

REPORT 3 OF 2016

SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE: DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT, LAND ADMINISTRATION AND ENVIRONMENTAL AFFAIRS (2014/15)

1. INTRODUCTION

The Select Committee on Public Accounts (SCOPA) hereinafter referred to as 'the Committee', examined the annual report of the Department of Agriculture, Rural Development and Land Administration; hereinafter referred to as 'the Department', which includes the financial statements, report of the Auditor-General, report of the Accounting Officer and performance information.

The Committee sent preliminary questions to the Department and received responses which were subsequently presented during a hearing. This transparent oversight process was aimed assessing prudent financial management, good governance and value for money appropriated by the Legislature. The Committee identify areas that require attention of the department and measures that can be put in place to improve service delivery.

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

2. COMMITTEE PROCEDURES

The Committee met on 01 December 2015 to deliberate on the above reports and the meeting and considered its Committee draft report on May 2016. Meetings of the Committee were open sessions for the public including the media as required by Standing Rule 116 and section 118 (1) (b) of the Constitution of the Republic of South Africa.

3. COMMITTEE FINDINGS AND RECOMENDATIONS

PROGRESS REPORT ON SCOPA RESOLUTION 2013/14 FINANCIAL YEAR

	RESOLUTION	PROGRESS SEPTEMBER 2015	STATUS
3.1.1	The Accounting	The Accounting Officer notes the resolution	On-
	Officer must	by the Committee and disciplinary actions	going
	consider taking	has been instituted against the officials who	
	disciplinary	failed to ensure safe guarding of assets in	
	action against	2013/14. The Committee will be informed	
	official(s) who	when the matter is finalized.	
	failed to ensure	The safe guarding of assets as indicated in	
	safe guarding of	the report, was also due to the then weak	
	assets in 2013/14	control systems and the under staffing of	
	as required by	the Asset Management Unit, the Unit did	
	section 45 of the	not have a Senior Managers, namely the	
	PFMA.	Director. The department has since	
		improved in strengthening control systems	
		and capacitating the Asset Management	
		Unit; this also included regular assets	
		verification and updating of the asset	
		register as guided by departmental assets	
	,	policies and procedure manuals. Following	
		from the above mentioned controls, the	
		department has since managed to obtain a	
		clean audit on assets management in	
		2014/15 financial year.	
	The Accounting	The Department uses the Asset Movement	closed
	Officer must	Management Policy and Procedure Manual	
	ensure that the	to manage the movement of assets within	
	department	the Department. The department has	
	submit a plan of	ensured that the policy and the procedure	
	how it will	are communicated to all staff members and	14

i	manage th	a Abanata and	
		and the containabab monitoring.	5
	safe-guarding o		
ACCRUALS (DOS			
ACCRUALS (R28		A STATE OF THE YOUR MINES TO SHEW	Closed
MILLION)	Officer mus	July	
	provide a report	2014. The list of paid was circulated to the	
	on progress		
	made in settling		
	the outstanding		
	accruals		
	amounting R28		
	000 000.00.		
	The Accounting	The department managed to put systems in	
	Officer must put	in a managed to put systems in	closed
	measures in	o == 1 in o initialization your such as	
	place that will	Monthly Creditors Reconciliation Report to	
	ensure that	track progress in all payments of invoices	
	· · ·	received and or accruals. The department	
	payments are	has also established a central point where	
	timeously done.	invoices are submitted within the Supply	
		Chain Management Unit to ensure that	
20112		invoices are easily tracked and monitored.	
COMPENSATION	The Accounting	The requested Personnel Report was	Closed
OF EMPLOYEES	Officer must	circulated to the Committee as an	
	submit a	Annexure	
	Personnel Report		
	to the Committee		
	detailing the		
	PERSAL Number,		
	Identity,		
	Qualifications		
	and work station		
	of each		

