



REPORT 9 OF 2016
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
DEPARTMENT PUBLIC WORKS, ROADS AND TRANSPORT (2014/15)

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 24 May 2016 to deliberate on the above reports. Meetings of the Committee were open sessions for the public including the media as required by Standing Rule 116 and section 118 (1) (b) of the Constitution of the Republic of South Africa, Act No. 108 of 1996.

The Accounting Officer and delegation responded to questions before the Committee.

A. PROGRESS REPORT ON THE IMPLEMENTATION OF HOUSE RESOLUTIONS 2013/14 FINANCIAL YEAR

NO.	RESOLUTION	PROGRESS BY DPWRT BY 30 SEPTEMBER 2015	STATUS
3.1	(i) The Accounting Officer must provide a report on the outcome of the investigations	The Department has done an investigation on the irregular expenditure for 2013/14 financial year. The preliminary findings indicate that an	On-going

	relating to the irregular expenditure (2013/14).	amount of R226 434.40 should be condoned. The breakdown is as follows: R52 849.57 relating to accommodation was done within the contract period (evidence considered by meeting as Annexure A1). R118 569.95 resettlement transactions were implemented as per the resettlement policy (evidence considered as Annexure A2). R55 014.88 relates to performance bonuses that were paid not in line with prescripts. The matter has since been referred to Labour and the process of recovery has been initiated.	
	(ii) 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.	The irregular expenditure was reported to Provincial Treasury. Evidence considered as Annexure B.	Closed
	(iii) The Accounting Officer must develop effective internal control systems and tools to timeously detect and prevent fruitless, wasteful and unauthorised expenditure as required by Section 51 (1) (b) (ii) of the PFMA.	A policy on management of fruitless, wasteful and unauthorised expenditure has been developed. The policy sets out procedures to be followed after identification of fruitless, wasteful and unauthorised expenditure.	Closed
3.2.1	(i) The Accounting Officer must ensure that the department has and operates with adequate capacity to manage programme performance information.	There has been realignment of capacity within the Department and there has been a significant improvement on the reliability of the Department's performance information during the 2014/15 financial year. As a result, 78% of the planned targets were achieved at year end as compared to 58% achieved in 2013/14.	Closed
	(ii) The Accounting Officer must ensure that all key vacant posts are filled by 30 June 2015.	No posts were filled during 2015/16 financial year due to the provincial moratorium.	Closed
	(iii) The Accounting Officer must ensure that the developed Performance Information Plan and	Performance against these plans is monitored on a monthly and quarterly basis within the Department. As a result, there was improvement in the Department's overall performance.	Closed

	performance information.	targets were achieved at year end as compared to 58% achieved in 2013/14.	
	(ii) The Accounting Officer must ensure that all key vacant posts are filled by 30 June 2015.	No posts were filled during 2015/16 financial year due to the provincial moratorium.	Closed
	(iii) The Accounting Officer must ensure that the developed Performance Information Plan and Audit Action Plan are effectively implemented to prevent the matter from recurring.	Performance against these plans is monitored on a monthly and quarterly basis within the Department. As a result, there was improvement in the Department's overall performance.	Closed
3.3.1	(i) The Accounting Officer must ensure that complete and accurate information is timeously submitted to the Office of the Auditor General for auditing purposes.	The audit requests are centralised to the CFO's Office and the internal communication has been strengthened to ensure timeous responses. As a result, the Department was able to respond to all matters within the 48 hours stipulated in the audit engagement letter during the audit for 2014/15.	Closed
3.4.1	(i) The Accounting Officer must develop effective measures and systems that will be able to detect the registration status of contractors to ensure that no contracts are awarded to contractors who are not registered with the Construction Industry Development Board (CIDB), in compliance with Section 20 (1) of the CIDB Act 38 of 2000.	The Department appoints service providers in compliance with applicable legislation and practice notes. The Department implements a SCM checklist to ensure compliance with CIDB prescripts and relevant legislation.	Closed
	(ii) The Accounting Officer must ensure that the developed checklist is effectively and efficiently implemented and to consider taking disciplinary actions against employees who fail to execute their duties effectively to prevent the matter from recurring.	The Department is enforcing compliance to the developed SCM checklist. There have been a significant improvement in the 2014-15 audit processes. The Accounting Officer concurs that consequence management be applied to employees who fail to execute their duties in this respect.	Closed
3.5.1	(i) The Accounting Officer must provide feedback relating to the	The Auditor General has agreed to provide the Department with semester reports of employees doing business with the state.	Closed

