MPUMALANGA PROVINCIAL LEGISLATURE

REPORT 2 OF 2014

SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE; DEPARTMENT OF EDUCATION

1. INTRODUCTION

The Select Committee on Public Accounts (SCOPA) examined the annual report of the Department of Education, which includes the financial statements, report of the Auditor-General, report of the Accounting Officer and performance information for the financial year 2012/13.

The Committee sent preliminary questions to the entity and received responses which were subsequently presented during a hearing.

This transparent process of engagement is 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 report of the department.

2. COMMITTEE PROCEDURE

The Committee met on 11 February 2013 to deliberate on the above reports and consequently adopted the report on 03 September 2014. 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, Act No. 108 of 1996.

The Accounting Officer and the delegation responded to various questions posed by the Committee during the hearing. The committee requested the department to re-submit some of the responses to the preliminary questions.

3. COMMITTEE FINDINGS AND RECOMENDATIONS

REPORT ON OTHER AND REGULATORY REQUIREMENTS

3.1 PREDETERMINED OBJECTIVES

3.1.1 ACHIEVEMENTS OF PLANNED TARGETS

The Committee noted that Auditor General reported that of the total number of 46 planned targets; only 22 were not fully achieved during the year under review. This meant that 48% of the total planned targets were not achieved during the year under review. The Committee enquired whether the non-achievement was an indication that indicators and targets were not suitably developed during the strategic planning process.

The department had 159 planned targets and only 55 were fully achieved during the year under review. The Accounting Officer indicated that during the strategic planning processes, indicators were suitably developed. It was indicated that management of accruals had an effect. The departmental budget appropriated in a particular year had to offset accruals from a previous financial year and that created the mismatch between the budget and the targets already set.

The Department also added that the Department would have recognize this early enough in the new financial year, the Department can't at that stage change the targets set as the framework for strategic and an annual performance plan does not allow this in year, rather it advises that these must be reported in the annual report.

The Committee further questioned the Accounting Officer on what measures has the Accounting Officer put in place to ensure that the reported finding does not recur in the next financial year. The Accounting Officer indicated that oversight over financial controls has been increased with the establishment of various committees i.e. economizing committee, finance committee, and budget advisory committee. She further added that through the work of these committees, the department has been able to reduce the accruals from R350 million to R101 million. The Department has also strengthened its performance review systems and overall performance information practices by introducing monthly branch reporting and reviews, quarterly departmental reviews which are reported to be putting more emphasis on evidence based reporting.

The Department further indicated that it has also centralized procurement at Head Office since November 2013 and only approve procurement of goods and services that will result in achievements of planned targets for the year and has reduced accruals to the 2014/15 financial year.

3.1.1 RECOMMENDATION

The Committee recommended that the House resolve that:

(i) The Accounting Officer must make savings to clear the accruals amounting to R101 million and report to the committee by 30 November 2014.

(ii) The accounting officer must ensure that all planned targets on the approved Annual Performance Plan (APP) are achieved.

3.1.2 MATERIAL ADJUSTMENTS TO THE ANNUAL PERFORMANCE REPORT

The Committee noted that the Auditor General (AG) reported that there were material misstatement in the annual performance report which were identified during the audit and corrected by management. The Committee asked why the Accounting Officer failed to prepare and provide all material aspects relating to the department in terms of the Departmental Financial Reporting Framework.

The Accounting Officer indicated that the reasons for deviation in infrastructure projects were deemed as inadequate by the AG, and after engagement the department and the AG agreed that the reasons should be appended to further elaborate on matters affecting the attainment of set targets.

The department indicated that an Annual Report Compiling Committee has been set up to oversee the entire process. It was indicated that through the in-year review processes, the Accounting Officer has established systems to ensure that this does not recur. Internal Audit also audits the quarterly reports of the department and the quarterly evidence is reviewed.

