



## **REPORT 08 OF 2016**

### **SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 4<sup>TH</sup> MPUMALANGA PROVINCIAL LEGISLATURE; MPUMALANGA REGIONAL TRAINING TRUST**

#### **1. INTRODUCTION**

The Select Committee on Public Accounts (SCOPA) examined the annual report of the Office of the Premier, which includes the financial statements, report of the Auditor-General, report of the Accounting Officer and performance information for the financial year 2014/15.

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

This transparent process of engagement is aimed at assisting and guiding the department on areas that require improvement and monitoring.

The Committee discharged its mandate of ensuring prudent financial management over the report of the department.

#### **2. COMMITTEE PROCEDURE**

The Committee met on 26 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 of the Entity and the delegation responded to various questions posed by the Committee during the hearing.

### **3. COMMITTEE FINDINGS AND RECOMMENDATIONS**

#### **3.1 EMPHASIS OF MATTERS**

##### **3.1.1. MATERIAL IMPAIRMENT**

The Committee noted that Auditor General reported that in the Financial Statements the entity raised a provision for debt impairment amounting to R2 440 534 (2014: R2 813 732) on trade receivables as the recoverability of this amounts is doubtful. The Committee asked whether steps were put in place to ensure that material impairment is combated. The Accounting Officer indicated that the Entities management has made several interventions in applying its Credit Control Policy by writing letters of demand to its debtors, the management applied the prudence concept by impairing debtors after thorough analysis of the individuals debtors list that the Entity considered doubtful in addition the entity further obtained Board approval to write off bad debts that were deemed irrecoverable.

The Committee asked if the entity has strategies in place to combat the challenge. The Accounting Officer indicated that the Board in conjunction with management are working together to leverage additional external funding that would subsidise learner tuition thereby reducing the doubtful debts in the entitles debtors books.

##### **3.1.1 RECOMMENDATION**

The Committee recommended that the House resolve that:

- (i) The Accounting Officer must provide a progress report on progress made to source funding to subsidies learners
- (ii) The Accounting Officer must ensure implementation of MRTT debt management policy.

#### **3.2 ACHIEVEMENT OF PLANNED TARGERT**

The Committee noted that the Auditor General reported that the Entity achieved 61 targets out of the 71 that were planned and this equals to 81% performance. The Committee requested the Accounting to indicate the hindrances that make the entity fail

to achieve all planned targets especially in programme 2. The Accounting Officer indicated that the specified targets could not be achieved because some of the registered learners dropped out of the training programme due to finding employment, death and other personal reasons. The renewal process of accreditation of the trade test centre required compliance audit by the relevant SETA and National Artisan Moderation Body (NAMB) took longer than anticipated. A further challenge experienced was the late commencement of the programme due to unresolved matters with the training provider.

The Committee further raised a concern whether the staff component relevantly qualified to execute the function. The Accounting Officer indicated that the staff is relevantly qualified to execute the task as they are artisans and correctly placed furthermore most of them are registered Assessors and Moderators linked to the relevant SETA's. The Committee also wanted to know on what support is management giving to the programme so that they achieve all the planned targeted. The Accounting officer indicated that the Management is giving support in sourcing more learners through other entities and means in order to meet the targets. The Management has also forged relationships with other stakeholders to sponsor in the forms of bursaries and grants certain types of training in programme 2.

### **3.2.1 RECOMMENDATION**

The Committee recommended that the House resolve that:

- (i) The Accounting Officer must ensure that all planned targets as contained in the Annual Performance Plan are achieved.
- (ii) The Accounting Officer must ensure that realistic and achievable targets are set and consider taking actions against individuals who have bridged their contract with the Entity.

### **3.3 COMPLIANCE WITH LEGISLATION**

The Committee noted that the Auditor General reported that the financial statements submitted for auditing were not prepared in accordance with the financial reporting framework, as required by section 55 (1)(b) of the PFMA. Material misstatements of

non-current assets, current assets, liabilities, and revenue, expenditure and disclosure items identified by the auditors in the financial statements were subsequently corrected and the supporting records provided, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion. The Committee raised a concern on why the Accounting Officer failed to prepare the Annual Financial Statements in accordance with the financial reporting framework. The Accounting Officer indicated that the failure to comply to prepare financial statements in accordance with the financial reporting framework was a result of an oversight and/or omission accompanied by inadequate independent reviews.

The Committee also asked the Accounting Officer to elaborate on the strategies put in place to ensure that there is improvement. The Accounting Officer indicated that the entity will engage services of independent reviews outside the entity after internal reviews have taken place.

The Committee further noted that the entity did not update the list of prospective suppliers at least quarterly to include new suppliers that qualify for listings as required by paragraph 5.2 of Practice note no. 8 of 2007/08. The Committee further asked why the entity failed to observe the best practice and comply with procurement legislation and regulations. The Accounting Officer indicated that the Management interpreted National Treasury Practice Note No.8 of 2007/8 which indicate that "the accounting authority should at least once a year, through local representative newspapers or by any other means, invite prospective suppliers to apply for evaluation and listing as prospective suppliers. The list should be updated at least quarterly in order to accommodate especially newly established black owned and empowered businesses and other newly established HDI suppliers" Hence the entity used emails to invite prospective suppliers to be included in its supplier database as one of other means prescribed by practice note.