	employee.		
MATERIAL	The Account	ing The department notes the resolution by the	On-
UNDER	Officer must ta	The state of the recolution by the	
SPENDING	OF remedial acti		-
THE BUDGET	against Sen		ſ
	Managers w	ho contained in the approved APP is in	1
	failed to achie		
	their plann		
		performance, the department has intensified its	
	2013/14	department has ensured that management	
	contained in t	meetings take place regularly to reflect on the financial, non-financial and general monitoring	
	approved APP.	of the implementation plans. This includes bi- monthly and / or monthly, and quarterly	
	and the state of t	management meetings wherein Programmes	
		and Senior Manager's performance monitored and review. In these meetings, senior	
		managers' present progress reports on their	
		financial and non-financial performance, against the APP and the acceleration plan developed.	
		I his has assisted the department to improve	
		significantly on its performance, which yielded good audit results for the 2014/15 financial year	
	The Accounting	- and the badget of each	closed
	Officer mus	programme is monitored against projected	
	ensure tha	and sor targets, the department	
	budget of eac	monitors as explained	
		s	
	monitored on	a	
	quarterly basis	S	
	against the		
	achieved targets.		
	The Accounting	The reasons for material under/over	On-
	Officer must or	apanding on the state of	going
	quarterly basis		J9
	investigate	Report as well as the quarterly review	
	reasons for		

	material under	and his bisaises tobolis bisasilied	
	spending and	quantity (0000)0113 dg	
	take corrective	mentioned, measures on addressing the	
	action on time.	material under/over spending are put in	
		place and implemented.	
DERORE			
REPORT ON		The department convenes quarterly cl	losed
PERFORMANCE	Officer must	performance review meetings chaired by	
INFORMATION	conduct	the MEC every quarter. In these meetings,	
	quarterly	Programmes' performances are thoroughly	
	Programme	discussed against the set/ planned targets.	
	Performance	In cases where there is a deviation in	
	Reviews with	reported performance, reasons are	
	Senior	explained and remedial actions in	
	Management.	addressing the challenges identified are	
		recommended and put in place.	
		Resolutions are then taken on ways or	
		measures that should be in place to	
W 20			
· '		improve performance.	
	The Accounting	The department has ensured that all Clo	osed
	Officer must	supporting documents are properly kept in	
	ensure that	a safe place at the senior and or	
	Portfolio of	programme management level as per the	
	evidence is	policy on the Management of Performance	
	properly kept to	Information and the Procedure Manual on	
		Information Management. The policy	
	achievements.	stipulates the responsibilities of record	
		keeping at the Programme Heads, line	
		Functional Units and Policy, Planning and	
		dialog in the fairless	
		stipulates how supporting documentation	
		should be managed at the Programme	
		evel.	

			Т
ANNUAL FINANCIAL STATEMENTS, PERFORMANCE REPORTS AND ANNUAL REPORT	The Accounting Officer must take disciplinary action against the official(s) who failed to prepare correct financial statements in accordance with the prescribed financial reporting framework as per section 40(1) (a) and (b) of the PFMA.	Committee. The department noted that the misstatements were due to different numerous sources that included among others: assets, compensation of employees and accruals. The department had considered taking action against all officials that contributed to this under performance. It then became evident that there rather too many sources and several officials to cost effectively and have direct and effective effect to character change. For example, most of the accruals were as the results of Travelling and Subsistence claims of numerous officials that occurred in the month of March. These claims were only processed after the closure of the financial books, which led to them been effected in the next month of April which is in the following new financial year. The department notes that this is an indication of the inadequate financial system on the matter. Thus the disciplinary action would be inappropriate. The department has since improved on this system and ensure that the processing of the bulk of these claims are done as and when the	On- going
		claim is submitted without having to wait for the summary claim of the month during the month of Month.	
	disciplinary	0	On- going

	the Accounting	o and ariano igo rido concitatod a	
	Officer for failure	team that has been tasked with not only	
	to prepare		
	correct financia	proof readers to ensure proper capturing of	
	statements in	figures and alignment. This has assisted in	
	accordance with	ensuring that proper controls and	
	the prescribed	monitoring takes place for the proper	
	financial	development of financial statements. This	
	reporting	intervention has yielded results in a sense	
	framework as per		
	section 40(1) (a)		
	and (b) of the	, and the state of	
	PFMA.	unqualified audit opinion after the Auditor	
		General's audit.	
PROCUREMENT	The Executive	The Executive Authority notes the On	
AND CONTRACT	Authority must	acceletter the state of	
MANAGEMENT	take disciplinary	has already instituted disciplinary action	ıy
	action against	against the official involved who has led to	
	the Accounting	the contravention.	
	Officer for failing	the contravention.	
	to comply with		
	Treasury		
	_		
	Regulation (TR) 16A6.1.		
	10A0.1.		
	The Accounting	The disciplinary action has been taken Clos	ed
	Officer must take	against the official wherein the sanctions of	
	disciplinary	written warning was imposed by the	
	action against	chairperson of the disciplinary hearing as	
	the official(s)	guided by the Public Service Coordinating	
	who failed to	Bargaining Council (PSCBC) Resolution 1	
	comply with	of 2003 Clause 7.4 (a) (ii). The department	
	Treasury	has taken a next step of instituting the	

