premier.

The Committee required the Accounting Officer indicate whether the investigation has been completed to what extent to which the recommendations of the investigation have been implemented. The Accounting Officer informed the Committee the investigation was instituted by Office of the Premier and the progress with regard to the investigation is still awaited and will send directly to the Office of the Premier once is finalized. The Committee asked the Accounting Officer to indicate that who was conducting the investigation and what was the total cost of the investigation. The Accounting Officer indicated that the company appointed to conduct the investigation is Sedupe and Metja Consulting with the total costs of R467 000.

3.121 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must furnish the Committee with a progress report / outcomes of the investigation by 30 September 2015.

3.18 PROGRESS TOWARDS ACHIEVING A CLEAN AUDIT

The Committee wanted to know what measures will the department put in place to ensure that it achieves a clean audit in 2014/15 financial year. The Accounting Officer indicated the Department has put mitigating controls in place to address the major findings that led to the

Qualification of Audit Opinion. The Committee was also informed that the Department has increased the work force and provided compensated overtime to address all issues related to assets. The Department has also established Committees to look into issues of Transfers from and to other Departments.

The Accounting Officer informed the Committee that the Department has since ensured that the progress made on implementing the Audit Action Plan and House Resolutions are discussed all senior management in the management meetings. The purpose is to ensure that all issues raised by both oversight structures and internal structures are addressed and the implementation thereof is being monitored.

The Committee further asked the Accounting Officer on how will the department deal with the 6 high risk areas (supply chain management, Quality of performance reports, Human Resource management, Quality of submitted financial statement, Information Technology controls and financial health) identified by the AG. The Accounting Officer indicated the following measures:

- **Supply Chain Management**

The Committee was informed that the key challenge under the Supply Chain Directorate is the high vacancy rate. The department is currently prioritizing the filling of the said vacant posts. Regularly, (every Monday) the department holds management meetings where issues of financial management are discussed, specifically reports on the procurement processes and supply chain management.

- **Quality of performance reports**

The Department is continuously through the Monitoring and Evaluation Unit, coordinating quarterly performance reviews to assess and review its performance. Supporting documentation are analysed thereof.

- **Human Resource Management**

The department has ensured that the vacancy rate is reduced and the human resource management services are coordinated appropriately.

- **Quality to Submitted Financial Statement**

The Department prepares and issues interim financial statements quarterly, submitted to the Provincial Treasury. The statements are audited by the Internal Audit in preparing for the final annual statements.

- **Information technology controls**

The department has adopted and implemented the Corporate Governance of the ICT Policy Framework I (CGICTPF).

- **Financial health**

The department reviews its performance both financial and none financial weekly through management meetings & quarterly reviews. In this reviews resolutions are taken on improving the departmental performance

The Committee further enquired to the Accounting Officer on what challenges does the department envisage that might hamper the achievement of a clean audit in 2014/15 financial year. The Accounting Officer indicated that the Department has been struggling in terms of refining the asset register on LOGIS in the past 2 years, an added threat that can hamper the attainment of a clean audit is that the Department has received the Programme of Environmental Affairs from DEDET with its own assets and also the move of the Lowveld College of Agriculture to the Mpumalanga University. The complexity of the merger may create immense pressure in terms of asset register. The Committee was also informed that the Department is in the process of acquiring external services from a reputable firm that has vast knowledge in dealing with mix environment on asset management. The Committee also asked the Accounting Officer on what commitment does the department make to the Legislature in achieving a clean audit in the 2014/15 financial year. The Accounting Officer indicated that the Department is closely monitoring the threats and challenges as indicated above, monitoring is done through ensuring that the item on assets register remains a standing item on the management meeting's agenda.

3.18.1 RECOMMENDATION

The Committee recommended that the House resolve that;

- (i) The Accounting Officer must ensure that there are plans to deal with prior year audit findings, issues raised by Audit Committee, Programme Performance Reviews, Budget Expenditure Reviews, Compliance with Legislations and management of fruitless wasteful and irregular expenditure
- (ii) The Accounting Officer must ensure that the Department achieves a clean audit in 2015/16 financial year and beyond.

5. CONCLUSION

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

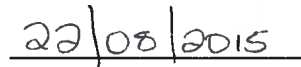
Unless otherwise stated a report detailing progress made in the implementation of all recommendations in this report should be forwarded to the Committee by 30 October 2015 and thereafter on quarterly basis.

7. 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