

REPORT 04 OF 2015
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (2013/14)

1. INTRODUCTION

The Select Committee on Public Accounts (SCOPA) hereinafter referred to as a Committee, examined the annual report of the Department of Cooperative Governance and Traditional Affairs (COGTA); 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 was aimed at assessing prudent financial management, good governance and value for money appropriated by the Legislature.

The Committee discharged its mandate over the reports of COGTA and assessed its response to issues raised by the Auditor General as contained in the 2013/14 annual report.

2. COMMITTEE PROCEDURES

The Committee met on the 12 February 2015 and considered the report on the 18 March 2015. Meetings of the Committee were open sessions for the public including the media as required by Standing Rule 123 and section 118 (1) (b) of the Constitution of the Republic of South Africa, Act No. 108 of 1996.

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

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

NO.	RESOLUTION	PROGRESS BY DPWRT BY JANUARY 2014	STATUS
3.1.1	The Accounting Officer must submit to the Committee signed copies of the Audit Plan of the Internal Audit Unit for 2013/2014 by 12 December 2014	The matter was presented before the Audit Committee meeting convened on 5 December 2014 and the Chairperson has committed that the Committee will prepare a formal submission to the Department regarding the no ne or late approval of the Internal Audit Operational Plan for 2013/14 financial year. The letter from the Audit committee was submitted to SCOPA	Closed
3.2	The Accounting Officer must submit the report of the consultant and the Water Master Pan to the Committee by 12 December 2014.	The Department only utilised one consultant during the financial year to assist with the compilation of the Water Master Plan. The Water Master Plan was submitted to SCOPA.	Closed
3.3	The Accounting Officer must take disciplinary action against the Managers who failed to certify payroll certificates during the 2012/13 financial year. A progress report must be submitted to the Committee by 12 December 2014.	The Accounting Officer has not initiated disciplinary action, the Committee is requested to note the following: The Department has District Offices as result same payroll certificates were received after the date of payment. All payroll certificates were certified during that period even though the signing happened after the payment date. The Department has not suffered any losses as a result of this since all salary payments were made to the correct officials. The Department can confirm that no over payment was made.	Closed
3.4	The Accounting Officer must ensure that money owed to the department by the suppliers is paid back and provide the progress thereof to the Committee by 12 December 2014.	During July 2011 the Department appointed Ifaletu Security and Projects (Ifaletu) as a service provider to provide security services in the Department. It must be further noted that on 15 July 2011 the Department has overpaid Ifaletu in the amount of R11 832.26 . However, when Ifaletu submitted other invoices for security services rendered, the Department deducted the amounts of those	On-going

		<p>invoices, namely R50 000.00 (on 15/07/2011- the same day as the overpayment) and R33 562.40 (28/03/2013), respectively, from the original debt. Therefore, the balance of the outstanding debt amounts to R28 269.86.</p> <p>In December 2013, the matter was referred to Legal Services for the recovery of the debt of R28 269.86. Subsequently, the Department had instructed the Office of the State Attorney to assist with the recovery of the above-mentioned debt against Ifaletu.</p> <p>The Office of the State Attorney issued a letter of demand and thereafter summons against Ifaletu. However, due to no intention by Ifaletu to oppose the matter, the Office of the State Attorney now awaits, on behalf of the Department, a default judgment against Ifaletu for the mentioned debt.</p>	
3.5	<p>The Accounting Officer must setup a meeting with Special Investigation Unit (Nelspruit Office) and expedite the Water For All investigation. A progress report must be submitted to the Committee by 12 December 2014.</p>	<p>The Department has interacted with the Special Investigation Unit requested for a preliminary report. SIU has responded that preliminary reports are not issued however the final report will be send to the President. The Department has submitted a written request to SIU with an expectation for a formal written response, in this regard.</p>	On-going
3.6	<p>The Accounting Officer must assess risks and ensure minimisation of contingent liabilities in the department. A progress report must be submitted to the Committee by 12 December 2014.</p>	<p>Reference is made to the Chief Directorate Corporate Services Operational Risk Register for the financial year 2014/2015.</p> <p>In line with above-mentioned Register, the Directorate Legal Services has identified 1 (one) area of operational objective wherein the main 2 (two) risks in the Legal Unit must be minimised namely, possible litigation. The existing control that will minimise the risk of possible litigation is adherence to applicable legislation. The R51 512 000 contingent liability for 2012/2013 financial year has since been reduced to R24 708 092.80, due to the finalisation of the Jozzis Partanose Electronics CC in the amount of R26 153 599.85.</p>	Closed

3: COMMITTEE FINDINGS AND RECOMMENDATIONS

3.1 AUDIT ACTION PLAN FOR 2013/14 FINANCIAL YEAR

The Committee noted in the Audit Action Plan that the department did not have a job evaluation policy for more than 9 months during the 2013/14 financial year and the department acknowledged the finding and indicated that in terms of the arrangement this function resides with the Office of the Premier as shared services.

