



REPORT 6 OF 2015
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
DEPARTMENT OF SOCIAL DEVELOPMENT (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 Social Development; 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.

3. COMMITTEE PROCEDURES

The Committee met on 17 February 2015 to deliberate on the above reports and considered the report on 18 March 2015. Meetings of the Committee are 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 and Accounting Officer led a delegation representing the department.

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

| Number | RESOLUTION | PROGRESS REPORTED | STATUS |
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| 3.1 | (i). The Accounting Officer must institutionalize a process of validating report information on predetermined objectives through conducting quarterly review sessions. | Workshops on data information flow were conducted with all sub-districts and districts information officers and the challenges have so far been addressed. In the 2012/2013 performance information audit findings it was found that the information reported was reliable and accurate. | Closed |
| | (ii) The Accounting Officer must develop system and mechanism that will ensure that targets of the Department are Specific, Measurable, Reliable and Time-bound and aligned to both the Budget and the Budget adjustment in relation to the Treasury Framework on Strategic and Annual Performance Plans. | For the 2012/2013 planning processes the department adopted the bottom up pre-planning approach in order to develop targets which are evidence based and supported by baseline and demographic information per sub-district. | Closed |
| | (iii) The Executive Authority must monitor and ensure that the Accounting Officer achieve all targets especially in Programme 2 as it is the core mandate of the Department. | Monitoring and Evaluation has since been improved through the enforcement of signing off evidence submitted for verification. Monthly verifications are now conducted at district level in order to detect areas of improvement early before end of the quarter. The Executive Authority also interrogates information during the quarterly review sessions which she attends. | Ongoing |

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| 3.2 | (i) The Executive Authority must not approve any request from officials to do business with the State Institutions as announced by the Premier during the State of The Province Address 2013. | No approval has been granted to officials to do business with the State. | Closed |
| | (ii)The Accounting Officer must review; assess and analyse all approvals of officials approved to do business with the State Institutions and submit the report to the Committee. | Currently there is no official having approval to do business with the State Institutions. | Closed |
| | (iii) Currently there is no official having approval to do business with the State Institutions. The Accounting Officer must take disciplinary steps and recover funds from officials doing business with government without approval and submit a report to the Committee. | <p><u>Disciplinary processes:</u> Of the 2010/11 cases final written warnings were issued.</p> <p>Of the 2011/12 cases, intention to charge has been served to all 14 officials and the following responses have been received:</p> <ul style="list-style-type: none"> • 1 Official was not appointed by the Department then when the business was conducted. • 1 official denies being linked to the said business entity (verification done). • Charges have been served against the other 12 employees and final sanctions were written warning. <p><u>Recovery processes</u></p> <p>For 2010/11 nine (9) referrals were made to State Attorney and the progress is as follows:</p> <ul style="list-style-type: none"> • Two cases were found to be invalid and are now closed; • One case - State Attorney | Ongoing |

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| | | <p>is preparing issuing of summons after official defaulted on payment arrangement between the employee and State Attorney ;</p> <ul style="list-style-type: none"> • One case has been recommended for writing off as the amount involved is uneconomical to recover through litigation. Matter to be closed. • The remaining cases are possibly prescribed; however, State Attorney is in the process of soliciting payments. Await latest progress report and/or written opinion on prescription from State Attorney. <p>For 2011/12 fourteen (14) cases (employees did business with other government departments. Recovery process against officials is in progress.</p> <ul style="list-style-type: none"> • Two cases were found to be invalid and are now closed; • Four cases awaiting business transactions from relevant departments <p>Eight cases – litigation process has commenced by the State Attorney</p> | |
| 3.3. | <p>(i) The Executive Authority must take steps against the Accounting Officer for non-compliance with section 38(a) of the PFMA.</p> <p>(ii) The Accounting Officer must strengthen the Internal Audit Unit to be able to perform duties as required by Treasury Regulation 3.2.11 (e).</p> | <p>Should the Accounting Officer be found not complying with section 38(a) of the PFMA, actions will be taken.</p> <p>All posts within the Internal Audit Unit have been filled. Over and above the full complement, the Unit has also been strengthened with two Interns.</p> | <p>Ongoing</p> <p>Ongoing</p> |

