



**REPORT 05 OF 2017**  
**SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5<sup>TH</sup> MPUMALANGA PROVINCIAL LEGISLATURE:**  
**DEPARTMENT OF PUBLIC WORKS, ROADS AND TRANSPORT (2016/17)**

## **1. INTRODUCTION**

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

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

The Committee discharged its mandate of ensuring prudent financial management over the reports of the Department of Public Works, Roads and Transport.

## **2. COMMITTEE PROCEDURES**

The Committee met on the 03 November 2017 to deliberate on the above reports. Meetings of the Committee are 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, Act No. 108 of 1996.

The Accounting Officer and the delegation responded to various questions posed by the Committee during the hearing.

**A. PROGRESS REPORT ON THE IMPLEMENTATION OF HOUSE RESOLUTIONS  
2012/13 FINANCIAL YEAR**

| NUMBER                           | RESOLUTION  | PROGRESS REPORTED   | STATUS  |
|----------------------------------|---|---|---------|
| <b>3.1 AUDI OPINION</b>          |   |   |         |
| (i)                              | The Accounting Officer must develop a system that will detect and prevent officials working for the state and doing business with Government                  | <ul style="list-style-type: none"> <li>• The Department has implemented the checklist and Central Supplier Database (CSD) introduced by National Treasury and Public Servants Verification System. Both systems detect government officials doing business with the State.</li> <li>• However, the challenge is with officials who are not registered on PERSAL i.e. state owned enterprises and municipalities.</li> </ul> | Ongoing |
| <b>3.2 IRREGULAR EXPENDITURE</b> |   |   |         |
| (i)                              | The Department must submit full disclosure on how it regularized the expenditure amounting to R683, 601.68. (Report on Investigation and Report to Treasury). | <ul style="list-style-type: none"> <li>• The Department has reported all the irregular expenditure to Treasury in accordance with prescripts.</li> <li>• Furthermore, the Department has also investigated the irregular expenditure. See attached <b>Annexure A.1</b></li> </ul>   | Closed  |
| (ii)                             | The Accounting Officer must develop a system that will detect or prevent officials working for the state from   | <ul style="list-style-type: none"> <li>• The Department has implemented the checklist and Central Supplier Database (CSD) introduced by National</li> </ul>   | Ongoing |

| NUMBER  | RESOLUTION  | PROGRESS REPORTED   | STATUS  |
|---|---|---|---------|
|   | doing business with government.   | <p>Treasury and Public Servants Verification System. Both systems detect government officials doing business with the State.</p> <ul style="list-style-type: none"> <li>• However, the challenge is with officials who are not registered on PERSAL i.e. state owned enterprises and municipalities.</li> </ul> |         |
| (iii)   | The Department must submit a report on the outcome of the investigation by Integrity Management Unit on the R554, 400. 00.  | <ul style="list-style-type: none"> <li>• The Department wrote to the Office of the Premier for the purpose of condonation.</li> <li>• A follow up will be made on the progress made to date.</li> </ul>   | Ongoing |
| <b>3.3 IRREGULAR EXPENDITURE – DEPARTMENT OF SOCIAL DEVELOPMENT</b> |   |   |         |
| (i)   | The Accounting Officer must take disciplinary action against the official(s) for incurring irregular expenditure amounting to R58 421 000.00 in the 2015/16 financial year, after the investigations were concluded by the Office of the Premier. | <ul style="list-style-type: none"> <li>• The irregular expenditure in question relates to the RIU contract.</li> <li>• No officials were charged in relation to this contract within the Department.</li> </ul>   | Ongoing |
| (ii)  | The Accounting Officer must provide a proof that the irregular expenditure for DSD amounting to R58 421.000.00  | <ul style="list-style-type: none"> <li>• The irregular expenditure in question relates to the RIU contract.</li> </ul>  | Ongoing |