	request made to the Auditor General relating to the challenge of employees doing business with the state.	The Department is also implementing the Public Servant Verification System that has recently been introduced by DPSA.	
	(ii) The Accounting Officer must develop effective measures and systems to speed up the process of recovering monies due to the Department as requirement by Section 38 (1) (c) of the PFMA.	Debt recovery is done as per the Debt Management Policy. In addition, the Department has established a forum consisting of Internal Audit, Legal section, Labour and Supply Chain Management to ensure that these issues are monitored and resolved timeously.	Closed
3.6.1	(i) The Department must take disciplinary actions against officials who caused the department to award contract to bidders who had scored low point which contravened section 16A8.3 of the Treasury Regulations (2013/14).	Upon investigation, it was discovered that the contract in question was awarded to the bidder who scored the highest points as per the Preferential Procurement Policy Framework. As a result, the Department did not take any action against any official.	Closed
	(ii) The Accounting Officer must ensure that there is compliance with Section 2 (1) (f) of the Preferential Procurement Policy Framework.	The Department has put in place plans and the checklist to ensure compliance with the Preferential Procurement Policy Framework when awarding contracts.	Closed
3.7.1	(i) The Accounting Officer must ensure compliance with Section 51 (1) (a) (iii) of the PFMA and Section 16A6.1 of the Treasury Regulations.	The Department complies to Section 16A6.1 of the Treasury Regulations by ensuring that Procurement of goods and services, either by way of quotations or through a bidding process are within the threshold values as determined by the National Treasury. The procurement delegations developed for the Department are within the threshold values as determined by the National Treasury.	Closed
	(ii) The Accounting Officer must furnish the Committee with the proof of approvals for deviations relating to Scholar Transport (2013/14).	Evidence submitted and considered by committee as Annexure C.	Closed
3.9.1	(i) The Accounting Officer must ensure that all key vacant funded positions are filled by 30 June 2015.	No posts were filled during 2015/16 financial year due to the provincial moratorium. The post of the CFO is the only post that was later exempted from the Provincial	Closed

		Moratorium within the Department, and its recruitment process is at an advanced stage.	
	(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 fail to execute their duties effectively in order to prevent this finding from recurring	The following measures have been put into place: An Immovable Asset Management forum headed by Senior Manager: Risk Management has been established to deal with all matters relating to the asset register. The Asset Management Unit has been reinforced through alignment of duties and officials.	Closed
3.10.1	(i) The Executive Authority must consider taking disciplinary actions against the Accounting Office for contravening Section 38 (1) (f) of the PFMA and Treasury Regulation 8.2.3.	The Department managed to pay 99% invoices within 30 days of receipt. However, the outstanding (1%) invoices could not be settled on time due to the verification process that took longer. The Executive Authority therefore considered that it was not a matter for disciplinary action.	Closed
	(ii) The Accounting Officer must develop effective and efficient systems to ensure timely verification and tracking of invoices to ensure with Section 38 (1) (f) of the PFMA and Treasury Regulation 8.2.3.	A process flow for invoice management has been developed. The flow chart indicates the following key activities amongst others: submission of invoices is centralized to the Expenditure Section, registration of invoices on a Creditor's Control register; and distribution/follow-ups of outstanding orders with responsibility managers.	Closed
	(iii) The Accounting Officer must develop effective and efficient systems to ensure that Accruals are minimised.	Proper planning processes supported by appropriate budget allocations. Effective monitoring of expenditure against appropriated budget supported by Budget and Programme Manager' forum. Deviations from plans to be cash backed to avoid over commitments.	Closed
	(iv) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored and consider taking disciplinary actions against officials who fail to execute their duties effectively in	The Budget and Programme Manager' forum monitors and reports adherence to the plans and allocated budgets.	Closed

