



REPORT 6 OF 2014
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
DEPARTMENT PUBLIC WORKS, ROADS AND TRANSPORT (2012/13)

1. INTRODUCTION

The Select Committee on Public Accounts (SCOPA) hereinafter referred to as a 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.

2. COMMITTEE PROCEDURES

The Committee met on 10 July 2014 to deliberate on the above reports and considered on 16 October 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.

3. COMMITTEE FINDINGS AND RECOMMENDATIONS

3.1 ACHIEVEMENT OF PLANNED TARGETS

The Committee has noted that the Auditor General reported that the Department only managed to achieve a total number of 89 planned targets for the year under review and 44 were not achieved. This means that 49% of the planned targets were not achieved during the year under

review; this was as a result of the department not considering relevant systems and evidential requirements during the annual strategic planning process. The Committee required the Accounting Officer to provide reasons for only achieving 51% of their planned targets whereas the 99% of the budget was spent, the Committee further required the Accounting Officer to provide reasons for his failure to consider relevant systems and evidential requirements during the annual strategic planning process and the measures put in place to prevent the finding from recurring.

The Accounting Officer reported to the Committee that his failure to achieve all planned targets was as a result of; the spill over effect of accruals which resulted in budget shortfalls, the adjustment of plans by client Departments which had an adverse effect on Programme 2's targets. He further informed the Committee that he did consider all relevant systems and evidential requirements during the strategic planning, however due to the reasons he mentioned above some targets could not be achieved.

3.1.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must ensure that all planned targets as contained in the Annual Performance Plan are achieved.
- (ii) The Accounting Officer must ensure that realistic and achievable targets are set and consider taking disciplinary actions against individuals who failed to execute their duties effectively and efficiently.

3.2 USEFULNESS OF INFORMATION

The Committee has noted that the Auditor General reported that the Accounting Officer contravened Treasury Regulation 5.2.4 which requires that the strategic plan should form the basis for the annual report, therefore requiring the consistency of objectives, indicator and targets between planning and reporting documents. A total of 85% of the reported objectives were not consistent with the objectives as per the approved strategic and annual performance plan. This was due to lack of oversight responsibility by the leadership over the performance management.

The Committee upon the findings of the Auditor General sought reasons which led to the failure of the Accounting Officer to adhere to Treasury Regulation 5.2.4, which also spells out failure of the Accounting Officer to perform his oversight responsibility over the performance management as required by the above-mentioned Treasury Regulation and the measures put in place to prevent the finding from recurring.

The Accounting Officer reported that objectives in the Annual Performance Report were consistent with the Strategic Plan of the Department as required by sections 40 (1)(d) and (e) of the required Act, he further indicated that there were inconsistencies between the Department's Annual Performance Plan and Strategic Plan. Correct objectives were reflected in the annual report as required by the Act.

The Committee strongly felt that there is shift of responsibility by the Accounting Officer, given his response to the question of his failure to perform oversight responsibility over the performance management as required by Treasury Regulation 5.2.4, as he indicated that this finding was as a result of lack of capacity within the strategic planning unit.

3.2.1 Recommendations

The Committee recommend the House to resolve that:

- (i) The executive Authority must consider taking disciplinary actions against the Accounting Officer for failure to ensure that 85% of the reported objectives were consistent with the objectives, as per the approved strategic and annual performance plan as required by Treasury Regulation 5.2.4.

3.3 FINANCIAL REPORTING FRAMEWORK

The Committee has noted that the Auditor General reported that the Accounting Officer submitted financial statements which were not prepared in accordance with the prescribed financial reporting framework and were not supported by full and proper records, as required by section 40 (1)(a) and (b) of the PFMA for auditing purposes. The Committee required the Accounting Officer to provide reasons why he failed to comply to section 40(1) (a) and (b) of the PFMA which led to failure to prepare and provide all material aspects relating to the department in terms of the Departmental Financial Reporting Framework, the Committee noted with concern

that the finding is recurring and required an account in this regard and the measures put in place to prevent this finding from recurring.

The Accounting Officer was in disagreement with the finding of the Auditor General and indicated that during the preparation of the report he was of the view that the financial statements fairly presented the state of affairs of the Department, its business, financial results, performance against predetermined objectives and financial position for the year under review. He further informed the Committee that adjustments were necessitated by the fact that auditors raised exceptions on disclosure notes during the audit process.

The Accounting Officer reported to the Committee that as a corrective measure; a Committee which reviews the Annual Financial Statements and related reports prior to submission to Treasury and Auditor General has been established, he further indicated that Annual Financial Statements are submitted to the Internal Audit Unit and Office of the Accountant General for further review and quality check to ensure full compliance to section 40 (1) (a) and (b) of the PFMA.