3.1.2 RECOMMENDATION

The Committee recommended that the House resolve that:

(i) The Executive Authority must take disciplinary action against the Accounting Officer for failure to prepare a complete Annual Report in line with section 40(a) read with section 41 of the PFMA

4. COMPLIANCE WITH LAWS AND REGULATIONS

4.1 ANNUAL FINANCIAL STATEMENT, PERFORMANCE REPORT AND ANNUAL REPORT

The Committee noted that the Auditor General reported that the the financial statements submitted for auditing did not comply with section 40(1) (c) (i) of the PFMA. Material misstatements of current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and supporting records provided, resulting in the financial statement receiving an unqualified audit opinion. The Accounting Officer indicated that the Classification of all adjustments on relevant misstatements based on the management report are stated and explained as follows:

Current assets: The auditors were concerned that there is a difference between the cash book balance and the balance in the general ledger. The signed BAS printed Bank reconciliation statement did not take into account the effect of two accounts:

- EBT REJECTION ACC: DOM
- UNP/RC BAS EBT CNTR ACC: DOM

However these amounts were correctly mapped against the cash and cash equivalent line item on the Statement of Financial Position and the relevant notes, thus no adjustment was made on the Financial Statements.

Liabilities: The auditors were concerned that the Department disclosed in the financial statements an amount of R39,107,000 was surrendered to the provincial revenue fund; however through inspection of bank statement it was discovered that the Department surrendered an amount of R37,579,000 and the financial statements were misstated with an amount of R1,528,000. The difference between the bank statement and the amount on the note to the Statement of Financial Position was a result of a correction of the opening balances as explained on note 13 to the Annual Financial Statements as follows:

"The amount paid during the year of R 39 107 000.00 has been adjusted to reflect the effects of a correction of the comparative opening balance. The Exchequer balance as at 31 March 2013 is R 769 109 000."

The Provincial Treasury, through the review process indicated that adjustment of the closing balance would result on inconsistencies with the Audited Financial Statements of the comparative year and advised the Department to record the adjustment as a movement during the current financial year, thus the auditors were not in agreement and the Annual Financial Statements were adjusted appropriately.

Disclosure Notes: The auditors were concerned that:

A sample of open orders from the LOGIS report, were not included in the schedule of commitments and therefore not disclosed in the financial statements. On further investigation a number of orders were identified as omitted in the schedule of commitments and the Annual Financial Statements were amended to the satisfaction of the Auditors.

- Orders for commitment, invoices were disclosed as commitments instead of being disclosed as accruals. Thus the commitment schedule was reviewed and adjusted to the satisfaction of the Auditors. The Department implemented a process of verifying commitments in the accrual listing to ensure that commitment are correctly classified and accurately reported. Lease contracts which included in the lease commitments register were calculated using the incorrect number of months. The lease commitment registers were thus updated and corrections were made to the Annual Financial Statements.

- The amount disclosed in the financial statements did not agree with the report for contingent liabilities. The amount of R85 573 000 was disclosed separately as it was not part of the litigation report. This amount refers to the on-going negotiations for the increase on markers tariffs, which is still discussed in the bargaining council. It was therefore noted that the Annual Financial Statements were not adjusted by the above amount. The auditors expected one register in the form of a Litigation Report, however this matter was not yet in litigation and thus supported separately. A new supporting schedule was submitted, incorporating the amount queried.

The Committee noted that for personnel who still have unused leave credits at the expiry of the 6 months period, leave pay-outs were not computed in terms of the correct formula. HR did an analysis of more than 4,000 records to ensure the correctness of the leave in monetary value report before it was submitted to the Auditor General. The department indicated that there were instances of admin clerks who had wrong leave accrual codes, and they had to be amended on the financial statements, after corrected on PERSAL. Manual calculations had to be done in these instances. The formulas used to calculate the manual calculations were correct, although the incorrect column was used to finalize the formula. The challenge was only experienced with one of the 4 worksheets where manual calculations had to be completed on the leave in monetary value report. The whole population was amended and confirmed with the Auditor General for correctness. The Financial Statements were also adjusted.