	order to prevent this finding from recurring.		
	(v) The Accounting Officer must take disciplinary action against officials who caused the Department to fail to pay creditors within 30 days of receipt of invoice (TR8.2.3) in 2013/14 financial year.	The 1% of invoices that were not paid within 30 days was due to the verification process that took longer and the system downtime. The Accounting Officer therefore considered that it was not a matter for disciplinary action.	Closed
3.11.1	A copy of minutes / proof of the training of employees on the code of conduct should be furnished to the Committee.	Evidence submitted and considered by meeting as Annexure D	Closed
3.12.1	(ii) The Accounting Officer must ensure that refresher sessions of the code of conduct are held.	Appraisal on the code of conduct forms part of the fraud awareness workshops and ethics workshops. A total of 20 workshops were conducted in the 2014/15 financial year. See Annexure E attached.	Closed
3.13.1	(i) The Accounting Office must ensure that the post of Senior Manager: Records Management is filled by 30 June 2015.	No posts were filled during the current financial year due to the provincial moratorium. However, the post of a Manager: Records Management was filled in June 2014.	Closed
	(ii) The Accounting Office must ensure that there is effective record keeping in the department.	The Department has an approved File Plan and Records Management Policy which are being implemented. It has also adopted a phased-in approach to implement an Enterprise Content Management (ECM) system in order to improve knowledge and information management. The following ECM components: Information Repository, ICT Security, Scanning and Records Management have been prioritised due to the available limited resources.	Closed
3.14.1	(i) The Accounting Office must ensure that recommendations of the Internal Audit are effectively implemented by affected sections across the department and there must be consequences against those who fail to implement Internal Audit Recommendations.	A number of governance structures have been established to assist the Accounting Officer with this responsibility. The Department has also recently appointed a new audit committee and risk chairperson in order to enhance governance and accountability. The Department is in a process of developing a register of internal audit findings.	Closed

3.15.1	(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	<ul style="list-style-type: none"> -The Department verifies the tax status of all service providers before awards are made. -Initially the Tax Clearance Certificates were only kept in the contract files. Currently, the Department ensures that copies of valid Tax Clearance Certificates are attached to all payments vouchers. -The Accounting Officer concurs with the committee that consequent management should be applied against officials who are found to be negligent in the execution of their duties. However, there were no officials implicated in this instance. 	Closed
3.16.1	(i) The Department must submit a detailed list of all leased properties to the Committee.	Evidence submitted and considered by the committee as Annexure F.	Closed
3.17.1	(i) The Accounting Officer must ensure that officials in Human Resource Management verify qualifications as required by PSR 1/VI/D1.8.	The Department verifies all qualifications and the process is ongoing. Monitoring of the verification process is done on quarterly basis in the Department.	Closed
	(ii) The Accounting Officer must ensure effective implementation of the amended overtime policy and continuous monitoring and take measures against official who will contravene the policy.	The Accounting Officer delegates approval for those exceptional cases where officials have to work more than the maximum number of hours allowed due to understaffing in critical areas and essential services e.g. boiler makers. This is covered in the amended overtime policy of the Department. This finding did not recur in the 2014/15 financial year.	Closed
	(iii) The Accounting Officer must ensure that Senior Managers and Managers are properly trained to effectively implement the Performance Management and Development System.	A total of 73 PMDS training sessions were conducted in the 2014/15 financial year.	Closed
	(iv) The Accounting Officer must ensure that the PMDS checklist is effectively utilised to prevent this matter from recurring and disciplinary actions be taken if a need arises	The training programme in terms of PMDS and the checklist was rolled out to all officials in the Department. Disciplinary measures have been taken against officials who failed to comply with related prescripts.	Closed