	Regulation (TR)	recovery process from the official involved.	
	16A6.1 during the	Jeres and the difficult in volved.	
	procurement of		
	Fencing in the		
	2013/14 financial		
	year and report		
	outcomes to the		
	Committee.		
	The Accounting	Training has been a	
		c completely	
		The street with the capping Criain	going
	ensure that	and a department do well do	
	training is	The state of the s	
	provided to the	provincial training	
	SCM personnel		
	to ensure that	including Senior Managers are, now	
	they are updated	subjected to training on supply chain	
	with the latest	processes to ensure and enforce	
	updates in	compliance with Treasury regulations.	
	regulations		
PREFERENTIAL	The Accounting	Disciplinary action was taken against the	Closed
PROCUREMENT	Officer must take	district officials involved whereby the	
POLICY	disciplinary	department through the labour relations	
	action against;	section instituted charges. The outcome	
	(a) All officials	was a sanction of written warning that was	
	who were	imposed as guided by the Resolution 1 of	
	part of the	2003 Clause 7.4 (a) (ii).	
	District		
	BAC		
	Committee		
	(b) The		
	Engineer		
	implicated		

REGISTRATION	The Accounting	The Department notes the resolution and	closed
WITH CIDB ACT	Officer must		
	ensure that the		
	department		
	registers all		
*	projects as		
	required by		
	section 22 of the		
	CIDB Act, 2000		
	and CIDB		
	Regulation 18.		
EXPENDITURE	The Executive	The Accounting Officer has already	On-
MANAGEMENT	Authority must	instituted disciplinary action against the	going
	consider taking	official involved.	
	disciplinary		
	actions against		
	the Accounting		
	Officer for		
	incurring		
	irregular		
	expenditure		
	amounting R 107		
	000 in the		
	2013/14 financial		
	year.		
	The Executive	The irregular expenditure amounting to R	On-
	Authority must	107 000 incurred in the 2013/14 financial	going
	take disciplinary	year, was not reported to Treasury as	
	actions against	expected. This irregularity was not picked	
	the Accounting	up timeously which therefore, meant this	
		could not be reported in time as expected.	
		The department has since strengthened its	
	to Treasury the	monitoring and evaluation especially on	

	irregular	matters of compliance to ensure that a	
	expenditure	finding like this does not recur.	
	amounting R 107		
	000 in the		
	2013/14 financia		
	~		
	year as required		
	by Section	*	
	38(1)(g) of the PFMA.		
	The Accounting	in the second second second second	Closed
	Officer recover the irregular	written warning was imposed by the	
	expenditure	chairperson of the disciplinary hearing as guided by the Public Service Coordinating	
	amounting	Bargaining Council (PSCBC) Resolution 1	
	R107 000 from	of 2003 Clause 7.4 (a) (ii). The department has taken a next step of instituting the	
		recovery process from the official involved	
	who caused the		
	department to		
	irregular		
CONTRACTUAL	expenditure		
	The Accounting		On-
OBLIGATIONS	Officer must take		going
AND MONEY		process of conducting the detail analysis of	
OWED	action against	whole report on the failure of compliance to	
	the officials who	this matter by the officials in general in the	
	failed to ensure	department. This will be followed by the	
	that service	consideration of implementation of this	
	providers were	resolution. The Committee will be informed	
	paid within 30	when the matter is finalized.	
	days in 2013/14		
	as required by		
	section 38(i) (f) of		
			1