The Committee raised a concern whether the procurement Officers are aware of the guidance to best practice that is available as well as the applicable laws and

regulations. The Accounting Officer highlighted that the Procurement Officers are aware of the guidance to best practice that are available. The Committee further asked whether there are strategies put in place to mitigate the non-achievement. The Accounting Officer indicated that the entity has advertised through national newspaper, Sowetan dated 19 June 2015 inviting the prospective suppliers to be listed on MRTT database.

The Committee further noted that the entity did not update the list of prospective suppliers at least quarterly to include new suppliers that qualify for listings as required by paragraph 5.2 of Practice note no. 8 of 2007/08. The Committee asked the Accounting Officer to inform the Committee why it was unable to update the database on a quarterly basis as required by paragraph 5.2 of the Practice note no. 8 of 2007/08. The Accounting Officer indicated that the The entity was unable to update the database on a quarterly basis as required by paragraph 5.2 of the Practice note no. 8 of 2007/08 due to Management oversight and/or omission. The Management also interpret National Treasury Practice Note No. 8 of 2007/08.

The Committee asked why the management failed to monitor the activities of procurement officers and review the procurement record the non-compliance. The Accounting Officer indicated that the Management did not update the database on a quarterly basis due to oversight and/or omission and also due to the interpretation of paragraph 5.2 of the Practice note no.8 of 2007/08

### **3.3.1 RECOMMENDATION**

The Committee recommended that the House resolve that:

- (i) The Accounting Officer must take action against the officials who failed to update the database on a quarterly basis as required by paragraph 5.2 of the Practice note no. 8 of 2007/08

### **3.4. EXPENDITURE MANAGEMENT**

The Committee noted that the Auditor General reported that the Accounting Authority did not take effective steps to prevent irregular expenditure, as required by Section 51(1)(b)(ii) of the PFMA. The Committee asked why the Accounting Authority contravene section 51(1)(b)(ii) of the PFMA. The Accounting Officer indicated that the Management did take effective steps with regards to mitigating the occurrence of irregular expenditure; however, circumstances beyond its control resulted in the irregular expenditure, that is, when Ekandustria property was transferred to MEGA from MRTT, MEGA stopped sending invoices for assessment rates. However, after few months, MRTT started receiving invoices for assessment rates. The challenge arose from delays in administrations of the transferor (MRTT) to the transferee (MEGA), that is, conveyancing matters.

#### **3.4.1 UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

The Committee noted that an Irregular Expenditure amounting R128 135 000.00 was incurred 2014/15 financial year. The Committee requested the Accounting Officer to explain why the irregular expenditure of R128 135 000 was incurred. The Accounting Officer indicated that the entity took effective steps by setting up Bid Committees (Bid specification, Bid Evaluation and Bid Adjudication Committees), this was done in order to conduct a fair, transparent and equitable competitive bidding processes. However, the bid evaluation committee performed its function in evaluating bids for the provision of legal services and unwittingly used different rates (court tariffs vis-a-vis South African Law Society) than what was prescribe in the tender advertisement.

The Bid Adjudication Committee noted marked discrepancies in the bid evaluation and the decided not to place any reliance on the work and recommendations made by the Bid Evaluation Committee

The Committee asked the Entity to provide a progress report on the investigations conducted on irregular expenditure as it incurred 2014/15 financial year. The Accounting Officer indicated the entity did not conduct any investigation on irregular

expenditure incurred in 2014/15 financial year since it was viewed as a correction by the Bid Adjudication Committee on the work done by the Bid Evaluation Committee.

The Committee further asked the Accounting Officer to indicate how much did the entity recover from losses emanation from the irregular expenditure incurred as per the Treasury Regulation 9.1.4. The Accounting Officer indicated that the Entity did not recover any losses from the irregular expenditure as this was viewed as a correction by the Bid Adjudication Committee on the work done by the Bid Evaluation Committee taking into account the circumstances of the transgression.

The Committee could not accept the explanation given by the board and was unable to assess whether the tariffs used were exorbitant. Consequently the committee was advised to source the statement of account or bill of cost per case to conduct its own assessment or subject each bill to taxation.

#### **3.4.1 RECOMMENDATION**

The Committee recommended that the House resolve that:

- (i) The Board must take disciplinary action against any official(s) who caused MRTT to incur R128 135 000.00
- (ii) The Board must submit a detailed report breaking down the R128 135 000 per case and statement of account from the attorneys to the 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 entity.

**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 September 2016 and thereafter on quarterly basis.**

## 5. ADOPTION OF THE REPORT

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



**HON. SI MALAZA  
CHAIRPERSON  
SELECT COMMITTEE ON PUBLIC ACCOUNTS**

11 / 08 / 2016  
DATE