Expenditure: The auditors were concerned that:

- The Department paid for rates on vacant unutilised site, however the expenditure was not disclosed in disclosure note 9 of the financial statements. Thus the adjustment was made to the Annual Financial Statements to reflect this.

- The Committee was informed that Payments had been incorrectly classified as subsistence and travelling whereas they were not. Subsequent to the audit finding the department had inspected all the payments processed under the code T&S Dom with op. Road transport to confirm its correctness and the Annual Financial Statements were adjusted accordingly. Thus all officials processing payments are now required to confirm the SCOA classification from the Budget section before a payment is made.

- Leave gratuity payments made were incorrectly calculated. The whole population of leave gratuity payments which were approved and paid within the financial year under review were re-calculated and revised when deviations were identified. The re-calculations were accepted by the Auditor General and the financial statements adjusted accordingly. The department has implemented an online HR system which safeguards the correctness of leave gratuity payments.

The Committee further questioned whether the accounting officer took appropriate and effective steps against officials who failed to comply with laws and regulations. The Accounting Officer indicated that the affected managers have been served with letters of intention to charge them. Progress report will be submitted to the Committee as and when required. The Department has also established financial reporting unit which will be with suitably qualified officials to prepare, interrogate submissions from all units to ensure that the Annual Financial Statements are correct the first time and not result in misstatements. The unit will be expected for the 2013/14 financial year to prepare quarterly AFS and in 2014/15 once all the posts were filled, monthly AFS were to be compiled.

The Committee did not accept the response of the Accounting Officer because the Departmental' s Organizational Structure was supposed to have Officials in the Finance section who are employed to do Annual Financial Statement of the Departments. The Committee note that it is the responsibility of the accounting officer to prepare and make available financial statements that are error free. It is therefore within the prerogative of the accounting officer to either employ people with requisite skills to assist her or carry the financial reporting responsibility.

4.1.1 RECOMMENDATION

The Committee recommended that the House resolve that:

(i) The Accounting Officer must take disciplinary action against the officials in The Finance Sections who failed to provide correct information and led to material adjustment and contravening section 40 (c) (i) of the PFMA.

4.2 EXPENDITURE MANAGEMENT

The Committee noted that the Auditor General reported that Contractual obligation and money owed by the Department were not settled within 30 days or on agreed period, as required by section 38(1)(f) of the PFMA and Treasury Regulations 8.2.3. The Accounting Officer indicated that the Department had with cash flow challenges during the period April 2012 to August 2012, where payments could not be disbursed to avoid interest charges on bank overdrafts and ultimately Fruitless and Wasteful expenditure. It was also indicated that the Department had R350million of accruals which has put pressure on the cash flow schedule from the 2011/12 financial year. The Committee questioned the Accounting Officer on what are the effective measures implemented to ensure compliance with section 38(1) (f) of the PFMA and Treasury Regulation 8.2.1 and prevention of recurrence. The Accounting Officer indicated that the following Internal Control measures have been implemented and also integrated on the Departmental Action Plan on Auditor General issues:

- The Department is Ageing all invoices received (using the date of receipt of the invoice/ date when the goods were received - if earlier).

- Monthly reports on the Age analysis are presented to the Departmental Budget Advisory Committee.
- Corrective steps against officials who fail to comply with the provisions of TR: 8.2.3 have been initiated.

The Committee also noted that the Auditor General reported that the Accounting Officer did not take effective steps to prevent Unauthorized, Irregular as well as Fruitless and Wasteful expenditure as per the requirements of section 38(1)(c)(ii) of the PFMA.