REVENUE MANAGEMENT	The Accounting Officer must put measures in place that will ensure that the department collect all money due as required by section 38(1) (c) (i) of the PFMA.	in place to ensure proper management of revenue to ensure collection of all monies due to the department. Policies and procedure manuals were developed accordingly.	
	The Accounting Officer must assess and report to the Committee the extent to which the department owe municipalities in the province	The Accounting Officer has put systems in place to ensure that all money due to municipalities is paid on monthly basis. A task team to follow up on outstanding municipal accounts was established and convenes on a monthly basis to reconcile accordingly. The committee will be provided with detail report following the analysis by the task team formed.	Closed
NVESTIGATIONS	The Accounting Officer must furnish the Committee with a progress report / outcomes of the investigation by 30 September 2015	the department is not in a position to give	On- going

Draguesa		1	
Progress	The Accounting	1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	1
towards	Officer must	regions, miles to about to mornitor progress	
achieving clear		The street of th	
audit	are plans to deal	issues. This register is monitored through	
	with prior year	the Audit Committee sittings on quarterly	
	audit findings,	basis.	
	issues raised by		
	Audit Committee,	Furthermore, the department developed an	
	Programme	Audit Action Plan, which is monitored on a	
	Performance	quarterly basis by the Executive	
	Reviews, Budget		
	Expenditure	is discussed during the structured	
	Reviews,	management meetings and further reported	
	Compliance with	to the Audit Committee.	
	Legislations and	to the Addit Committee.	
	management of		
	fruitless wasteful		
	and irregular		
	expenditure.		
4			
	The Accounting	The Department acknowledges the	On-
	Officer must	resolution by the Committee and will ensure	going
	ensure that the	that it maintains the positive audit status for	
	Department	2015/16 and beyond. The compliance to	
	achieves a clean	Audit Committee issues that are raised to	
	audit in 2015/16	the department is immediately addressed	
	financial year	and remains standing items at monthly	
	and beyond.	management and quarterly reviews	
		meetings. Over and above this, the	
		department is assisted by risk management	
		to further deal with all the issues raised so	
		that the department can immediately	
		address all challenges and clarifications	

*	with the intention of getting a clean audit. All non-compliance by officials will be subjected to punitive actions.
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3. COMMITTEE FINDINGS AND RECOMMENDATIONS

3.1 PREDETERMINED OBJECTIVES

The Committee noted that the Auditor General had raised that the Accounting Officer could not obtain sufficient appropriate audit evidence for the department. In addition, significantly important targets were not valid, accurate and complete when compared to the source information or evidence provided. The Committee wanted to know why the Accounting Officer failed to ensure that there is proper recording and monitoring of source documentation in support of actual achievements for Programme 3.

The Accounting Officer indicated to the Committee that the department continually reviews and improves systems in order to enhance the management of performance information. However, the department still notes that there are still challenges in this regards as some of the officials failing to adapt quickly on the implementation of these systems, thus leading to the finding as raised. The department has as one of the mitigation strategy, ensured that the management of performance information was included as a key performance indicator in the performance agreements of all officials within Programme 3. This is to ensure that there is accountability and responsibility by officials on performance management systems. This will also enhance common understanding on performance information within the Programme.

The Committee wanted to know why management failed to frequently review the validity of reported achievements against source documentation. The Accounting Officer indicated that the department conducts performance review session on a quarterly basis to track performance and compliance on reporting. On the issue of validation of the source documents against the source documents, the department still encounters challenges as this is done on a manual basis counting relatively large numbers of source documents. This includes indicators that have huge targets such as area ploughed and planted; number of food insecure households benefitting from Masibuyele Emasimini Interventions and number of small holder farmers supported led to

a lot of errors happening. In addressing this, the department will intensify the implementation of the policy, whereby, the Agricultural Managers in the local municipalities and District Directors would have to intensively review the validity of actual achievements and supporting documents on a monthly basis, to reduce the work load at the end of the quarter and therefore eliminating errors.

The Committee enquired why did the Technical Indicator matrix training that was reportedly offered to all officials in the department not improve the performance of programme 3 during 2014/15 financial year. The Accounting Officer indicated that workshops and training on Technical Indicator Matrix were conducted; there was still a level of non-compliance from some officials. In order to address this challenge, the department has ensured that the management of performance information has been included as a key performance indicator in the performance agreements of all officials within Programme 3.