3.18.1	(i) The Accounting Officer must develop an efficient working relationship with client Departments in order to ensure that User Asset Management Plans (UAMPs) are submitted timeously.	Apart from the process outlined in the Accounting Officer's response on P27, the Department continues to improve on communication between Departments. The following measures are in place: Letters are written to User Departments who do not comply; Follow up is made with Treasury in terms of Circular No. 8 of 2011, due to non compliance by User Departments; Monthly User Forum meetings are held with Departments; One-on-one sessions are held with User Departments to assist them with UAMP compilation.	Closed
	(ii) The Accounting Officer must furnish the Department with copies of minutes of the monthly meetings between the Department and Client Departments.	Evidence considered by the committee as Annexure G.	Closed
	(iii) The Accounting Officer must furnish the Committee with a report on the outcomes of the implementation of the recommendations of the SACPCMP, relating to registration of Project Managers.	The Department has implemented the recommendations of the Council by amongst others translating Project Managers who are not registered with SACPCMP to non OSD posts and the finding did not reoccur in 2014/15. See attached report as Annexure H.	Closed

3. COMMITTEE FINDINGS AND RECOMMENDATIONS

3.1 IRREGULAR EXPENDITURE

The Committee has noted that the Auditor General found that the department incurred an Irregular expenditure amounting to R4 665 000 for the year under review and it was as a result of non-compliance identified by the AG and it includes; Goods and services of a transaction value above R500 000 were procured without inviting competitive bids as well as persons in service of the department whose close family members, partners or associates had a private or business interest in contracts awarded by the department failed to disclose such interest.

The Committee further noted that the department has incurred an irregular expenditure amounting to R4 665 000 in the 2014/15 financial year, which R442 337 000 was incurred in the prior year and R443 728 000 was the opening balance for the 2014/15 financial year. The department indicated that

effective steps were not taken to prevent irregular expenditure as required by section 38(1) (h) (iii) of the PFMA and Treasury Regulation 9.1.1.

The Committee required the Accounting Officer to clarify as to why the department is incurring such high figures on irregular expenditure and to provide a list of irregular expenditure as stated in the Annual Report, as well as proof that these irregular expenditures were reported to Provincial Treasury for condonation and that a register was kept. The Committee further required the Accounting Officer to indicate the steps taken to prevent such expenditure as well as the measures put in place by the to ensure that such expenditures does not recur. The Committee enquired whether any disciplinary actions were taken as required by Treasury Regulation 9.1.3 and enquired about the amount recovered from loses emanating from the irregular expenditure as per Treasury Regulation 9.1.4.

The Committee further required the Accounting Officer to indicate whether there were any investigations conducted with regard to prior year irregular expenditure as well as for the financial year in question. The Committee invited the Accounting Officer to share the challenges faced by the department with regard to compliance towards stipulated regulation for irregular expenditure as this finding is recurring.

The Committee further required the Accounting Officer to explain why the department continue to procure goods& services of a transaction value above R 500 000 without inviting competitive bids while SCM policies, laws and regulations prohibits such practice.

After deliberations and questions by the Committee, the Accounting Officer reported that the highest irregular expenditure of R391 538 000 was incurred as a result of scholar transport services transferred from DOE to the Department in the 2009/10 financial year. The Department has requested condonation from the Provincial Treasury. Some of the recurring issues relate to officials doing business with the state and not declaring it. The Department is not able to identify these officials since the PERSAL system does not detect officials from other state entities e.g. Municipalities, Water Affairs, Eskom etc. This issue was raised with Provincial Treasury and the Auditor General for assistance.