Upon these responses provided by the Accounting Officer, the Committee enquired on the role of the Chief Financial Officer in the process of preparation of Annual Financial Statements and the level of effectiveness and efficiency when duties and functions are discharged, given the fact that there are misstatements in the Annual Financial Statements. The Committee further required the Accounting Officer to provide reasons why invoices were not settled within 30 days and the actions taken against the official who had conflict of interest relating to Abomndeni Construction.

The role of the Chief Financial Officer was briefly explained to the Committee, furthermore the Accounting Officer provided instances such as arithmetic calculations error discovered upon receipt of invoices and can only be corrected by the supplier which result in some invoices being sent back to the supplier for corrections, hence the delays in payment of invoices within 30 days. Addressing the question of the steps taken against the employee who had conflict of interests, it was reported that Abomndeni Construction was deactivated from the payment system of the Department and that with regard to taking steps against the official involved, the Accounting Officer reported that an investigation is being carried out to determine the involvement of any official.

3.3.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must consider taking disciplinary actions against the officials who contravened section 40(1) (a) and (b) of the PFMA.
- (ii) The Accounting Officer must furnish the Committee with a detailed report of the outcomes of the investigation in progress, with regards to Abomndeni Construction.

3.4 EXPENDITURE MANAGEMENT – PAYMENT OF INVOICES WITHIN 30 DAYS

The Committee has noted that the Auditor General reported that the Accounting Officer failed to ensure that payments due to creditors were settled within 30 days from receipt of invoice or, in the case of civil claims, from the date of settlement or court judgement in contravention to section (38)(1)(f) of the PFMA. The Committee enquired on the measures put in place to prevent this finding from recurring.

The Accounting Officer informed the Committee that all invoices submitted to the Department have to be verified before payment; as a result of some verification taking longer some invoices could not be settled within 30 days. As the measures put in place, receipt of invoices has been centralized to one dedicated unit within the financial management of the Department, follow ups are conducted with all service providers to submit their invoices immediately after a service has been rendered or delivered and the Department has also established a monthly cut-off date for submission of invoices for all outstanding payments including contractual obligations, the Accounting Officer reported.

3.4.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Executive Authority must consider taking disciplinary actions against the Accounting Officer for failure to settle invoices within 30 days after receipt of each invoice; contravening section 38(1)(f) of the PFMA and Treasury Regulation 8.2.3
- (ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored to prevent the matter from recurring.

3.5 UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

The Committee has noted that the Auditor General reported that the Accounting Officer did not take effective steps to prevent unauthorised, irregular as well as fruitless and wasteful expenditure which is in contravention to section 38(1) (c) (ii) of the PFMA and Treasury Regulation (TR) 9.1.1. The Committee required the Accounting Officer to provide the reasons that led to his failure to comply with the abovementioned section of the PFMA and Treasury Regulation, the Committee further asserted on whether there were instances of fraud and if there were, it sought details and steps taken against those involved. The Committee enquired on the effective and appropriate steps that were taken by the accounting officer upon discovery of the irregular expenditure and if an irregular expenditure register was implemented.

Upon the findings of the Committee, the Accounting Officer informed the Committee that the reported irregular, fruitless and wasteful expenditure was as a result of system failure within the financial management value-chain. He further reported that there were no instances of fraud when this irregular, fruitless and wasteful expenditure was incurred and that the irregular was reported to the Provincial Treasury and disclosed as such in the Annual Financial Statements. He further informed the Committee that this expenditure was recorded on the irregular expenditure register. The Committee accepted the explanation and that the accounting officer had reported the matter accordingly.

3.5.1 Recommendation

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must develop and implement measures to prevent irregular, fruitless and wasteful expenditure

3.6 HUMAN RESOURCE MANAGEMENT – APPOINTMENTS

The Committee has noted that the Auditor General reported that the Accounting did not comply with Public Service Regulation 1/VII/D1.4 as he made appointments without recommendations of the selection committee. The Committee enquired on the measures the Accounting Officer has put in place to prevent the abovementioned matter from recurring.

The Accounting Officer informed the Committee that this finding was as a result of the Chairperson of the selection committee signing the recommendations as a Senior Manager instead of the Chairperson, it was investigated and corrected. The Accounting Officer reported that all submissions are verified by the Human Resource Management Unit before finalization to ensure that the finding does not recur. The Committee accepted the explanation and commitment of the department to ensure that it does not recur.