The Committee wanted to know how the department was addressing the reporting challenges identified in Programme 3 in the 2015/16 financial year. The Accounting Officer indicated that the following measures were put in place:

- The department has intensified the counting of source documents taking place on a monthly basis rather than on a quarterly basis to avoid having to count and review huge documents at the end of the quarter.
- The Department has ensured that the Performance Agreements of all Agricultural Advisors have performance information management as Key Performance Indicator (KPI) for accountability.
- Continuous workshops and training of Agricultural Advisors and Agricultural Managers are conducted.

3.1.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

(i) The Accounting Officer must ensure that all programmes submit evidence of performance before quarterly review sessions on Programme Performance.

3.2 COMPLIANCE WITH LEGISLATION

The Committee noted that the Auditor General reported that the department that sufficient appropriate audit evidence could not be obtained that all contracts had been awarded in accordance with the legislative requirements, as the department did not submit tender documentation for audit purposes.

The Committee wanted to know why the Accounting Officer failed to submit tender documentation for audit purposes. The Accounting Officer indicated that management is in agreement with the finding. The matter of the missing files was reported to the Auditor General and the Department further made an effort to provide portfolio of evidence to prove that indeed, the correct procurement processes were followed. However, the documents that could not be provided to the auditors are the ones that were contained in the missing files of which copies thereof could not be made. That is why the Auditor General could not completely evaluate all the evidence provided due to source documents not being present, which limited their evaluation.

The Committee enquired on what actions has the Accounting Officer implemented to improve weaknesses identified in the record keeping system of the department in the 2015/16 financial year. The Accounting Officer indicated that the department has since ensured that it improves on the safeguarding of records by enforcing further strict measures that will minimize this finding from recurring. All documents are now scanned and filed both electronically and manually.

The Committee has also noted that Auditor General has reported that contracts were awarded to bidders based on points for given criteria that had not been stipulated in the original invitation for bidding, in contravention of Treasury Regulation 16A6.3 (a) and the Preferential Procurement Regulations (PPR).

3.2.1 RECOMMENDATIONS

The Committee recommended that the House resolve that:

(i) The Accounting Officer must take disciplinary measures against those officials responsible for the missing files (failure to submit audit evidence).

3.3 ACCRUALS

The Committee noted that the department had reported accruals amounting R28 000 000. According to the report the Accounting Officer had failed to provide the Auditor General with the necessary supporting documents to support the accrued amounts. The Committee further noted that the accruals were overstated in the financial statements by R7 635 441.

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

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

The Committee was not satisfied with the responses provided by the Department on addressing accruals and noted that the matter was recurring.

3.3.1. RECOMMENDATIONS

The Committee recommended that the House resolve that:

(i) The Accounting officer most consider taking disciplinary actions against the responsible official(s) for overstating accruals to R 7 636 441 in the 2014/15 financial year.

3.4 PREFERENTIAL PROCUREMENT POLICY

The Committee has noted that the Auditor General reported that the department had awarded work to bidders who did not score the highest points in the evaluation process. In contravention of Treasury Regulation 16A6.3 (a) and the Preferential Procurement Regulations (PPR). The Committee enquired why did the Accounting Officer award tenders to bidders based on points that had not been stipulated in the original invitation for bidding

The Accounting Officer indicated that the department noted the finding by the Auditor General as reported. The finding resulted from the following processes undertaken by the department: In preparations for the tendering process, the department followed steps and procedures as guided by the Provincial Treasury regulations. On the stage of the tendering process, the Department places the Tender Bulleting and or Newspapers and the department has invitation for bidding to tender, included the Standard Bidding Document 1 (SBD1) which stipulates the evaluation criteria. The Committee was further informed that the SBD1 document forms part of the bidding invitation provided by the National Treasury or the Office of the Chief Procurement

The Accounting Officer further indicated that the department was assisted by the Provincial Treasury to give guidance and ensure that the finding as raised by the Auditor General doesn't recur in future.

The Committee wanted to know what action has the Accounting Officer taken against the officials who failed to adhere to the requirements of Treasury Regulation 16A6.3 and the Preferential Procurement Policy. The Accounting Officer indicated that the department has not taken any action against any official as the matter is not at an individual officer level.