With regard to reporting the irregular expenditure, the Accounting Officer reported that submissions were made to the Provincial Treasury for condonation of the irregular expenditure relating to scholar transport and further reported that contracts were terminated and service providers were deactivated from the system. Although limited to PERSAL, DPSA has introduced a verification system in October 2015 which the Department is now using; the Accounting Officer reported that disciplinary actions were taken against the officials affected.

A detailed report stating nature and amount of all irregular expenditure from prior year 2013/14 to the year under review was submitted as per request of the Committee. With regard to taking disciplinary

actions as required by required by Treasury Regulation 9.1.4, the Accounting Officer reported that the investigation is at a final stage. Disciplinary action will be taken once the investigation is concluded. It was brought to the attention of the Committee that no losses were incurred as a result of this irregular expenditure as payment was made for services rendered.

With regard to investigations around prior year Irregular Expenditure, the Accounting Officer reported that The Department has done an investigation on the irregular expenditure for 2013/14 financial year. The latest findings indicate that part of the amount of R226 434.40 should be condoned. Letters of demand have been issued to relevant officials regarding the R55 014.88 which relates to performance bonuses that were paid contrary to the prescripts. The Accounting Officer provided a breakdown of the amounts to be condoned and they are as follows:

- R52 849.57 relating to accommodation was done within the contract period.
- R118 569.95 resettlement transactions were implemented as per the resettlement policy.

3.1.1 Recommendations

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must provide a report on the outcome of the investigations relating to the irregular expenditure (2013/14) as well as (2014/15) Financial years.
- (ii) The Accounting Officer must provide proof of the letters of demand that have been issued to relevant officials regarding the R55 014.88 which relates to performance bonuses that were paid contrary to the prescripts.
- (iii) The Accounting Officer must provide a report on the outcomes of the request for condonation of the Irregular Expenditures.

3.2 FRUITLESS AND WASTEFUL EXPENDITURE

The Committee has noted that the Auditor General found that department did not incur any fruitless or wasteful expenditure as well as unauthorised expenditure. The department should be commended for the job well done and for not violating any law in terms of fruitless expenditure, it was however noted that the department failed to pay its creditors within 30 days in contravention of Treasury Regulation 8.2.3 hence an amount of R 57 475 000 was withheld and not paid to avoid unauthorised expenditure while creditors suffer late payments of service rendered.

The Committee further required the Accounting Officer to provide reasons why suppliers were not paid within 30 days as required by Treasury Regulation 8.2.3 and also indicate why the amount of R 57 475 000 was not paid in time as required by the abovementioned regulation.

The Accounting Officer reported that the contravention was due to over commitment which resulted in accruals and indicated that this was disclosed in the Annual Financial Statements. The Accounting provided the same response to the question of late payment of R 57 475 000.

3.2.1 Recommendation

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must develop measures to minimise accruals in the department.

3.4 PREDETERMINED OBJECTIVES

The Committee has noted that the Auditor General found that appropriate and sufficient audit evidence or supporting documents were not submitted for audit purposes.

The Committee required the Accounting Officer to provide the reasons for failure to provide appropriate and sufficient audit evidence or supporting documents for audit purposes and to provide clarity on exactly what is happening to the budget of this programme as targets reported stand un-verified by the AG and get material findings whilst the department claim to have achieved and utilized the entire budget. The Committee enquired whether corrective measures were put in place as this finding is recurring. The Committee further enquired whether management does review portfolio of evidence on targets achieved and unachieved prior to reporting and does the Accounting Officer also review what is reported by management prior to the reporting.

The Accounting Officer informed the Committee that the issue of non-submission of insufficient evidence was only raised in relation to Programme 5: Community Based Programmes. It was reported that the portfolio of evidence for this Programme is kept by the various implementing public bodies and these were either not submitted or deemed insufficient by the Auditor General. The Accounting Officer further reported that the provincial Department of Public Works Roads and Transport is responsible for the overall coordination of the EPWP programme in the Province, however the implementation of EPWP projects and the validation of figures on work opportunities reported is the sole responsibility of various public bodies and the National Department of Public Works which administered the Integrated Reporting System (IRS).