3.7 VERIFICATION OF QUALIFICATIONS

The Committee has noted that the Auditor General reported that employees were appointed without properly verifying the claims in their applications, in contravention of PSR 1/VII/D1.8. The Committee required the Accounting Officer to provide his reasons for failure to properly verify claims made by employees in their applications before they were appointed as required by PSR 1/VII/D1.8, the Committee further enquired on the measures the Accounting Officer have put in place to prevent the abovementioned matter from recurring.

The Accounting Officer responded by informing the Committee that the Department does verify claims of employees in their applications before appointments are made which was contrary to what the Auditor General has reported on, he went on to say the results for criminal record checks are delayed because they are referred to external agencies. The Accounting Officer reported that all submissions are verified by the Human Resource Management Unit before finalization to ensure that the finding does not recur.

3.7.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must consider taking disciplinary actions against officials in Human Resource Management who failed to verify qualifications as required by PSR 1/VII/D1.8 in the 2012/13 financial year.

3.8 LEAVE MANAGEMENT

The Committee has noted that the Auditor General reported that the Accounting Officer failed to ensure that all leave taken by employees were recorded accurately and in full, as required by Public Service Regulations 1/V/F(c). The Committee required the Accounting Officer to provide

his reasons for failure to ensure that all leave taken by employees were recorded accurately and in full, as required by PSR1/V/F(c) and the measures put in place to prevent the abovementioned matter from recurring.

The Accounting Officer informed the Committee the matter relates to maternity leave of two officials, whereby one of the officials' leave was incorrectly captured as annual leave instead of maternity leave. He further indicated that the Department disagreed with the Auditor General's finding as the other leave was within the 4 consecutive calendar months as allowed by the Determination of leave of absence in the Public Service. In addressing the problem, the Accounting Officer reported that the incorrectly captured leave was converted to vacation leave and the systems put in place by the Department entail ensuring that leave forms are filed on daily basis immediately after capturing. Monthly reconciliation of the leave register is also conducted.

Upon the responses of the Accounting Officer, the Committee strongly felt that the Accounting Officer provided contradictory responses as he on one part agreed with the finding and on the other hand he disagreed with the finding of the Auditor General.

The Accounting Officer provided clarification to the Committee and indicated that the disagreement on his response was based on the other case as there were two leave cases reported.

3.8.1 Recommendations

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must constantly monitor and exercise control to ensure that leave taken by employees are recorded accurately and in full, as required by Public Service Regulation 1/V/F(b) and consider taking disciplinary actions against officials who failed to execute their duties effectively in order to prevent this finding from recurring.
- (ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored.

3.9 SICK LEAVE

The Committee has noted that the Auditor General reported that the Accounting Officer failed to ensure that effective measures were implemented to ensure that employees did not abuse sick leave, as required by Public Service Regulations 1/V/F(c). The Committee required the Accounting Officer to provide his reasons for failure to ensure that there was proper leave management; the Committee enquired on the number of employees who were involved and the latest developments regarding the matter.

The Accounting Officer informed the Committee that the affected employees had two leave files each and only the old files were submitted to Auditor General for Audit purposes, which was as a result of the fact that employees who have been long serving in the Department are likely to have two leave files belonging to them. However the correct leave forms for the relevant financial year were later attached and based on that explanation the Accounting Officer confidently informed the Committee that no employee abused sick leave as per the Auditor General's finding. He further informed the Committee that the matter have been investigated and corrected by converting the sick leave to vacation leave.

3.9.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must develop an effective record keeping system in order to be able to efficiently deal with leave files of employees who have been in long service with the Department.
- (ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored and consider taking disciplinary actions against officials who failed to execute their duties effectively in order to prevent this finding from recurring.

3.5.5 Overtime

The Committee has noted that the Auditor General reported that, employees were compensated for overtime work that had not been approved in advance, in contravention to Public Service Regulations 1/V/D.2 (c). The Committee required the Accounting Officer to provide his reasons

for failure to ensure that overtime worked was approved in advance and enquired on the actions taken against these officials to recover the funds.

The Accounting Officer once again disagreed with the said finding and indicated that the overtime worked was approved in advance; however the conditions for exceptional cases were not listed but the exceptional circumstances were outlined on the overtime application. The Accounting Officer informed the Committee that no funds were recovered based on the explanation provided.

3.5.5.1 Recommendations

The Committee recommends that the House resolve that:

- (i) That Accounting Officer must ensure that the overtime policy is effectively implemented and exercise continuous monitoring on issues of overtime to prevent the matter from recurring.

3.5.6 Filling of Posts

The Committee has noted that the Auditor General reported that the Accounting Officer failed to adhere to Public Service Regulation 1/vii/C.1A.2 which requires that funded vacant posts must be filled within 12 months. The Committee sought an explanation from the Accounting Officer on the reasons that led to failure to ensure that he complies with the abovementioned Public Service Regulation and fill all vacant funded positions within 12 months, furthermore to explain what was the outcome of the steps or measures that the accounting officer put in place in the previous financial year.