The Committee further noted that the Auditor General (AG) reported that the Department management vacancy rate has increased to 12%5 to 25% in the 2014/15 financial year and that was caused by the non-fulfillment of management positions when they became vacant. The AG has also discovered that management does not exercise oversight responsibility regarding financial, performance reporting and related internal controls

3.1.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Executive Authority must ensure that the Accounting Officer fill all vacant funded positions on time.
- (ii) The Accounting Officer must ensure that management exercise oversight responsibility regarding financial, performance reporting and related internal controls

3.2 PAYMENTS OF INVOICES WITHIN 30 DAYS

The Committee noted that the Auditor General had reported that invoices were not paid within 30 days after receipt and that the Accounting Officer does not exercise oversight responsibility over financial reporting and internal controls.

3.2.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

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

3.3 INTERNAL AUDIT

The Committee noted that the Department did not respond to all house resolutions as adopted in the house. The Department acknowledge that there was an omission and indicated that more information will be provided as required.

The Department accepted the oversight and indicated that most of the internal committee members are no more with the department hence they have submitted unsigned copies but promised to submit signed copies in future.

The Committee needed clarity on what role did the Internal Audit Unit play in ensuring the affected sections correct the issues raised by the Audit Committee. The Department indicated that the Internal Audit Unit has assisted the Department by pointing out those areas which requires further control measures to be implemented.

3.3.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must submit to the Committee signed copies of the Audit Action Plan for 2013/14.
- (ii) The Accounting Officer must ensure that recommendations of the internal audit unit are implemented by all officials and disciplinary action be taken against those who fail to comply.

3.4 AUDIT OPINION: UNQUALIFIED WITHOUT FINDINGS

The Committee commends the department achieving a Clean Audit and enquired on the plans to sustain the audit opinion going forward. The Accounting Officer indicated that

the department will ensure improved monitoring, compliance to laws and regulations ensure improved internal control procedure and enforce their correct implementations. The Department will also avoid spending on unfunded activities and maintain good working relations with Treasury, Internal Audit and Audit committee.

The Accounting Officer indicated that the department is fully committed that the clean audit will be maintained.

The Committee further enquired on measures put in place to ensuring that there was a coordinated approach in supporting municipalities to achieve clean audits. The Accounting Officer indicated the following measures that will be implemented by the department in assisting municipalities:

- Integrated Support Plan developed in response to the MOU between Provincial Treasury and Cogta
- Audit action plans developed and monitored
- Framework for unauthorised, irregular or fruitless and wasteful expenditure developed
- Participation in audit steering committee meetings
- Deployment of financial experts by Provincial Treasury
- Training of MPACs in collaboration with Auditor General, Salga, Provincial Treasury and APAC members
- Appointed Valuation Appeal Board for the three Districts
- Extension of General Valuation Rolls
- Monitoring of debt owed to municipalities

3.4.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must develop a plan that will ensure that the department maintains the clean audit

- (ii) The Accounting Officer must monitor progress made by municipalities in order to achieve clean audits

3.5 ACCRUALS (R625 000)

The Committee noted that the Department has accruals of R625 000 relating to accommodation invoices which were submitted late for payment by travel agencies as well as late submission of travel claims by officials.

The Department acknowledged that most of the claims were submitted in March and paid in April. The department made a commitment that it will issue circular informing officials of cutoff date for submission of claims and invoices.

The department further indicated that commitments disclosed in the annual report relate to departmental operating leases calculated over a period of time in line with signed contracts as well as funds for Water reservoir projects, the budget of which was R61 000 000. The Department further reported that the **R31 000 000** of its budget for projects was rescheduled in 2013/14 and reallocated in the 2014/15 financial year.

The Committee advised the department not to commit funds not appropriated by the legislature which contravene section 38(2) of the PFMA.