The Committee has noted that the Auditor General has reported that threshold for local content on designated sector procurement were not properly applied in accordance with the requirements of PPR 9. The Committee enquired as to why the Accounting Officer violated the Preferential Procurement Policy 9. The Accounting Officer indicated that the said items which are cables that were not listed as a designated product on the Departmental Procurement policy hence the SBD6.2 form was included on other items such as furniture and textiles

The Committee noted the report by the department that it has since revised the procurement policy that includes the proposed measures. The matter will form part of the Audit Action Plan to ensure proper implementation and monitoring.

The Committee noted that the Auditor General has reported that goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A16.1 The Committee wanted to know why did the Accounting Officer fail to adhere to the Treasury Regulation 16A16.1.

The Accounting Officer indicated that department noted the finding by the Auditor General as reported in the Annual Report and the finding resulted from the following processes undertaken by the department, the appointed two service providers were appointed on a term contracts for

specified period. Thus, the department requested quotations from these contracted service providers, hence quotations were not be sourced from other service providers outside this terms of contract. The Accounting Officer reported that Happy Sound and Shakina construction service providers were implicated and they had a contract with the department during this period under review. The Committee noted the comments and responses made by the department and were of the view that strict measures must be taken those implicated in contravening the Treasury Regulation.

3.4.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must consider taking disciplinary action against official(s) who failed to adhere to the requirements of Treasury Regulation 16A6.3 and the Preferential Procurement Policy.
- (ii) The Accounting Officer must consider taking disciplinary action against official(s) who failed to obtaining the required price quotations, as required by Treasury Regulation 16A16.1
- (iii) Consequently, if the accounting officer fails to identify those liable on (i) and (ii) above, the Executive Authority must take disciplinary action against the accounting officer as the ultimate responsible officer.

3.5 OFFICIALS DOING BUSINESS WITH THE STATE

The Committee noted that the Auditor General has reported that quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, contrary to Treasury Regulation 16A8.3. The Committee wanted to know why the Accounting Officer contravened Treasury Regulation 16A8.3. The Accounting Officer indicated that the department uses a PERSAL system report that can only be able to pick up employees who are employed by the National or Provincial government except those that are employed by Chapter 9 intuitions.

The Committee also enquired on why management failed to check the supporting documents to ensure that all the required documentation were attached. The Accounting Officer indicated that all Provincial and National government employees were detected except those that are under

the Chapter 9 institutions. The Committee was also informed that there were no Departmental officials involved in this matter.

The Committee further enquired what measures have the Accounting Officer put in place to ensure that the reported finding does not recur in the 2015/16 financial year. The Accounting Officer indicated that the department has a central supplier database has been introduced that will manage to detect all public servants.

3.5.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

(i) The Accounting Officer must take disciplinary actions against those officials implicated that did not ensure that those bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, contrary to Treasury Regulation 16A8.3

3.6 HUMAN RESOURCE MANAGEMENT AND COMPLIANCE

The Committee noted that the Auditor General has reported that employees were appointed without following a proper process to verify the claims made in their applications, in contravention of Public Service Regulation 1/VII/D.8. This showed the weaknesses in leadership not adhering to appointment, competence and performance management processes. The Committee wanted to know why the Accounting Officer contravened the Public Service Regulation 1/VII/D.8.

The Accounting Officer indicated that the Auditor General audited the newly appointed officials during the year under review (2014/15), of which the verification was not done at appointment due to backlogs at the State Security Agency. She further reported that some of the reference checks were for the bursary holders whom, as per the Provincial Bursary Policy, the department has not been verifying. The department will, moving forward ensure that all verifications are done prior the appointment of all officials.

The Committee wanted to know how many officials were appointed in contravention to the Public Service Regulation 1/VII/D.8. The Accounting Officer indicated that there were 30

officials appointed of which 10 Animal Health Technicians and 20 Extension and Advisory Services officials were. The Committee enquired on what measures has the Accounting Officer put in place to ensure that the reported finding does not recur in the 2015/16 financial year. The Committee was informed that reference checks are performed on all new appointments including bursary holders.

3.6.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

(i) The Accounting Officer must develop an effective system that will ensure that verifications are done prior to the appointment of officials.