The Accounting Officer informed the Committee that the post of Manager; Acquisition could not be filled during the 2010/11 financial year due to internal restructuring, however the position was filled from 01 May 2013 and proof was submitted to the office of the Auditor General. He further informed the Committee that 38 of 43 critical posts identified in 2012/13 financial year were filled within 12 months and that delays were experienced in filling of technical and Senior Management posts due to limited skills base.

3.5.6.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must develop and effectively implement a strategy that will enable the Department to attract and retain individuals with scarce skills into technical and senior positions.
- (ii) The Accounting Officer must furnish the Committee with a progress report with regard to filling all vacant funded positions by 30 November 2013

3.5.7 Acting on Higher Vacant Posts

The Committee has noted that the Auditor General reported that the Accounting Officer failed to adhere to Public Service Regulation 1/VII/B.5.3, wherein employees acted in higher vacant post for more than 12 months. The Committee required the Accounting Officer to The Committee further enquired on the measures and systems the Accounting Officer has put in place to prevent the matter from recurring.

The Accounting Officer reported that the contravention of Public Service Regulation 1/VII/B.5.3 was as a result of the delay in the appointment of skilled personnel or senior managers hence some officials have been acting for more than 12 months uninterrupted. He further went on to say that other employees were given higher responsibilities to avoid system failure hence they started acting before approval was granted. In addressing the question on the measures he has put in place to address the problem, he informed the Committee that he will ensure that no official will start acting before approval is granted and the acting period will be monitored and observed to ensure that the time stipulated for acting is not exceeded.

3.5.7.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must exercise continuous monitoring and controls over acting arrangements in order to ensure compliance with Public Service Regulation 1/VII/B.5.3.

3.5.8 Performance Management System

The Committee has noted that the Auditor General reported that there was no performance management system in place for employees other than senior managers, as required by PSA 1/III/B1. The Committee required the Accounting Officer to provide his reasons for failure to ensure to make sure that a performance management system is in place for all employees of the department and the measures and systems the Accounting Officer has put in place to prevent the matter from recurring.

The Accounting Officer indicated that the Performance Management and Development System are implemented in full, contrary to the finding of the Auditor General. He further informed the Committee that Performance Management and Development System sessions and workshops are conducted throughout all the regions and head office.

3.5.8.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must ensure that Senior Managers and Managers are properly trained to effectively implement the Performance Management and Development System.

3.6 PROCUREMENT AND CONTRACT MANAGEMENT

3.6.1 Non – Disclosure

The Committee has noted that the Auditor General reported that contracts were awarded to bidders who did not submit a declaration of past supply chain practice, such as fraud, abuse of supply chain management system and non-performance, contrary to Treasury Regulation 16A9.2. The Committee required the Accounting Officer to provide his reasons for failure to adhere to Treasury Regulation 16A9.2, the Committee further enquired on the actions taken by the Accounting Officer to ensure that the reported matter does not recur.

The Accounting Officer informed the Committee that he did adhere to the requirements of Treasury Regulation 16A9.2 since the Department use a compulsory questionnaire for construction projects, this questionnaire is designed to fit the contents of the SBD 8 & 9 and SBD 4's has been inspected and accepted by Auditor General during the audit period. He

further informed the Committee that no steps were taken by the Accounting Officer as the matter was resolved with the Auditor General.

3.6.1.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must monitor and ensure that Supply Chain Management staff adheres to Treasury Regulation 16A9.2 at all times and consider taking disciplinary actions against officials who failed to execute their duties effectively as required by the abovementioned regulation.

3.6.2 Tax Matters not in order

The Committee has noted that the Auditor General reported that contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by Treasury Regulation 16A6.1. The Committee required the Accounting Officer to provide the reasons why he failed to investigate allegations laid against role players in the supply chain management as per by Treasury Regulation 16A6.1, the Committee asserted whether these employees are still within the Supply Chain Management System and the measures/systems the Accounting Officer has put in place to ensure that the reported matter does not recur.

The Accounting Officer reported that the tax matters of the contractors who were contracted for Kriel and Masiya projects were in order and they were verified by Auditor General, he further informed the Committee that no allegations had to be investigated as the matter was resolved with the Auditor General. All tax matters for all service providers are verified before awarding contracts to prevent the matter from recurring.

3.6.2.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must monitor and ensure that Supply Chain Management staff adheres to Treasury Regulation 16A6.1 at all times and consider taking disciplinary

actions against officials who failed to execute their duties effectively as required by the abovementioned regulation.