With regard to the measures put in place to address the challenge, the Accounting Officer reported that the National Department of Public Works has introduced a New ER-System that seeks to resolve all

matters raised by the Auditor General in 2014/15. The Accounting Officer confidently reported that Management does review portfolio of evidence, however the issue of reliability of performance information under Programme 5 remains a challenge for the sector.

The validation of figures on work opportunities reported is the sole responsibility of various public bodies and the National Department of Public Works which administered the Integrated Reporting System (IRS).

3.4.1 Recommendation

The Committee recommend that the House to resolve that:

- (i) The Accounting Officer must develop a system that will ensure that portfolio of evidence for Programme (5) is kept and submitted to the department by the various implementing public bodies.

3.5 COMPLIANCE

The Committee has noted that the Auditor General found that the annual financial statements presented for the purpose of auditing were not prepared according to the prescribed financial reporting framework as required by Section 40(1) (b) of the PFMA. However, misstatements of disclosed items identified by the AG in the presented financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion. In addition, it looks like the department does not have the right person who is responsible for the handling of financial statements as this is a recurring matter in which the contributing factor maybe that this is due to the fact that the department operates without a Chief Financial Officer.

The Committee required the Accounting Officer to provide a status quo of the Vacant Chief Financial Officer (CFO) position (currently being the Acting CFO) that have been vacant for more than a year since those posts were re-advertised during the 2014/15 financial year, the Committee sought reasons which led to the contravention of Section 40(1) (b) of the PFMA by the Accounting Officer with regard to the annual financial statements submitted.

The Committee further required the Accounting Officer to indicate the time frame as to when measures and action plan will be put in place and implemented to ensure that the same finding does not recur and move towards a clean audit opinion in the future, and to also indicate the measures put in place to address poor record keeping in the department.

In response to the questions posed by the Committee, the Accounting Officer reported that the recruitment process for the post of CFO was undertaken and submission to EXCO was not approved

during the year under review and indicated that the recruitment process has been restarted. With regard to the contravention of Section 40(1) (b) of the PFMA, the Accounting Officer informed the Committee that the Annual Financial Statements were prepared in accordance with the reporting framework determined by National Treasury and went on to report that during the preparation of the above report, the Accounting Officer was of the view that the financial statements fairly presented the state of affairs of the Department, its business, financial results and financial position.

With regard to record keeping, the Accounting Officer reported that The Portfolio of evidence for Programme 5 are kept by the various implementing public bodies and these were either not submitted or deemed insufficient by Auditor General (AG). The National Department of Public Works has introduced a New ER-System that seeks to resolve all matters raised by the AG in 2014/15, the Accounting Officer reported.

3.5.1 Recommendation

The Committee recommend the House to resolve that:

- (i) The Accounting Officer take disciplinary action against officials who caused the department to have misstatements on its Annual Financial Misstatements (contravening Section 40(1) (b) of the PFMA).

3.6 INTERNAL CONTROL

The Committee has noted that the Auditor General found that the department had internal control deficiencies and that this is a recurring finding.

3.6.1 Leadership

The Committee required the Accounting Officer to provide reasons which led to failure to ensure that staff is trained to properly understand the code of conduct and its implementation and also indicate the measures put in place to ensure that the staff is trained on code of conduct to ensure the finding does not recur.

The Accounting Officer reported that Internal control measures and systems are in place to ensure that all staff members are trained on the code of conduct including:

- Appointment letters stating that their condition of service is governed by several acts including the Public Service Code of Conduct.
- Newly appointed employees are given the code of conduct when they assume their duties.
- Newly appointed employees are also inducted on the code of conduct.

- Appraisal on the code of conduct also forms part of the fraud awareness workshops and ethics workshops.