The Accounting Officer indicated that the Department was actually reporting fruitless and wasteful expenditure as and when discovered to Provincial Treasury but not monthly. The department indicated that it only became aware of expenditures on inspection of register.
There were transactions which were interpreted as separate transactions relating to one expenditure incurred resulting on duplications on the register which led to the overstatement. The register of unauthorized, irregular and fruitless expenditure has thus been overhauled to cater for financial reporting needs and reviewed by the CFO. The Committee further asked the Accounting Officer what effective and appropriate steps did she take to prevent irregular expenditure in terms of section 38(c) (ii) of the PFMA . The Accounting Officer indicated that the Department has established Bid Committees in terms of Regulation 6(2) (b) and (c) of the Framework for Supply Chain Management as published in Gazette No.25767 dated 5 December 2003 read with paragraph 1.6.1.2. of Supply Chain Management: a guide for Accounting Officers/Authorities. The department indicated that;

- These Committees exercise control over the Department's procurement process as delegated to them by the Accounting Officer, thereby ensuring that such processes are procedurally and substantively fair to bidders, which then enable the Department to acquire goods and services or dispose of assets at best prices;

- At all times the Committees must take cognizance of the real risk of legal implications of their decisions and also the potential for the leakage of information connected to the deliberations of the Committees which may be harmful if used against the Department by any affected bidder.

- The Committees act with consistent objectivity and transparency throughout when handling or deliberating on bids.

- The Committees exercise due diligent when adjudication procurement documents to eliminate any irregular expenditure to occurred.

When irregular expenditure is discovered by any of the Bid Committees, it is reported to Internal Audit and Labour Relations Units for investigations and for implementation of disciplinary measures respectively. Such irregular expenditure once declared is recorded in the irregular expenditure register.

4.2.1 RECOMMENDATION

The Committee recommended that the House resolve that:

(i) The Accounting Officer must timely take disciplinary action against any official who cause the department to incur unauthorised, irregular, fruitless and wasteful expenditure.

(ii) The Accounting Officer must take disciplinary action against the officials who failed to ensure that monies owed by the department are settled within 30 days as required by section 38(1)(f) of the PFMA and Treasury Regulations 8.2.3

(iii) The Accounting Officer must develop effective measures and systems to prevent fruitless and wasteful expenditure and irregular expenditure.

4.3 HUMAN RESOURCE MANAGEMENT

The Committee noted that the Auditor General reported that that the accounting officer did not ensure that all leaves taken by employees are recorded accurately and in full as required by Public Service Regulation (PSR) 1/V/F (b). The Committee asked why did the accounting officer fail to ensure that all leave taken by employees are recorded accurately and in full as required by Public Service Regulation 1/V/F (b).

The Accounting Officer indicated that the leave application forms for educators and school support staff could not reach the district offices for capturing on time. An HRM Directive Number 10 of 2013 was circulated to all affected stakeholders informing them to submit leave forms on a monthly basis as well as cautioned them not to keep the leave forms in their offices for more than a month.

The Committee further asked the Accounting Officer on what measure has the Accounting Officer put in place to ensure that the reporting finding does not recur in the next financial year. The Accounting Officer indicated that in January 2014 a leave register has been developed and circulated in all Districts including Head office so that registry officials should record all leave forms which are submitted on a daily basis, and that the leave forms should be quickly dispatched to all HR officials dealing with leave capturing. She further added that a monthly report on leave capturing is drawn and compared against the leave forms submitted in order to identify gaps. Human Resources (HR) officials dealing with leave capturing will be held accountable, should there be gaps.

The department further indicated that all Districts and Circuits offices were then closely monitored to ensure that leave forms are submitted as per the approved HR Directive, and those not adhering to it will be held accountable

The Committee also noted that the Auditor General reported that there were employees that acted on higher vacant posts for more than 12 months, in contravention of Public Service Regulation 1/VII/B 5.3. The Committee questioned why the accounting officer failed to comply with the regulation.