3.6.3 Employees doing Business with Government

The Committee has noted that the Auditor General reported that the Accounting Officer failed to ensure that persons in service of the Department who had a private or business interest in contracts awarded by the Department disclosed such interest, as required by treasury regulation. The Committee required the Accounting Officer to provide reasons why he failed to adhere to the requirements of note 7 of 2009/10, the Committee enquired on the actions taken by the Accounting Officer to recover the money as indicated on page 123 AG's report and the measures/systems the Accounting Officer has put in place to ensure that the reported matter does not recur.

Upon the findings of the Committee the Accounting Officer informed the Committee that the officials identified are not role players in Supply Chain Management Systems of the Department and indicated that some of the service providers misled the Department by declaring that their directors are not government employees. With regards to the action the Accounting Officer has taken to recover the money, he indicated that letters have been written to the respective Departments to recover the monies received by these officials in accordance to sections 30 and 31 of Chapter VII of the Public Service Act and its related Regulations. The Accounting Officer mentioned the following indicated that measures have been put in place to prevent the matter from recurring, they are as follows:

- The affected suppliers were deactivated from LOGIS.
- SBD forms serves as a compulsory returnable schedule for all procurements.
- Supply Chain Officials have access to PERSAL to verify if the company's shareholders or directors are public servants/state employees.
- Training is being provided to Supply Chain Management officials on a regular basis.

3.6.3.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must furnish the Committee with a progress report indicating the amount of money collected by the Department from those officials who were found to be doing business with the Department.

- (ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored and consider taking disciplinary actions against officials who failed to execute their duties effectively in order to prevent this finding from recurring.

3.7 SERVICE DELIVERY – PUBLIC WORKS

The Committee has noted that the Auditor General reported that the Accounting Officer has appointed project managers who were not registered with the South African Council for the Project and Construction Profession, as required by the Project and Construction Management Profession Act of South Africa, 2000. The Committee required an account from the Accounting Officer as to why he failed to verify the registration of project managers with the South African Council for the Project and Construction Profession as required by the abovementioned act.

The Committee further enquired on the actions the Accounting Officer has taken to rectify the problem and the measures/systems the Accounting Officer has put in place to ensure that the reported matter does not recur.

The Accounting Officer informed the Committee that the individuals being referred to were appointed as project coordinators prior to the implementation of Organizational Skills Development hence the change in their post title to project managers. He informed the Committee that the Department has engaged the council and is assisting with the registration; all new appointments will be done in line with the applicable Act in order to prevent this matter from recurring.

3.7.1 Recommendations

The Committee recommend that the House resolve that:

- (i) The Accounting Officer must furnish the Committee with a report regarding the registration of these project managers with the South African Council for the Project and Construction Profession after the process has been finalised.
- (ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored and consider taking disciplinary actions against officials who failed to execute their duties effectively in order to prevent this finding from recurring.

3.8 LEADERSHIP

3.8.1 Insufficient Monitoring Controls

The Committee has noted that the Auditor General reported that the Department did not have sufficient monitoring controls to ensure the proper implementation of the overall reporting process. The Committee required the Accounting Officer to provide reasons why he failed to make sure that the department have sufficient monitoring controls to ensure the proper implementation of the overall reporting process and the measures the Accounting Officer put in place to make sure the matter reported does not recur.

The Accounting Officer once again disagreed with the finding and reported that the Department does have a Monitoring and Evaluation Unit that coordinates reporting on performance information; he further indicated that there were inadequate Standard Operating Procedures at Programme level which compromised the quality of performance information. The Accounting Officer informed the Committee of the measures he has put in place to prevent the matter from recurring. He reported that; a performance Information (PI) plan has been developed and approved by the Executive Authority, and the plan includes Standard Operating Procedures which details roles and responsibilities for collection, collation, verification, storage and reporting of performance information. Organisational capacity on the Performance Information plan is on an on-going basis, he further reported that the Department will continue to review its Standard Operating Procedures in order to enhance performance reporting. Moderating on performance assessment is now done on a quarterly basis in order to ensure a link between individual, programme and departmental performance.

3.8.1.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must implement adequate Standard Operating Procedures at programme level in order to ensure quality of performance information.
- (ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored and consider taking disciplinary actions against officials who failed to execute their duties effectively in order to prevent this finding from recurring.

- (iii) The Executive Authority must ensure that the Accounting Officer effectively implements the developed Performance Information Plan.