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| | | Capacity development is carried out by way of training offered by the Institute of Internal Auditors, SAIGA, ACFE, National and Provincial Treasury. | |
| | (iii). The Executive Authority must ensure that the Accounting Officer implements the measures she outlined to the Committee to prevent this finding from recurring. | The Executive Authority ensures that the Accounting Officer implements the measures, through the monitoring of the implementation of the Audit Action Plan quarterly. | On-going |
| 3.4 | (i) The Executive Authority must ensure that the Accounting Officer implement all House Resolutions relating to this findings emanating from previous reports and the current measures put in place to avoid this finding from recurring. | The Executive Authority ensures that the Accounting Officer exercise oversight responsibility in ensuring that compliance with the related internal controls is adhered to. (through IYM and quarterly reviews). | Ongoing |
| | (ii) The Accounting Officer must ensure that there are adequate measures put in place to guarantee that all source documents are acceptable for audit purposes. | Signing off of validity form has been developed to ensure quality and ownership of reported information. The process ensures that documents submitted to AG are of good quality. | On-going |
| 3.5 | (i) The Unauthorized expenditure amounting R1 855 000.00 is condoned without funding. | The unauthorized expenditure was cleared utilizing savings realized from the budget of 2012/13 financial year. | Closed |
| 3.6. | (i) The Accounting Officer must ensure that the Internal Audit Unit is at all times adequately capacitated to execute its responsibilities. | Capacity development is carried out by way of training offered by the Institute of Internal Auditors, SAIGA, ACFE, National and Provincial Treasury. All posts within the Internal Audit Unit have been filled. | Ongoing |
| | (ii) The Accounting Officer must ensure that all recommendations of the Audit Committee are adequately implemented | The Accounting Officer sits in quarterly Audit Committee meetings and ensures that issues raised in previous meetings are addressed before the next Audit Committee meeting. Progress on | Ongoing |

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| | | recommendations is presented on a quarterly basis to the Audit Committee | |
| 3.7 | (i) The Accounting Officer must develop a turnaround strategy to manage and avoid contingent liabilities. | <p>The department has developed a data base of cases and contracts to manage contingent liabilities, and has further put Committees in place, such as the Accident, Damages, Theft, and Losses Committee as well as Risk Management to minimize risks leading to contingent liabilities (litigation).</p> <p>Disciplinary steps are taken against the officials found to be negligent in the motor vehicle accidents with a view to recover the loss.</p> <p>SASSA cases have no recurring effect against the Department since SASSA itself is entrusted with the administration of social security matter (social grants)</p> | Ongoing |
| | (ii) The Accounting Officer must take steps against officials who negligently led the Department to a breach of contract. | <p>The department has developed a data base of existing contracts in order to keep constant monitoring and compliance thereof.</p> <p>Currently all cases on alleged breach of contract have no element of negligent on the part of employees, and therefore, there is a possibility of concluding these cases without any financial implication on the part of the department (invalid claims). However, should the department establish element of negligence disciplinary steps will be taken with a view to recover the loss.</p> | Closed |
| | (iii) The Accounting Officer must review, assess and analyse every accident involving | The department has established Accident, Damages, Theft and Losses Committee which sits on | Ongoing |

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| | <p>State Vehicle belonging to the involving State Vehicle belonging to the Department and present the report to the Committee.</p> <p>(iv) The Accounting Officer must review, assess and analyse each of the 32 cases with financial implications and submit a comprehensive report to the Committee.</p> | <p>regular basis to review, assess and analyse accidents. Where possible disciplinary steps are taken against the officials and/or recovery process against third parties is pursued</p> <p>The accounting officer refers cases to Legal Unit for third party claims, Labour Relations for disciplinary enquiry and closing the case where there is no proof of negligence on the part of the government official.</p> <p>The department has a data of all cases which reflects progress on each case.</p> <p>The Accounting Officer must review, assess and analyse each of the 32 cases with financial implications and submit a comprehensive report to the Committee.</p> | Ongoing |
| 3.8 | (i) The Accounting Officer ensures that budget reprioritization does not affect the Annual Performance Plan and core service delivery indicators of the Department. | The Department agrees and has ring-fenced priority funding allocated for transfer to NPOs. | Closed |