The Accounting Officer indicated that this was due to the non-observance of the two weeks break of the acting period, and officials were re-appointed soon after their twelve months acting period ended,

The Committee also noted that the Auditor General had reported that employees were appointed without properly verifying the claims in their applications in contravention with Public Service Regulations 1/VII/D.8.

The Accounting Officer indicated that the Mpumalanga Department of Education has to a certain extent been complying with the said prescripts. For the past three financial years the Personnel Suitability Checks (PSC's) related to the recruitment of staff appointed in terms of the Public Service Act , were conducted by the State Security Agency in the province. Due to capacity pressures the State Security Agency releases screening results at a very slow rate and in some instances results were only released up to 8 months after the request was submitted.

As a result Department released Offer of Appointment Letters after completion of the recruitment processes – while still awaiting the PSC results. The Department in the past also did not include the screening of institution-based educators in the Personnel Suitability Checking processes.

The Committee further questioned the Accounting Officer on what measures did the Accounting Officer put in place to ensure that the reported findings does not recur in the next financial year. The Accounting Officer indicated that the Department in November 2013 – in line with the letter received from the State Security Agency and after due procurement processes - appointed 3 service providers to conduct Personnel Suitability Checks in respect of newly appointed officials. It should however be noted that in as far as the vetting of educators are concerned, the Department is of the opinion that this is the function of the South African Council for Educators (SACE) with whom educators must register before being employed by any provincial department of education. On application for registration, educators are required to submit certified proof of their qualifications and identity document, and must disclose to the Council details of any previous or pending employer disciplinary action or criminal offence convictions or proceedings. Only after considering all the above will SACE register an educator by entering the educator's name in the register for educators and issuing a registration certificate.

The department made a submission that the conducting of prior Personnel Suitability Checks is expensive and time consuming, and will – in as far as educators concerned – severely impact on the Department's ability to act swiftly in replacing educators who leaves the system. Education is the core business of the Department, and the appointment of educators cannot be delayed while awaiting PSC results, as it is expected from the Department to ensure that there are educators in classrooms at all times. The Mpumalanga Department of Education should therefore avoid the duplication of verification actions which have already been executed by SACE prior to the registration of an educator, and has forwarded a letter in this regard to the South African Council for Educators (SACE) on 4 December 2013.

The Committee further noted that the employees were compensated for overtime work without that had not been approved in advance as required by Public Service Regulation 1/V/D.2. The Committee asked the Accounting Officer on why she contravened the Public Service Regulation 1/V/D.2. The Accounting Officer indicated that there were instances where submissions were made erroneously omitting some officials who have worked overtime. Also instances where there were urgent requests for overtime from Examination division, for example when Annual National Assessments (ANA) were conducted, there were certain unplanned activities which came up and resulted in officials working overtime. In these instances verbal approval by the Accounting Officer was granted followed by an ex-post facto approval by the Accounting Officer. The Committee then advice the department that they must at all-times ensure that prior approval are solicited before overtime work is paid.

4.3.1 RECOMMENDATION

The Committee recommended that the House resolve that:

(i) The Accounting Officer must take disciplinary action against the officials for failure to ensure that leave forms are recorded as required by PSR I/V/F (b) (2012/13) financial year

(ii) The Executive Authority must take disciplinary action against the Accounting officer for failure to ensure that vacant positions are not acted on for more than 12 months as per the requirement of Public Service Regulations 1/IVV/B.5.3