3.8.2 Oversight responsibility on Financial and Performance Reporting

The Committee has noted that the Auditor General reported that leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls. Upon these findings the Committee required the Accounting Officer to provide reasons why he failed to exercise oversight responsibility over compliance with laws, regulations and internal controls and asserted whether the Accounting Officer has taken any steps to address the matter reported; if so, what are the steps taken; if not; how is the Accounting Officer planning to improve the situation.

The Accounting Officer responded by informing the Committee that various internal governance structures (Audit Committee, Budget and Programme Manager's forum) and documents (e.g. policies) have been established in order to ensure compliance with laws, regulations and internal controls. He however indicated that an assessment by the Auditor General has revealed shortcomings in these hence necessary corrective actions are being undertaken. The Accounting Officer further informed the Committee that the Department continues to review its internal controls in order to improve its overall financial and performance reporting; amongst other steps the Accounting Officer has taken a Financial Reporting Unit was established in order to improve governance and is responsible for all financial reporting including preparation of the Annual Financial Statements. The budget and Programme Manager's forum is tasked with processing of all reports before submission to oversight authorities, the Accounting Officer reported.

3.8.2.1 Recommendations

The Committee recommend that the House resolve that:

- (i) The Executive Authority must consider taking disciplinary actions against the Accounting Officer for failing to ensure that oversight responsibility regarding financial and performance reporting and compliance, as well as related internal controls is exercised.

3.9 FINANCIAL AND PERFORMANCE MANAGEMENT

3.9.1 Inaccurate and incomplete Financial and Performance Reporting

The Committee has noted that the Auditor General reported that the Accounting Officer failed to ensure that accurate and complete financial and performance reports were prepared and were supported and evidenced by reliable information. The Committee required the Accounting Officer to provide the reasons why he failed to ensure that the Department prepare accurate and complete financial and performance reports that were supported and evidenced by reliable information, furthermore the Committee enquired on the actions taken by the Accounting Officer against the officials who failed to perform their duties and the measures the Accounting Officer has put in place to ensure that the reported matter does not recur.

The Accounting Officer acknowledged before the Committee, the institutional deficiencies that were identified by Auditor General and he informed the Committee that he has since taken corrective action that will ensure submission of Annual Financial Statements and Performance Information that is supported by reliable information. The Accounting Officer further indicated that no action was taken against any official regarding the reported matter; however he has increased internal capacity within strategic planning and financial reporting. In attempt to prevent the reported matter from recurring, the Accounting Officer reported that he has established a committee which will monitor the preparations of Annual Financial Statements and ensure completeness and accuracy thereof, the Department has also developed guidelines for managing performance information which includes the development of Portfolio of Evidence (POE) to support all reported performance information.

3.9.1.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must ensure that quarterly Performance Review sessions (performance and financial information) are conducted.
- (ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored and consider taking disciplinary actions against Senior Managers who failed to execute their duties effectively in order to prevent this finding from recurring.

3.9.2 Non - compliance with applicable Laws and Regulations

The Committee has noted that the Auditor General reported that management did not review and monitor compliance with applicable laws and regulations. The Committee required the Accounting Officer to provide the reasons why he failed to ensure that management does review and monitor compliance with applicable laws and regulations, furthermore the Committee enquired on the actions taken by the Accounting Officer against the officials who failed to perform their duties and the measures the Accounting Officer has put in place to ensure that the reported matter does not recur.

The Accounting Officer acknowledged before the Committee, the institutional deficiencies that were identified by Auditor General and he informed the Committee that he has since taken corrective action that will ensure compliance with applicable laws and regulations. He further indicated that written warnings and rotation of staff were part of the actions taken by the Accounting Officer against the officials who failed to perform their duties, to prevent the matter from recurring the Accounting Officer informed the Committee that Internal controls were reviewed to ensure early identification of non-compliance so that any deviations are attended to as a matter of urgency.

3.9.2.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must consider taking disciplinary actions against Members of Senior Management for failing to ensure compliance with applicable laws and regulations within their respective sections/divisions.
- (ii) The Executive Authority must ensure that the Accounting Officer constantly monitors compliance with laws and regulations and a compliance register be submitted to the Committee.
- (iii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored in order to prevent this finding from recurring.

3.9.3 Inadequate Record Keeping

The Committee has noted that the Auditor General reported that the Department did not implement proper record keeping in a timely manner to ensure that complete ,relevant and

accurate information was accurate information was accessible to support financial and performance reporting.

The Committee required the Accounting Officer to provide the reasons why he failed to ensure that the Department implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accurate information was accessible to support financial and performance reporting, furthermore the Committee enquired on the actions taken by the Accounting Officer against the officials who failed to perform their duties and the measures the Accounting Officer has put in place to ensure that the reported matter does not recur.