3.7 FILLING OF CRITICAL FUNDED POSTS

The Committee noted that the Auditor General has reported that vacant posts were not filled within 12 months, as required by Public Service Regulation 1/VII/C.1A.2. The vacancies in key positions resulted in weak control environment. This was also reported as a finding in the 2013/14 financial year. The Committee wanted to know why did the Accounting Officer fail to fill vacant posts within 12 months, as required by the Public Service Regulation 1/VII/C.1A2. The Accounting Officer indicated that the Department experienced delays in the verification of applicants' qualifications through SAQA and when most of the qualifications were verified, a moratorium on filling of vacant and funded posts was imposed. The Accounting further indicated that the Department would seek SAQA accredited service providers to assist with the verification of qualifications, to ensure that the reported finding does not recur in the 2015/16 financial year.

3.7.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

(i) The Accounting Officer must ensure that all critical vacant funded posts are filled on or before 30 September 2016.

3.8 LEADERSHIP

The Committee noted that the Auditor General's reported internal controls weaknesses which resulted to the emphasis of matter on compliance with legislation. Most of the findings on internal controls are recurring issues confirming the AGs finding that action plans to address internal control deficiencies were not timeously monitored by management resulting in recurring audit findings.

The Accounting Officer was required to indicate the challenges that led to the failure of management in fully implementing the recommendations of the internal audit unit, external auditors and the audit committee. The Accounting Officer indicated that the Department has noted that some of the recommendations of Internal Audit could not be implemented due to the nature of the findings. The recommendations were related to compliance issues and internal controls that could not be rectified immediately but required gradual implementation to ensure non recurrence in future audits. The Department has made provision in the quarterly sectional meetings to include Internal Audit to present audit status/ or sensitize management on risk exposures for the respective sections.

The Committee required that the Accounting Officer explain how is the department planning to address the weaknesses identified in including those related to supply chain and leadership. The Accounting Officer indicated that the assistance from the Provincial Treasury, the Department will embark on a process of training and retraining all Supply Chain Management officials in the Department (Head Office & District Offices).

The Committee enquired why did the Accounting Officer fail to address weaknesses in the record keeping system. The Accounting Officer indicated that the Department has put systems in place to ensure that the identified weakness does not recur.

The Committee wanted to know how the department was improving the weaknesses in the record-keeping system in 2015/16 financial year. The Accounting Officer indicated that the Department embarked on a process of preserving information by scanning all tender files.

The Committee enquired as to why the department failed to adequately monitor internal controls to ensure adequate reporting of financial and performance information. The Accounting Officer indicated that department has been enforcing the implementation of the developed controls on performance information, however, it has been noted that there is a level of poor compliance. The department will review sessions require that all programme managers present their

respective performance aligned to the listings of all the supporting documents on the actual achievements.

The Committee wanted knows measures put in place to ensure that the reported finding does not recur in the 2015/16 financial year. The Accounting Officer indicated that during the monthly and quarterly review sessions require that all Programme Managers present their respective performance aligned to the listings of all the supporting documents on the actual achievements as well as financial statements

3.8.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

(i) The Accounting Officer must take disciplinary action against the manager(s) who failed to implement the recommendations of the internal audit unit, external auditors and the audit committee.

3.9 INVESTIGATIONS

The Committee has noted that the Auditor General reported that an independent consulting firm is performing an investigation at the request of the Premier, which covers the period 2013 to 2015. The investigation was initiated based on an allegation of possible misappropriation of the department's assets. Based on the outcome of the investigation, the department should charge the responsible officials for not following proper procurement processes.

The Accounting Officer was required to brief the Committee on the status of the investigation and provide background information on the investigation. The Accounting Officer indicated that the department was not in a position to give progress report and outcomes on the matter, as the investigation was commission by the Office of the Premier.

The Committee was not satisfied with the response and requested the department to make a follow up with the Office of the Premier regarding the matter.

3.9.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

(ii) The Accounting Officer must furnish the Committee with final report on the investigation conducted by the Office of the Premier.

3.10 REPORT OF THE AUDIT COMMITTEE

The Committee has noted that the Audit Committee reported that the Audit Committee review of the Internal work, which was based on the risk assessments conducted in the department reveal certain weaknesses, which were raised with the department and the following were areas of concern.