4. COMMITTEE FINDINGS AND RECOMMENDATIONS

4.1 ACHIEVEMENT OF THE PLANNED TARGETS

The Accounting Officer indicated that the department managed to achieve 75% of its planned targets which is an improvement from the previous financial year which was 72%. The Auditor General sampled programme 2 which deals with the core functions of the department out of the three programmes. There was a 56.7% achievement on planned targets, failing to meet the 100% norm by 43.3%.

The Committee enquired on the impact on service delivery caused by this under-achievement of targets. In response, the Accounting officer indicated that there were cases of non-achievement of targets reflect to clients who have been delayed access to services e.g. children not placed in foster care. The Accounting Officer further indicated that the other factor which has led to the non-achievements of targets was due non-payment of NPOs directly impact on the service provided to communities.

The Committee was also informed that it is also an attempt by the Department to mitigate elements of corruption and the provision of sub-standard service. The department acknowledged the comment made by the Committee and indicated that 25% have a negative impact on service delivery.

4.1.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must ensure that the department achieve all targets contained in the approved Annual Performance Plan.
- (ii) The Accounting Officer must ensure that the department assist NPO's to meet all requirements and/or conditions for transfers.

4.2. OFFICIALS DOING BUSINESS WITH GOVERNMENT

The Department reported that the 2010/11 and 2011/12 disciplinary cases were all closed and that was due to the age of the transactions the State Attorney decided to close the cases. This was after the State Attorney tried to recover money from the officials concerned.

The Committee noted with concern that disciplinary actions were not taken against officials who were doing business with the department whilst working in other government departments. The Department indicated that they have consulted with the state attorneys so that money can be recovered and there should be a determination on what profit did the service provider accumulate before they can persue individual cases.

The department indicated that it use PERSAL system to verify whether prospective service providers are not government employees. It was further indicated that the Department gave notices to employees that they have been doing business with government and provide evidence thereof.

4.2.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must take disciplinary action against officials who are found doing business with the department and other state organs without approval to conduct remunerative work outside their employment in the public service

4.3 INTERNAL AUDIT UNIT

The Department indicated that Executive Authority continues to ensure that the Accounting Officer exercise oversight responsibility in the Internal Control function and monitor compliance with internal controls in the department.

The Accounting Officer ensured the Committee that training was provided to capacitate officials in the internal audit function. The training will continue to be provided on annual basis.

4.3.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must ensure that the Internal Audit function operates with adequate capacity.

4.4 EXPENDITURE MANAGEMENT

The Department indicated that in the 2014/15 financial year is to spend the whole allocated budget on infrastructure and the plan thereof was distributed to Committee.

The Committee wanted to know why the department was using consultants to address infrastructure delivery challenges and why the department is not considering employing their own engineer that will look into their project, to give a proper guidance and advice.

The Accounting Officer indicated that they have appointed a deputy director in January 2015 who is qualified in infrastructure industry, she monitors and interpret the work that is done by the implementing agency and also assist the Department with maintenance plan on infrastructure.

The Committee wanted to know on how much was requested for roll over by the department during the year under review. The CFO indicated that the amount that was requested is **R11 million** largely for the project that were on implementation stage and the department had delayed in completing the project on time. It was also indicated that the delay on infrastructure had impact on service delivery because the department had a challenge of office accommodation, it was further mentioned that the department had absorbed 50 social workers and they will be absorbing 80 in the next financial year 2015/16 with a challenge of office accommodation.

4.4.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must minimise the use of consultants and build internal capacity for infrastructure and project management.
- (ii) The Executive Authority must in future hold the Accounting Office accountable for failure to complete infrastructure projects on time.

4.5 PERFORMANCE MANAGEMENT PROCESS

The Department indicated that it has developed and implemented the performance information process flow which indicates responsibilities from lower branch offices to Provincial office. It was also mentioned that each level was required to sign off on performance reports and means of verification before it gets to the next level.