The Accounting Officer informed the Committee that the Department's record keeping was centralized; hence his failure to ensure that there is proper record keeping. He further informed the Committee that as a corrective measure taken, a position of a Manager: Records Management has been advertised and the position could not be filled due to a dispute and has been re-advertised as a result. The Accounting Officer reported to the Committee that; no action was taken against any official, however the Department has since revised its filing plan and a records management task team has been appointed in order to improve its records management practices as the measures taken to prevent the matter from recurring.

3.9.3.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must furnish the Committee with a progress report with regard to filling all vacant funded positions by 30 November 2013.
- (ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored and take disciplinary actions against officials who fail to execute their duties effectively in order to prevent this finding from recurring.

3.9.4 No controls over daily and monthly processing and reconciling of transactions.

The Committee has noted that the Auditor General reported that the Accounting Officer failed exercise controls over daily and monthly processing and reconciling of transactions. The Committee required the Accounting Officer to provide his reasons for failure to ensure that the Department does implement controls over daily and monthly processing and reconciling of

transactions and the measures the Accounting Officer has put in place to ensure that the reported matter does not recur.

The Accounting Officer informed the Committee that he had developed various internal controls to deal with daily and monthly processing and reconciling of transactions; however shortcomings were identified by the Auditor General hence he has put corrective actions in place to address the problem. He further informed the Committee that bank reconciliation is prepared on a monthly basis and reviewed by proper levels of management within the Finance Section.

3.9.4.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must consider taking disciplinary actions against the Chief Financial Officer for failure to conduct daily and monthly reconciling of transactions. A progress report must be submitted to the Committee.
- (ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored and consider taking disciplinary actions against officials who failed to execute their duties effectively in order to prevent this finding from recurring.

3.9.5 No controls over IT Systems.

The Committee has noted that the Auditor General reported that the Department did not design and implement formal controls over IT systems to ensure the reliability of the systems and availability, accuracy and protection of information. The Committee required the Accounting Officer to provide his reasons for failure to ensure that the Department does design and implement formal controls over IT systems to ensure the reliability of the systems and availability, accuracy and protection of information. The Committee further enquired on the measures the Accounting Officer has put in place to ensure that the reported matter does not recur.

The Accounting Officer informed The Committee that he had developed controls for all IT Systems within the Department; however he acknowledged the findings from the IT audit and informed the Committee that necessary corrective actions are being undertaken. The

Accounting Officer further informed the Committee that an ICT Forum consisting of all system controllers has been established in an effort to enhance its ICT Governance, in addition several documents such as a Disaster Recovery Plan have been developed in compliance with the Public Service Corporate Governance of Information and Technology Policy Framework that was published by the Department of Public Service and Administration in December 2012.

3.9.5.1 Recommendations

The Committee recommend that the House resolve that:

- (i) The Accounting Officer must ensure that formal controls over the IT systems of the Department are effectively implemented and exercise on-going monitoring over the system.
- (ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored and consider taking disciplinary actions against officials who failed to execute their duties effectively in order to prevent this finding from recurring.

3.10 GOVERNANCE

3.10.1 INVESTIGATIONS IN PROGRESS

The Committee has noted that the Auditor General reported that an investigation was conducted on the request of Department; the investigation was initiated based on allegations of possible irregular issuing and processing of taxi operating permits or licenses without following proper procedures by employees. The investigation resulted in criminal proceedings being instituted against two employees. The Committee required the Accounting Officer to provide the current status of the reported case and to also indicate who is being investigated, the Committee further enquired on the names of the service providers conducting each investigation and at what cost is the service being rendered, lastly the Committee enquired on the systems and control measures the Accounting Officer has put in place to ensure that such fraudulent activities are prevented from recurring in future.

The Accounting Officer informed the Committee that the two officials who were being investigated are part the support staff of the Operating Licensing Board, these Officials was charged for fraudulently processing and printing operating licenses. Both officials were found

guilty and were dismissed. Furthermore the Accounting Officer informed the Committee that one of the dismissed officials appealed the decision to dismiss him and the appeal was upheld by the Member of the Executive Committee (MEC) which resulted in his re-instatement, furthermore the Accounting reported that as an external process, a criminal case was opened against the two officials.

The Accounting Officer informed the Accounting Officer that the internal investigation was conducted by the Department of Labour Relations Unit and the external investigation was conducted by the South African Police Services, he further informed the Committee that there were no financial implications to the Department relating to the investigation. Furthermore the Accounting Officer reported that in order to prevent such fraudulent activities from recurring he has put systems and control measures such as; exercising strict control of face value forms and these from are locked in a safe to which only the secretary of the of the board has access, each operating Licensing Staff member has got an access code to identify him or her when performing a transaction on the system, A review of all transactions is conducted on regular basis on the National server to check if no irregularity took place and if regularity is found it is then traced back to the responsible official using his or her access code and finally, approval of certain applications on the system is limited to officials at supervisory level only.