3.5.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must put plans to minimize the accruals.

3.6 FRUITLESS AND WASTEFUL EXPENDITURE (R23 000)

The Committee noted that the Department incur fruitless and wasteful expenditure amounting R23 000. The Department indicated that the amount of **R23 000** as reported in the annual report relates to costs charged by hotels and travel agencies for no shows by officials of the Department. The Department discovered these costs after the actual event has occurred hence the Accounting Officer can only react to it. The department

further indicated that they normally recover monies from the officials who failed to show in a hotel if reasons advanced are not acceptable.

The Department also indicated that the fruitless and wasteful expenditure relate to expenditure incurred in the 2008/09 and 2010/11 financial years. This resulted from procurement irregularities and appointment of CDWs without the necessary budget. The Accounting Officer also indicated that they have has revised contracts of CDWs and currently they are budgeted for and there are those that were absorbed by the department.

3.6.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must provide proof that the irregular expenditure was reported to the Provincial Treasury and Auditor General as required by Section 38(1) (g) of the PFMA.
- (ii) The Accounting Officer must develop effective internal control systems and tools to timeously detect and prevent fruitless wasteful, irregular and fruitless expenditure as required by Section 51(1) (b) (ii) of the PFMA.
- (iii) The Accounting Officer must develop effective measure and systems to prevent fruitless and wasteful expenditure and irregular expenditure from occurring in the Department.
- (iv) The Accounting Officer must recover the fruitless and wasteful expenditure relating to officials with NO shows at hotels.

3.7. IRREGULAR EXPENDITURE (R836 000)

The Committee enquired whether disciplinary action was taken against the official who was responsible for the irregular expenditure emanating from procurement irregularities.

The Accounting Officer indicated that the responsible official was formally charged and dismissed from the department and money was not recovered from the officials. The Committee was dissatisfied with the response because the document from the department with responses indicated that money was recovered from the officials as opposed to the response given by the Accounting Officer. The MEC acknowledged that the department did not provide the correct information regarding the matter raised and the correct information will be provided to the Committee.

3.7.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must provide the Committee with proof that disciplinary actions was taken against the official and that money was recovered as required by Section 38(1) (c) of the PFMA.
- (ii) The Accounting Officer must proof that the irregular expenditure amounting **R836 000** was timely reported to Treasury.
- (iii) The Accounting Officer must develop effective measures and systems timely recover monies due to the Department as required by Section 38(1) (c) of the PFMA.

3.8 INVESTIGATIONS

The Committee wanted to know the progress on status of the investigation conducted into alleged irregularities within the Department in respect of water for all flagship projects. The Department indicated that it conducted and concluded the investigations on water for all in 2010 and appropriate action has been taken to close this matter. It was further reported that the investigation referred to in the report is the second investigation that was conducted by the SIU (Special Investigation Unit) as proclaimed by the state president.

3.8.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must make a follow up on the matter with the office of the president on provide the progress report on the outcome of investigations to the Committee not later than the 29 May 2015.
- (ii) The The Accounting Officer must provide a report to the Committee on progress made in implementing the SIU report.

3.9 AUDIT COMMITTEE

The Committee enquired as to whether the Accounting Officer has implemented recommendations that were made by the Audit Committee on each of the issues raised in their Annual Report. The Committee was also concerned as to why the Audit Committee report submitted to the Legislature is not signed.

The Accounting Officer indicated that they have implemented the recommendations made by the Audit Committee and the reason of the submitted the unsigned document is due to the fact that the Audit Committee Members are no longer serving in the Audit Committee.

3.9.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must ensure that the department implements recommendations of the internal Audit Committee.
- (ii) The Accounting Officer must ensure that there is an official (secretariat) responsible for providing support and keeping of documents for the Audit Committee.

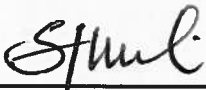
4. CONCLUSION

The Committee has satisfied the requirements of the Mpumalanga Provincial Legislature Rules and Orders of conducting oversight over the financial statements of the Cooperative Governance and Traditional Affairs (COGTA).

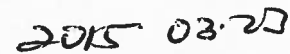
Unless otherwise stated a report detailing progress made in the implementation of all recommendations in this report should be forwarded to the Committee by 29 May 2015 and thereafter on quarterly basis.

5. ADOPTION

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



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



DATE