4.4 PROCUREMENT AND CONTRACT MANAGEMENT

The Committee noted that the Auditor General reported that goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by TR16A9.1. The Committee asked the Accounting Officer Why did the she failed to comply with Treasury Regulation (TR) 16A9.1 the Accounting Officer indicated that The Department used a number of schools to hold Departmental activities ranging from meetings, workshops, trainings and contact sessions and schools were requested to render catering services. Since schools are government institutions, no three quotations were requested as per the requirement TR16A9.1. The Department noted an oversight that schools were excluded in the Annual General Exemption to be exempted from requesting three quotations. The Committee further asked the Accounting Officer what steps or measures have the accounting officer taken to prevent future recurrence. The Accounting Officer indicated that the Department has issued a Supply Chain Management Directive to strengthen and establish sound administrative arrangements for the efficient functioning of the Bid Adjudication, Economising and District Acquisition Committees. This Directive also discontinued the use of schools for catering services without approval from the Head of Department. The Committee felt the measures put in place by the Accounting Officer are not effective because the Bid Adjudication, Economising and District Acquisition Committees had initially existed in the Department but however they were not utilised to prevent the Department from procuring goods and service with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by TR16A9.1

The Committee also noted that the Auditor General reported that the Contracts were awarded to bidders who had not submitted a declaration of past supply chain management practices, such as fraud, abuse of SCM systems and non-performance contrary to TR 16A9.1. The Committee questioned the Accounting Officer whether In terms of the Treasury Regulation 16A9.1 did she develop and implement an effective and efficient supply chain management system. The Accounting Officer indicated that The Department did not implement SCM Practice Note No. 4 of 2006 on the submission of the declaration of past Supply Chain Management Practices as required. The Department issued a Circular to all officials to ensure that the SBD8 forms are attached to all quotations and bids. The Committee did not accept the response of the Accounting Officer because the officials contravened the requirements of Treasury Regulation 16A9.1

The Committee also noted that the Auditor General reported that persons in the service of the department who had a private or business interest in contracts awarded by the department failed to disclose such interest, as required by Treasury Regulation 16A8.4 and PSR 3C. the Accounting Officer indicated that the Department did not request the SBD4 forms (Declaration of interest) in terms of the Treasury Regulations 16A8.4 as the service providers were schools which are regarded as government institutions namely Khetsalwati school. Hoerskool Ermelo, Zamokuhle Primary School and Greendale Combined School. On the cases where the Department did not comply with Treasury Regulations 16A8.4 the Department noted an oversight and will refer the matter to Internal Audit unit for further investigation and determination of liability so that the appropriate cause of action can be taken against whoever would be found to be guilty of the offense

4.4.1 RECOMMENDATIONS

The Committee recommended that the House resolve that:

(i) The Accounting Officer must take disciplinary action against the officials who failed to comply with Treasury Regulations TR16A9.1 (a) and (b).

(ii) The Accounting Officer must take disciplinary action against the official/s who failed to ensure that bidders submit a declaration of past supply chain management practices

4.5 SERVICE DELIVERY

The Committee note that the Auditor General reported that the Department did not report on conditional grant to the relevant treasury and the national transferring officer, as part of monthly reports on budget information, spending and revenue, in contravention of section 12(2)(a) of Division of Revenue (DoRA). The Committee asked the Accounting Officer What are the challenges that prevented the accounting officer to comply with section 12(2) (a) of DoRA. The Accounting Officer indicated that the Department submitted all monthly reports to the Provincial Treasury and National transferring officer as required by DORA, however confirmation of receipt was never requested from the relevant departments to report on conditional grants to the relevant treasury and the national transferring officer as dictated by section 12(2) (a) of DoRA. The Accounting Officer indicated that the Department submitted all monthly reports to the Provincial Treasury and National transferring officer as required by DORA however confirmation of receipt was never requested from the relevant Departments. The Committee did not accept the response of the Accounting Officer and further advice the Department to request all receipts from relevant departments as required.

The Committee further noted that the Auditor General reported that sufficient appropriate audit evidence could not be obtained to determine whether the cost per meal per learner was at an average of R2, 46 in primary or special schools and R3, 36 in secondary schools, in contravention of the division of revenue grant framework contained in Gazette No. 34280 the Committee asked the Accounting Officer to explain why the department has failed to provide sufficient evidence to determine the cost per meal per learner. The Accounting Officer indicated that Schools visited could not give the breakdown of cost of meal per learner due to the following:

- Costing does not take place at school level. Service providers supply schools with foodstuffs already weighed, which is coasted at R2.18 per learner at primary school and R3.08 per learner at secondary school.