The Department has further reported that it will improve the performance management system and will continuously strengthen the following:

- Monthly verification on performance information
- Quarterly reviews where managers account to the MEC on performance
- Individual performance assessments that emphasize accountability with supporting evidence
- Introduction of special management meetings to fast track review and management of policies.
- Introduction of priority areas as standing items for reporting progress in management meetings. For example NPOs and Foster care.
- Strengthen supervision of performance management at all levels.
- Improve quality assurance measures on performance information management

The Committee needed explanation on the statement made by the Department that managers were accounting to the MEC on quarterly basis. The Department acknowledged that the statement was incorrect because managers report to the senior managers not to the MEC.

4.5.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (iii) The Accounting Officer must convene performance review session on quarterly basis.

4.6 COMPENSATION OF EMPLOYEES

The Department indicated that an amount of **R36.671 million** was unspent mainly on the budget allocation on Compensation of Employees, Transfers and Subsidies, and Payment for Capital Assets.

The Committee wanted to know why the Department had advertised vacant critical post in December 2013 and why appointment letters were issued in March while the posts were filled in April. The Accounting Office indicated that there were people that left the Department and advertisement budget for external adverts was exhausted hence they advertised in December 2013. It was also indicated that some of the appointed officials could not start in March 2013 because they had to serve notices as required.

The under expenditure on Compensation of Employees was due to vacant funded posts were not filled in the year under review and positions were advertised in December 2013. The Committee was further informed that 67 (sixty seven) positions were advertised, of which only 8 (eight) posts were filled by 31 March 2014. The remaining 54 (fifty four) post were filled from April 2014 although appointment letters were issued in March 2014 to internal candidates. The Committee was told that some of the appointed officials could not start on time because they had to serve notices.

The Committee enquired as to whether the position of the CFO is filled and whether the current CFO within the department is still acting. The Accounting Officer indicated that the CFO is still acting and they were instructed by the DG that they should re-advertise the post because the matter was presented late to the Executive Council. The Accounting Officer reported that the position of the CFO and a Senior Manager planning and monitoring will be filled before the end of financial year 2014/15.

4.6.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must fill all vacant critical funded before the end of the current financial year 2014/15 in particular the position of the CFO and a Senior Manager planning and monitoring, and provide the progress thereof to the Committee not later than 30 March 2015.
- (ii) The Accounting Officer must ensure critical funded post are filled on time to avoid under expenditure on compensation of employees

4.7 SUPPLY CHAIN MANAGEMENT

The Department indicated it will continue to annually review the composition of supply chain management committees namely; bid specification committee, bid evaluation committee and bid adjudication committee. The Committee appreciated that the department was rotating the staff in the supply chain management and that the department should continue with such practise because it minimizes conflict of interest.

The Accounting Officer further indicated that they have rotated staff within the supply chain management and also did that in their regional offices. The Committee was also informed that the Department has ensured that proper hand over is done correctly within the supply chain unit.

4.7.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must ensure that department operates with adequate capacity on Supply Chain Management.

4.8 PAYMENTS OF SERVICE PROVIDERS WITHIN 30 DAYS

The Committee enquired whether the department pays their service providers within 30 days as required by Treasury Regulation 8.2.3. The Department indicated that in some instances invoices are not received on time. The department committed to strive to pay service providers on time despite the challenges.

4.8.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must ensure that service providers are paid within 30 days after receipt of invoice
- (ii) The Accounting Officer must ensure that all invoices are date stamped on receipt as a control measure.

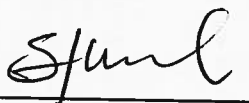
6. CONCLUSION

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 Social Development.

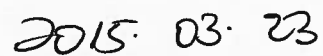
Unless specified differently, progress on all resolutions must be submitted to the Committee by 29 May 2015 and on a quarterly basis afterwards.

7. ADOPTION

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



Hon. Si Malaza
Chairperson
Select Committee on Public Accounts
Mpumalanga Provincial Legislature



Date