| NUMBER  | RESOLUTION   | PROGRESS REPORTED   | STATUS  |
|---|--|---|---------|
|   | is being investigated by the Office of the Premier.  | <ul style="list-style-type: none"> <li>• The Office of the Premier has appointed a service provider to investigate the irregular expenditure.</li> <li>• Supporting documents will be provided once the investigation is concluded.</li> </ul>  |         |
| <b>3.4 FRUITLESS AND WASTEFUL EXPENDITURE</b> |  |   |         |
| (i)   | The Accounting Officer must provide proof that the amount of R16 462 000.00 was classified as Payables on the Annual Fiscal Statements.  | <ul style="list-style-type: none"> <li>• In the Financial Statements, Note 18 (Accruals and Payables not recognized), an amount of R 26, 266 million has been disclosed as payments made above 30 days.</li> <li>• An amount of R9million is surrendered and the remainder is R16462 000 as per</li> </ul>  | Ongoing |
| (ii)  | The Accounting Officer must develop effective internal control systems and tools to timeously detect and prevent fruitless wasteful, irregular and unauthorised expenditure as required by Section 51(1) (b) (ii) of the PFMA. | <ul style="list-style-type: none"> <li>• The Department has developed policies i.e. Supply Chain Management (SCM) Policy, Policy on Fruitless, wasteful, irregular and unauthorized expenditure to ensure compliance to all relevant prescripts.</li> <li>• The Department further implemented a SCM checklist.</li> <li>• The Department monitors and reviews compliance with</li> </ul> | Ongoing |

| NUMBER                              | RESOLUTION  | PROGRESS REPORTED  | STATUS  |
|-------------------------------------|---|--|---------|
|                                     |   | <p>legislation through the Supply Chain management committees, Audit Committee, Risk Management Committee, Budget and Programme Manager's Forum and other ad hoc committees.</p>   |         |
| <b>3.5 PREDETERMINED OBJECTIVES</b> |   |  |         |
| (i)                                 | <p>The Accounting Officer must consider taking disciplinary actions against official(s) who failed to ensure that Performance Information is reliable as required by the Auditor General.</p> | <ul style="list-style-type: none"> <li>• The Accounting Officer is not able to take corrective action against reporting bodies for not providing reliable supporting documents since the Department is only responsible for the coordination of work opportunities created in the Province.</li> <li>• Public bodies must ensure that performance information is filed and readily available for audit purpose.</li> </ul> | Ongoing |
| (ii)                                | <p>The Accounting Officer must conduct quarterly reviews on performance information and ensure that Mode of Verification (MOV) is valid.</p>  | <ul style="list-style-type: none"> <li>• The Department implements the following interventions on a quarterly basis to improve performance information: <ul style="list-style-type: none"> <li>○ Project Data File Verification,</li> <li>○ MuniMec meeting,</li> <li>○ Provincial Steering Committee,</li> </ul> </li> </ul>  | Ongoing |

| NUMBER                                  | RESOLUTION   | PROGRESS REPORTED   | STATUS  |
|---|--|---|---------|
|   |  | <ul style="list-style-type: none"> <li>○ Sector Committee Meetings,</li> <li>○ District Municipal Forums,</li> <li>○ Training for Data Capturers,</li> <li>○ Monitoring of the Audit Action Plan</li> </ul> <ul style="list-style-type: none"> <li>● It should however be noted that the performance information was reported as reliable by the Auditor General in the 2016/17 financial year.</li> </ul>  |         |
| <b>3.6 COMPLIANCE</b>                   |  |   |         |
| (i)                                     | The Accounting Officer must consider taking disciplinary action against official(s) who submitted incorrect financial statements or Annual Financial Statements not prepared as prescribed by the financial reporting framework. | <ul style="list-style-type: none"> <li>● The Accounting Officer has considered taking corrective action, however, the audit outcome for 2015/16 indicated an improvement from the previous financial year e.g. the number of findings has reduced from 68 in the 2014/15 financial year to 54 in the 2015/16 financial year.</li> <li>● It should be noted that the number of findings for the 2016/17 financial year was further reduced to 35.</li> </ul> | Ongoing |
| <b>3.7 INTERNAL CONTROL: LEADERSHIP</b> |  |   |         |

| NUMBER  | RESOLUTION  | PROGRESS REPORTED  | STATUS  |
|---|---|--|---------|
| (ii)  | The Accounting Officer must provide the Committee with evidence that a data collection strategy has been developed which will serve as a monitoring tool to ensure that proper supporting documents are kept for all reported projects. | <ul style="list-style-type: none"> <li>the Data Collection Strategy was circulated to the Committee</li> </ul>   | Closed  |
| <b>3.8 FINANCIAL AND PERFORMANCE MANAGEMENT</b> |   |  |         |
| (i)   | The Accounting Officer must develop Compliance to Laws Register which will enable monitoring of applications of prescripts.   | <ul style="list-style-type: none"> <li>The Department is in the process of investigating the feasibility of developing a Compliance Register.</li> <li>However, the Department monitors and reviews compliance with legislation through the Supply Chain management committees, Audit Committee, Risk Management Committee, Budget and Programme Manager's Forum and other ad hoc committees.</li> </ul> | Ongoing |
| <b>3.9 INVESTIGATIONS</b>                       |   |  |         |
| (i)   | The Accounting Officer must make a follow up on the matter with the office of the Premier and provide a progress report on the  | The progress report from the Office of the Premier was circulated to the Committee.  | Ongoing |