- Inadequate implementation of internal audit and the Auditor General recommendations
- The quality of information reported in the quarterly performance reports.

The Accounting Officer was required to indicate the recommendations made by the Audit Committee on the areas of concern raised above and the extent to which the recommendations were implemented. The Accounting Officer indicated that the Department has ensured adequate implementation of the Audit Committee recommendation by including an agenda item for progress report on AGSA and Internal Audit action plan for each Audit Committee sitting.

It was further reported that the department is reviewing its quarterly performance reports through quarterly management meetings (MANCOMs) to ensure that the reports are accurate, valid and complete. The department also conducted two review sessions held for 1st and 2nd quarter performance reports and Internal Audit has embarked on reviewing the two quarters in line with their approved operational plan.

3.10.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

(i). The Accounting Officer must ensure that recommendations made by the Internal Audit Committee are effectively implemented.

3.11 PROGRESS TOWARDS ACHIEVING A CLEAN AUDIT

The Committee wanted to know what measures will the department put in place to ensure that it achieves a clean audit in 2015/16 financial year. The Accounting Officer indicated that the Department has drawn full attention to the audit action plan for the 2014/15 financial year findings (for both Internal and External Audit) to ensure non-recurrence of findings. The Department has also reviewed its policies and procedure manuals to ensure all gabs are closed

and will continuously monitor the implementation thereof. The assistance of the Risk Section is also utilised to ensure continuous monitoring and implementation of all the issues as raised in the report. This item has become a standing item in all management meetings taking place on a monthly and quarterly basis in the department

The Accounting Officer informed the Committee that the Department has since ensured that the Department will keep a register of all house resolutions and the status of each resolution will be presented on a quarterly management meeting.

The Department will also enforce the monitoring and implementation of the audit action plan to ensure that all recommendations by Auditor General and Internal Audit are implemented.

The Committee further asked the Accounting Officer on how will the department deals with the weaknesses identified in the department mainly. The Accounting Officer indicated that the Department is in the process of implementing an Audit Action plan which is defined into activities with timelines, responsible official and progress of achievement. This plan addresses in detail issues of Supply Chain Management, Performance Reports, Human Resource Management, Financial Statements as well as other findings by the AGSA.

The Committee wanted to know what challenges the department envisages that might hamper the achievement of a clean audit in 2015/16 financial year. The Accounting Officer indicated that the Department has not yet encountered any significant risk exposures that might hamper the achievement of a clean audit in the 2015/16 financial year. Therefore there are no challenges that can be reported to date.

3.12 REPORT ON THE FINANCIAL STATEMENTS

The Committee wanted to know why the Accounting Officer allowed the department to incur an irregular expenditure. The Accounting Officer indicated that the department noted that this irregular expenditure took place under MEGA which is the department's implementing agency for the Fresh Produce Market. The irregular expenditure was due to deviations from the minimum required period of advertisement and invitation to tenders, which the department was then not aware of.

The Committee enquired on why the Accounting Officer failed to put effective internal controls to prevent the irregular expenditure in the department. The Accounting Officer reported that the inefficiency of internal control systems were mainly as a result of the Memorandum of Understanding (MOU) that did not fully outline the responsibilities on the acquisition of goods and services and penalties to be applied in case of a breach, hence, these irregularities. The Department will ensure that the MOU is revised accordingly to accommodate such so as to bind each party to account in case of breaching.

The Committee wanted to know whether the Accounting Officer took any disciplinary action as required by Treasury Regulation 91.3. The Accounting Officer indicated that the Department has not yet taken any disciplinary action as prescribed by the relevant financial prescripts, however, a letter will be written to the CEO of MEGA to take the necessary disciplinary action against the affected officials.

3.12.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

(i) The Accounting Officer must ensure that disciplinary action is taken against official(s) liable for irregular expenditure relating to the Fresh Produce Market.

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 Office of the Department of Agriculture, Land Administration and Rural Development.

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 July 2016 and thereafter on quarterly basis.

5. ADOPTION OF THE REPORT

The Select Committee on Public Accounts recommends that the House adopt this report.

Stul.

HON. SI MALAZA
CHAIRPERSON
SELECT COMMITTEE ON PUBLIC ACCOUNTS

26-05-20/6

DATE