3.10.1 Recommendations

The Committee recommend that the House resolve that:

- (i) The Accounting Officer must furnish the Committee with a copy of the outcomes of the investigation after it has been concluded.
- (ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored in order to prevent the matter from recurring.

3.11 ACCRUALS

The Committee has noted that the Auditor General reported that department has accruals amounting to R67.859 million, this amount, in turn, exceeded the voted funds to be surrendered of R4.399 million. The amount R63 460 million would therefore have constituted unauthorised expenditure had the amount been paid in timely as required by Treasury Regulation 8.2.3. The Committee required the Accounting Officer to explain the reasons that led him to commit the department for more than the amount surrendered to Treasury, furthermore the Committee

enquired on what services the accruals were incurred for and the programmes affected. The Committee enquired on the impact these accruals have on the budget of the 2013/14 financial year, The Committee further noted that this matter is recurring and enquired on the measures the Accounting Officer had in place.

The Accounting Officer upon the findings of the Committee informed the Committee are as a result of multiyear contractual obligations that run for more than one year, and therefore the contractual invoices that are received at the end of the financial year will only be processed in subsequent financial year. The Accounting Officer reported that that the accruals were for services rendered but not paid in 2012/13 financial year, he provided a breakdown on the programmes affected as follows;

- Administration – (R 5, 694 million), the accruals were for unpaid accommodation, legal fees, orders and Departmental contractual obligations.
- Public Works – (R 4, 175 million), the accruals were for unpaid accommodation orders and consultants and contractors payment certificates received in March and April 2013.
- Transport Infrastructure – (R 24, 959 million), the accruals were for unpaid accommodation orders and consultants and contractors payment certificates received in March and April 2013.
- Transport Operations – (R 32, 980 million), the accruals were for unpaid accommodation orders, consultants and Scholar Transport services invoices received during March and April 2013.
- Community Based Programmes – (R 0,051 million), the accruals were for unpaid accommodation orders and contractual obligations invoices received during March and April 2013.

The Accounting Officer further informed the Committee that the recorded accruals will result in budgetary constraints for the 2013/14 financial year, He however informed the Committee that cost curtailment measures with minimal impact on service delivery have been developed and implemented and the Annual Performance Plan has been adjusted accordingly to accommodate accruals. The Accounting Officer informed the Committee that the Department managed to reduce its accruals from R 223, 277 million for 2011/12 financial year to R 67, 859 million in the 2012/13 financial year as a result of the measures put in place.

The Committee sensitively enquired on the level of understanding of the term (Accruals) by the Accounting Officer and his delegation. It was reported to the Committee by the Chairperson of

the Audit Committee; that the Department is in a good position in terms of understanding of the term (accruals) which are normally as a result of invoices submitted towards the end of the financial year of which there is money budgeted for.

3.11.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must make savings to clear the accruals amounting to R 67, 859 million (2012/13).

3.12 PROGRESS TOWARDS ACHIEVING CLEAN AUDIT 2014

The Committee enquired on the measures the department has put in place to ensure that it achieves a clean audit by 2014, furthermore enquired on how the plans the Accounting Officer has put in place to deal with the 6 high risk areas (supply chain management, Quality of performance reports, Human Resource management, Quality of submitted financial statements, Information Technology controls and financial health) identified by the challenges envisaged by the Department that might hamper the achievement of a clean audit in 2013/14 financial year, finally the Committee enquired on the commitment the department make to the Legislature in achieving a clean audit by 2014.

The Accounting Officer informed the Committee that the Department has developed a remedial audit action plan for the Department has developed a remedial audit action plan for the 2012/13 financial year findings to mitigate all findings raised by the Auditor General. More than 80% of the issues raised by the Auditor General have since been addressed whilst; the remaining issues are in the process of being addressed during the last quarter of the current financial year. In talking to the six high risk areas, the Accounting Officer informed the Committee that these high risk areas will be addressed through the remedial audit action plan.

3.12.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must Accounting Officer must ensure quality assurance over information prior to submission to Treasury, Auditor General and the Legislature.

- (ii) The Accounting Officer must implement recommendations by the Audit Committee, Internal Audit and Risk Assessment report in order to mitigate risks.

4. 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 of Public Works, Roads and Transport.

Unless specified differently, progress on all resolutions must be submitted to the Committee by the 30 November 2014 and on a quarterly basis afterwards

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

Date

Chairperson: Select Committee on Public Accounts