



REPORT 2 OF 2017
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
DEPARTMENT OF SOCIAL DEVELOPMENT (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 'the 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 Social Development 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;

3. COMMITTEE PROCEDURES

The Committee met on 07 November 2017 to deliberate on the above reports and considered the report on 08 February 2018. Meetings of the Committee are open sessions for the public including the media as required section 118 (1) (b) of the Constitution of the Republic of South Africa, Act No. 108 of 1996 and in line with the Standing Rules and Orders of the Mpumalanga Provincial Legislature, 2013.

4. COMMITTEE FINDINGS AND RECOMMENDATIONS

The department tabled responses to the questions and indicated the following issues respectively. The Committee noted with concern that the Department did not attached the progress of the previous House Resolutions of the 2015/16 and the Accounting Officer apologized on behalf the department and indicated that the will be forwarded to the Committee.

5. Predetermined Objectives

The Committee has noted that the Auditor General reported that predetermined objectives have regressed in the current period compared to the 2015/16 financial year. The Auditor General made material findings in respect of Programme 3: Children and Families (Number of Early Child Developments practitioners registered in ECD programmes) whereby only **1 188** of targets could be supported by reliable evidence against the reported **3 345**.

The Committee questioned why the Accounting Officer had failed to ensure that the reported achievement of targets was supported by reliable evidence and the Accounting Officer indicated that during the 2015/16 financial year the department took a decision to decentralize management of performance information to the districts.

The Committee was informed that during the auditing process not all documents were found supporting the reported actual achievement in the annual report. It was further reported that this was as a result of sub-districts not keeping original copies of their evidence after having submitted to the district.

It was further indicated that there are several contributing factors to the variances but key to these is misunderstanding of indicator description e.g. an indicator that meant to measure youth services, on the registers you will find people over the age of 35 having been added as beneficiaries, when such people are removed from the register the variances occurred.

5.1. RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must conduct quarterly review on performance information and ensure that evidence is verified per target

6. IRREGULAR EXPENDITURE

The Committee noted that the Auditor General has reported an Irregular expenditure of R 93 239 000 relating to prior year has escalated to R 95 401 000. The Committee questioned why did the Accounting Officer incur irregular expenditure amounting to R 2 162 000. The Accounting Officer indicated that an amount of R 2 161 788.02 in Irregular Expenditure was incurred in the year under review, which was as a result of payments made for social infrastructure projects which are multi-year projects implemented by the Department of Public Works, Roads and Transport (DPWRT) on behalf of the Department (DSD).

The Office of the Premier has been tasked to co- ordinate the condonation process, that process is still underway.

The Committee further established what corrective measures the Accounting Officer put in place to prevent the recurrence of irregular expenditure. The Accounting Officer has indicated that the department has since started participating in all Procurement Committees to ensure that all supply chain processes are adequately followed by the Implementing Agent.

6.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must provide a progress report on investigation on irregular expenditure and progress made towards condonation of the Irregular Expenditure.
- (ii) The Accounting Officer must ensure that disciplinary measures are taken against officials who caused the irregular expenditure.

7. ACCRUALS

The Committee noted that the Auditor General has reported that note 21 indicates that the Department has accruals of R1 001 000 in contrast to R 1 289 000 for the prior year (2015/16). This represents a decline by R 288 000. The Accounting Officer indicated that accruals were incurred for invoices received after cutoff date of processing payments at year end.

It was indicated that the Department strives to pay invoices within 30 days to avoid accruals at year end. The Committee was also informed that accruals are managed monthly through analysis of commitment reports, payment registers and performance of reconciliation of invoices received and paid.

7.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must develop a plan that will ensure that invoices are paid within 30 days after receipt of invoice.

8. PROGRESS TOWARDS ACHIEVING CLEAN AUDIT

The Committee enquired on what measures will the Accounting Officer put in place to ensure that it achieves a clean audit in the 2017/18 financial year. The Accounting Officer indicated that the department implements all the remedial actions as raised by Auditor General in the management report and as per audit remedial action plan. The Committee was further informed that Department also identified areas of weaknesses during its own operations through the M&E Unit, Risk Management Unit, Internal Control Unit and Internal Audit Unit, and strengthens such areas.

The Committee wanted to know what challenges the Accounting Officer envisages that might hamper the achievement of a clean audit in 2017/18 financial year. The Accounting Officer indicated that Performance information has been decentralized from 2016/17 financial year which is a new strategy for improved management and monitoring of performance information. The Committee was also informed that staff turnover could be

a challenge if it persists without early intervention to ensure institutional memory and continuity.

8.1 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, that the department implements all the remedial actions as raised by Auditor General in the management report and as per audit remedial action plan

9. ADOPTION


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

Unless specified differently, progress on all resolutions must be submitted to the Committee by 30 March 2018 and on a quarterly basis afterwards.

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



Hon. Si Malaza
Chairperson
Select Committee on Public Accounts



Date