However, the induction process could be compromised due to the unavailability of some newly appointed officials

3.6.1.1 Recommendation

The Committee recommends that the House to resolve that:

- (i) The Accounting Officer must take disciplinary actions against officials who fail to adhere to the Code of conduct.
- (ii) The Accounting Officer must ensure that refresher sessions of the code of conduct are conducted.

3.6.2.1 Financial and performance management

The Committee required the Accounting Officer to provide reasons which led to failure of management to prepare regular, accurate and complete financial performance reports that are supported and evidenced by reliable information. The Committee further required the Accounting Officer to provide the reasons which led to failure to ensure management fully comply with applicable laws and regulations are reviewed and monitored throughout the year.

The Committee enquired whether the Accounting Officer has taken disciplinary steps against management who failed to execute their duties and further enquired whether management of the department received performance bonuses. The Committee required the Accounting Officer to provide reasons that led to failure to implement recommendations made by the internal audit and external audit.

Based on the findings and questions posed by the Committee, the Accounting Officer reported that the Annual Financial Statements were prepared in accordance with the reporting framework determined by National Treasury. The Accounting Officer was of the view that the financial statements and performance information fairly presented the state of affairs of the Department. With regard to failure to comply with applicable laws and regulations, the Accounting Officer informed the Committee that the department monitors and reviews compliance with legislation through the Supply Chain management committees, Audit Committee, Risk Management Committee, Budget and Programme Manager's Forum and other ad hoc committees.

The Accounting Officer reported no actions were taken against any member of management as management of the department executes their tasks as per the Strategic Plan, Annual Performance Plan and performance agreements and further indicated that in areas where there have been shortcomings, the Department has taken corrective action. With regard to management receiving performance bonuses, the Accounting Officer reported that the respective officials who qualified for performance bonuses were paid. The bonuses were based on over achievement of targets in relation to individual performance agreements.

The Accounting Officer assured the Committee that recommendations by both internal and external audit are taken seriously. An audit action plans have been developed implemented and monitored on a monthly basis. As a result, there was generally an improvement in most of the critical performance areas i.e. financial statements, performance reporting and compliance to legislation.

3.6.3.1 Recommendations

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must develop effective and efficient systems to ensure that recommendations of the Internal and External audit are fully implemented.
- (ii) The Accounting Officer must ensure that the established Committees develop effective strategies to ensure that Annual Financial Statements are prepared in accordance with the reporting framework determined by National Treasury

4. INVESTIGATIONS

The Committee noted with concern that the South African Police Service (SAPS) is investigating unauthorised change of bank details for one of the department's suppliers by an official who allegedly irregularly transferred money to private bank accounts. This investigation is still in process and the date when it will be concluded has not yet been communicated by the department. This is an indication that there is a serious lack of internal controls to ensure that mitigations to these issues are detected and controlled.

The Committee required the Accounting Officer to indicate the date in which the investigation will be concluded and to also provide a detailed report about the investigation which includes among others the details of the officials, start date of the investigations. The Committee enquired whether the affected official(s) are suspended without pay or not. Lastly the Committee required the Accounting Officer to share the type of corrective measures put in place to ensure that this does not recur in the future.

The Accounting Officer reported that the internal investigation has been concluded and the matter was handed over to the SAPS. A detailed report was attached as an Annexure as per request of the Committee. The Accounting Officer further reported that the affected officials were suspended with pay and were later dismissed. In responding to the question of measures put in place to prevent a similar case from recurring, the Accounting Officer reported that the department is implementing Safetyweb which has been introduced by Treasury with a view to curb the changing of banking details.

4.1 Recommendations

The Committee recommends that the House must resolve that;

- (i) The Accounting Officer must ensure that Safetyweb is effectively implemented to prevent the matter from recurring.
- (ii) The Accounting Officer must furnish the Committee with the letters of dismissal which were issued to the affected officials.

5. 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 October 2016 and on a quarterly basis afterwards.

6. 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
Select Committee on Public Accounts
Mpumalanga Provincial Legislature

11 / 08 / 2016

Date