| NUMBER | RESOLUTION                                  | PROGRESS REPORTED | STATUS |
|--------|---|-------------------|--------|
|        | outcome of investigations to the Committee. |                   |        |

The Committee appreciated the progress made by the Department in implementing House Resolutions however observed that most Department have issues relating to infrastructure projects implemented by Department of Public Works, Roads and Transport as are the implementing agent. The Committee further mentioned that, there will be a meeting with the Department and other sister departments so that proper clarity can be given on issues of investigations and how best the province can expedite the implementation of Consequence Management.

### **3. COMMITTEE FINDINGS AND RECOMMENDATIONS**

#### **3.1 AUDIT OPINION**

The Committee noted that, the Department of Public Works, Roads and Transport had consecutively received an "Unqualified audit opinion" for the 2016/17 financial year. The department has been receiving an unqualified audit opinion since 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17. The audit opinion was financially unqualified with findings on Performance Information and compliance in the previous years.

The Committee note that the department is improving on its performance and will eventually achieve a clean audit. The department has challenges with regard to irregular expenditure, accruals and compliance towards legislation. The Committee enquired whether the department had the capacity to implement consequence management towards officials who did not comply with legislations when performing their contracted duties and it was indicated that, the Department was of the view that the Annual Financial Statements were correct at the time of submission, however there were findings which necessitated adjustments on the Annual Financial Statements. The past four financial years had adjustments, however these adjustments were on different classes of primary and secondary information i.e. commitment, non-current assets, etc., which shows an improvement of the internal controls in place.



The Accounting Officer further mentioned that he implements consequence management when needed. However, for the year under review 2016/17, consequence management was not applicable since two matters which emerged were:

- R1.4 million irregular expenditure on legal services as this is centralised.
- Non-disclosure by officials doing business with government. The officials were found to be in other institutions whom letters were written to.

### **3.1.1 RECOMMENDATIONS**

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must address all matters raised by Auditor General and ensure that the department achieves and maintain a 'clean audit'.

## **4. ACCRUALS**

The Committee noted that the Auditors General reported that the department's accruals decreased from R 70 337 000.00 to R 63 192 000.00 in the 2016/17 financial year. What is of concern is that, the amount of payment exceeding 30 days amounting to R 9 882 000.00 has been added to the balance of R 63 192 000.00 as accruals as per note 17 on the Annual Financial Statement of the Annual Report. The Accounting Officer reported to the Committee that, the accruals emanates from the over commitment on capital infrastructure projects and arrear rates and taxes. However, the Department had put plans in place to clear accruals and came with initiatives to reduce the burden of accruals and its impact in the current budget such as:

- Revision of Transport infrastructure project plan and delays in the start of new capital projects resulting in some savings.
- Savings were realised from the following:
  - April and May stipends for Learnership and Internship programmes.
  - Designs for 2 IRMA projects were delayed and will be completed in next financial year.
- Intensify and monitor the implementation of cost curtailment measures throughout the financial year to raise savings on operational items.

The Accounting Officer yet again mentioned that, the Department has a Budget and Programme Managers Forum that monitors performance and expenditure. There are internal controls in place such as cut-off dates to ensure that all invoices from creditors are received and processed timeously as well as weekly reconciliation of expenditure and available budget (cash flow management).

#### **4.1. RECOMMENDATIONS**

- (i) The Accounting Officer must pay all creditors within 30 days or receipt of invoice.
- (ii) The Accounting Officer must minimise accruals

### **5. IRREGULAR EXPENDITURE**

The Committee noted that the irregular expenditure of the department decreased because in the prior year 2015/16 it was amounting to R448 456 000.00. It decreased by an investigated amount of R 7 796000.00 resulting to a total of R 442 123 000.00. Irregular expenditure amounting to R1 463 000.00 as disclosed in note 20 of the AR was incurred by the department for the year under review. The total amount of irregular expenditure of the department amounts to R 442 123 000.00 after deductions of an amount of R7 796 000 which was condoned after investigations. The department further disclosed in note 20 an amount of R440 660 000.00 incurred in previous years which is still under investigations.