- Schools received money for honoraria calculated at R720 per food handler per month for a period of twelve months.

- Schools also received money for the procurement of fuel for cooking (firewood, gas or electricity) which is calculated on a sliding scale.

- The total cost of meal is calculated on adding the three items above, and schools can only account for the last two.

- When the three items are added, the average cost of meal was R2.46 in primary and R3.36 in secondary schools.

The Committee further asked the Accounting Officer on what is the current system that the department is using to ensure that the department is in compliance with the Division of Revenue Grant Framework contained in Gazette 34280. The Accounting Officer indicated that the Department uses the Conditional Grant Framework as a basis for planning and implementation of the nutrition programme. Before a business plan can be approved, the following conditions are to be met:

- Business plan submitted on the prescribed template.
- Number of beneficiaries supported by evidence.
- Honoraria to be as prescribed.
- Average cost of meal in line with what is prescribed.

Consultation processes between Department and DBE take place until all requirements are satisfied. Two draft business plans are submitted to DBE, and once approved, a final business plan, which is signed by the Accounting officers of Education and Finance, is sent to DBE and National Treasury

Furthermore the Committee noted that the Auditor General reported that the department did not implement measures to monitor the quality of food served at schools, as required by the national schools nutrition programme business plan. The Committee asked the Accounting Officer why she failed to ensure that the department implements measures to monitor the quality of food as required by the national schools nutrition programme business plan. The Accounting Officer indicated that the Department does not have personnel to be full time in each school. As a result monitoring was not adequate. However, each school has an NSNP committee which is required to monitor the quality of food at site level and in addition monitors at district level also visit schools regularly. The Accounting Officer further added that the Department has the following measures in place to monitoring of the quality of food served at schools

- The Department has created a structure both at Head Office and the four districts with officials dedicated to the implementation and monitoring of the programme.

- In the structure mentioned above, full-time monitors visit schools on a daily basis for purpose of monitoring the quality of food served to learners.

- The National Department of Basic Education sends officials periodically to monitor the programme.

- At the end of each financial year the programme gets evaluated for compliance with the Conditional Grant Framework by DBE.

4.5.1 RECOMMENDATION

The Committee recommended that the House resolve that

(i) The Accounting Officer must keep a register of all reports submitted to Treasury and ensure that register are maintained and updated for audit trail

(ii) The Accounting Officer must put measures and systems to ensure that the developed business plan which meets the required condition for the grant is implemented and adhered to.

(iii) The Accounting Officer must ensure that the measures put in place to monitor the quality of food served at schools are implemented and adhered to on a daily basis.

5. GOVERNANCE

The Committee noted that Auditor General report that the department performed a risk assessment. However, the procedures to respond to these were not adequately designed. The Committee asked the Accounting Officer why she failed to ensure that procedures to respond to risk were adequately designed. The Accounting Officer indicated that the procedures in place were assessed to be inadequate as they did not lead to the mitigation of the risks. This was due to the fact that managers did not understand the Risk Management processes. The Committee further asked the department what measures are put in place to ensure the procedures are adequately designed. The Accounting Officer indicated that for the 2013/14 Risk Assessment, all risks identified will be aligned to a strategic objective of the Department. Furthermore, all mitigation procedures are embedded on the implementation plans for each unit.

As a supplement to the above process managers were taken to a Risk Management training to ensure that they are capacitated which was facilitated by a service provider and a submission of a portfolio of evidence was a requirement. Forty (40) Senior Managers attended the training session. The purpose was to capacitate managers and to raise awareness on risk management. Since then the Department has improved on responding to the identified risks and reporting is enforced to all risk owners.