The Accounting Officer mentioned to the Committee that, the Department has commenced with the investigation and an amount of R403 million (95%) has since been written-off. The bulk i.e. R341 million, relates to a contract for Scholar Transport services. There were no losses as goods and services were procured and services rendered however the balance is still under investigation. Furthermore, there are no disciplinary steps needed since the amounts (R403 million) were written off and no losses were incurred. The reason is that this was not caused by any official but due to an inherited scholar transport contract. Investigation on the balance will be completed end of November 2017.

## **5.1. RECOMMENDATIONS**

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must follow the necessary process to regularise the expenditure relating to concluded investigations
- (ii) The Accounting Officer must implement all recommendations contained in the reports of the concluded investigations
- (iii) The Accounting Officer must submit a progress report to the Committee on progress made to regularise the of R440 660 000.00

## **6. FRUITLESS AND WASTEFUL EXPENDITURE**

The Committee commended Department for not incurring fruitless and wasteful expenditure in 2015/16 and 2016/17. However the department is still dealing with issues of resolving the balance emanating from prior year i.e. 2014/15 which was R 4 039 000.00 in 2015/16 and decreased to R 806 000.00 in 2016/17 financial year.

In this regard, the Committee probed when will the department conclude on the investigations of the closing balance of R 806 000.00 with regard to fruitless and wasteful expenditure dating back to 2014/15 and if the Accounting Officer took disciplinary actions as well as recovering against officials who caused the department to incur the expenditure in vain without value for money received?

In response, the Accounting Officer mentioned to the committee that, investigations on the fruitless expenditure incurred is at various stages. A further amount of R209 thousand has already been written off, the balance is now standing at R597 thousand (attachment provided). However, investigations are still ongoing and disciplinary action will be taken based on the outcome of the investigations if needed.

## **6.1. RECOMMENDATIONS**

**The Committee recommend that the House resolve that;**

- (i) The Accounting Officer must submit to the Committee; the final report on the investigation (Fruitless & wasteful expenditure/R579 000)
- (ii) The Accounting Officer must recover all fruitless and wasteful expenditure from officials found liable in law.

## **7. DEBT WRITTEN OFF**

The Committee raised a concern about the department's irrecoverable debts that were written off amounting to R 614 000.00 in the 2015/16 financial year. This led to amounts of debt written off drastically increasing to R3 000 000.00 in the 2016/17 financial year. This is a concern because the debt written off had decreased from an amount of R 1 091 000.00 made in 2014/15 financial year.

The Accounting Officer was required to explain on the debtors written off amounting to R3 000 000.00 and it was indicated that, the Department had irrecoverable debt relating to Sizwe Auctioneers amounting to R5.9 million. All necessary steps were taken to recover the amounts owing to the Department. An amount of R3 million from the R5.9 million has since been written-off as recommended by the State Attorney as per the attachment provided to the Committee during meeting.

The Committee accepted the explanation.

## **8. INTERNAL CONTROLS**

### **Leadership**

The Committee noted that the Auditors General reported that on page 131 paragraph 29, that the Accounting Officer did not exercise adequate oversight regarding financial and performance reporting, compliance as well as related internal controls.

The Accounting Officer reported to the Committee that the Department has developed an Audit Action plan to address all findings that were raised by Auditor General. The Department's Budget and Programme Managers Forum monitors progress relating to the Audit Action Plan, performance and expenditure. Furthermore the Department prepares Interim Financial Statements (IFS) on a quarterly basis in line with the prescripts and as a build-up to Annual Financial Statements and these are submitted to Provincial Treasury, Internal Audit and the Audit Committee for review.

The Committee note that the issues raised are within the capacity of the department to resolve going forward and believe that the department can achieve a clean audit opinion.

### **8.1. RECOMMENDATIONS**

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must implement the remedial Audit Action Plan and submit a report to the Committee.

### **9. CONCLUSION**

The Committee has satisfied the requirements of the Mpumalanga Provincial Legislature Rules and Orders of conducting oversight over the financial statements of the Public Works, Roads and Transport.

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

**5. ADOPTION**

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



---

**HON. S I MALAZA  
CHAIRPERSON: SELECT COMMITTEE  
ON PUBLIC ACCOUNTS**

*15. 02. 2018*

---

**DATE**