The Risk Management is drawing up a plan for the development of a Risk Management System through the consultation with SITA and the Department's ICT unit.

5.1 RECOMMENDATION

The Committee recommended that the House resolve that

(i) The Accounting Officer must put measures and systems to ensure that the Risk Management Systems Plan is implemented and adhered to.

(ii) The department must submit to the Committee a report on Risk Management on which the Management is complying with in the department.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6 UNAUTHORISED EXPENDITURE (R135,150 million)

The Committee noted the Auditor General reported that the department has incurred unauthorized expenditure amounting to R 135, 150 million. The Committee asked the Accounting Officer why they allowed the financial misconduct to happen. The Accounting Officer indicated that the Department incurred the unauthorized expenditure which in terms of the PFMA can be declared as financial misconduct due to the fact that it had settle accruals which if not settled were causing serious cash flow problems for the small and medium enterprises. This was in the best interest of the Department and the Province in general.

The Department incurred over expenditure of R71 million on the total budget and in particular Programme 2: Public Ordinary Schools due to the fact that accruals from the 2011/12 financial year had to be paid in the 2012/13 financial year. The Provincial Treasury tabled a Finance Bill in 2012 which included an allocation of R131.9 million to the Department of Education for the clearing of unauthorized expenditure.

The Accounting Officer also added that the Department used the cash received in addition to its budget baseline to pay for its accruals. Whilst this cash assisted the Department in the clearing of accruals however without the amount being appropriated has resulted in overspending of the baseline as the BAS system recognize that this is in excess of what has been appropriated. The matter was discussed with both the Budget and Finance Committee and the Provincial Treasury.

The Committee noted the amount of R131.9 million that the Provincial Treasury allocated to the Department of Education for clearing of unauthorized expenditure of the previous financial year was used to clear Accruals of the Department therefore this resulted in the Department to create another Unauthorized Expenditure amounting R135, 150 million.

6.1 RECOMMENDATION

The Committee recommended that the House resolve that

(i) The Executive Authority must take disciplinary action against the Accounting Officer for incurring an unauthorised expenditure amounting **R 135,150 million** during the 2012/13 financial year**.**

(ii) The unauthorised expenditure incurred during the 2012/13 financial year amounting **R135.150 million** is condoned without funding. The department must take disciplinary action against those responsible for using funds meant to clear unauthorised expenditure to pay its accruals.

7 CONTINGENT LIABILITIES

The Committee noted that the , the statement of contingent liabilities indicates a closing balance of R161 467 million as at 31 March 2013 which indicates an increase from R 48 862 million of the year 2012. The Committee questioned the Accounting Officer why there is such an increase in the contingent liabilities for the financial year 2012/13. The Accounting Officer indicated that the increase on the contingent liabilities is the result of an amount of R 85 573 000 which was disclosed separately as “Other Contingent Liabilities” in the Annual Report. The increase is caused by unpredicted actions that emanates from unforeseen circumstances during the course of the financial year.

The Committee further questioned the Accounting Officer if there are plans in place to deal with the contingent liabilities against the department. The Accounting Officer indicated that the claims against the State of R73 million are being defended by the Department through the office of the State Attorney. Each and every claim is contested on its merits, by challenging Plaintiff or Applicant to prove that the Department is liable as per the allegations contained in the summonses. The R85 million is an alleged estimate by the Department which has to be decided by the Court. The Committee did not accept the response of the Accounting Officer because the Department is not certain that the R85 million which is an alleged estimate will be granted to the Department by the Court, therefore the Department does not have an effective plan to deal with its contingents liabilities.

7.1 RECOMMENDATION

The Committee recommended that the House resolve that;

(i) The Accounting Officer must develop a mechanism that will proactively respond to potential and actual contingent liabilities with the objective to prevent and/or minimise the contingent liabilities.

8. CONCLUSION

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

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 November 2014 and thereafter on quarterly basis.

9. 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**