



**REPORT 10 OF 2013**  
**SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 4<sup>TH</sup> MPUMALANGA PROVINCIAL LEGISLATURE:**  
**DEPARTMENT OF CULTURE, SPORT AND RECREATION (2011/12)**

## **1. INTRODUCTION**

The Select Committee on Public Accounts (SCOPA) hereinafter referred to as a Committee, examined the annual report of the Department of Culture, Sport and Recreation; 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 06 February 2013 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 responded to questions posed by the Committee.

## **3. COMMITTEE FINDINGS AND RECOMENDATIONS**

### **3.1. MATERIAL UNDERSPENDING OF THE BUDGET AND CONDITIONAL GRANT**

The Committee noted that the Auditor General has reported that the Department materially underspent its budget by R 3 976 000.00 as well as R 4 397 000.00 for the community library conditional grant. The Committee further noted that the financial statements of the Department has reported under-spending of R 3 975 000.00 and accruals amounting to R 27 452 000.00.

The Committee wanted the Department to provide a detailed explanation in relation to the above finding and provide the Committee with compelling reasons for the under spending in its budget as well as the impact of the under-spending on the budget on the overall performance of the Department. In addition the Committee wanted the measures that the Accounting Officer has put in place to prevent future recurrence of this finding.

The Department indicated that the actual under-spending of the Department for the 2011/12 financial period was R3 975 000.00 while the under-spending on the library conditional grant was R 3 899 000.00. The Department indicated that the under-spending was a result of the construction of libraries that could not be completed, transfers and subsidies within Arts and Culture and high Altitude Sport Centre.

The Department further broke-down the under-spending indicating that R110 000.00 was under-expenditure on cultural affairs, R3 573 000.00 was under-expenditure on library and archives whereas R 292 000.00 was on Sport and Recreation to the surplus in the High Altitude Sport Centre.

In responding to the Committee's question on why has the Department under-spent its budget while accruing more. The Department indicated that it has underspent its budget on conditional grant and equitable share and could not offset its accruals with conditional grants as the legislations prohibit such practice. The Department further indicated that only the Library Services were affected by the under-spending on its budget due to slow progress in library infrastructure as three libraries were not completed.

On the measures taken to prevent this finding from recurring in the future, the Accounting Officer indicated to the Committee that the overall monitoring of infrastructure projects has been elevated to various committees such as the Premier's

Infrastructure Coordinating Committee, one-on-one meetings with the Department of Public Works, Roads and Transport. The Accounting Officer further indicated that the Department has appointed an infrastructure monitoring specialist to advise and monitor projects of the Department.

### **3.1.1 RECOMMENDATIONS**

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must ensure that the budget and grant allocated to the department is fully spent in line with the Annual Performance Plan.
- (ii) The Accounting Officer must develop systems or tools to prevent accruals and submit proof of such a tool or system to the Committee.
- (iii) The Accounting Officer must ensure that infrastructure projects of the Department are completed within the stipulated times in the Service Level Agreement.

### **3.2 PAYABLES**

The Committee noted that the Auditor General has reported that payables amounting to R 25 040 000.00 could not be paid within 30 days as per the Treasury Regulations of the PFMA. The Committee further noted that if all payments were to be made, R21 065 000.00 would have been unauthorised expenditure as it would have exceeded the voted funds.

The Committee was concerned that the Accounting Officer had contravened section 38(1) (f) of the PFMA and Treasury Regulation 8.2.3, section 38(1) (b) and Treasury Regulation 8.1.1. The Committee, therefore, wanted to know how the Department intends to deal with its accruals.

The Department indicated that the non-compliance with the above sections was unavoidable due to the Archives Building budget shortfalls that could not be funded by the Provincial Treasury allocations. However, the Accounting Officer indicated that she has used platforms such as Budget and Finance Committee, Provincial Treasury, Provincial Executive Lekgotla, Portfolio Committee on Education, Culture, Sport and

Recreation and the Premier to register the budget pressure on the Archive Building but all these platforms could not help the Department to deal with the budget shortfall.

The Accounting Officer indicated that, in dealing with the Department's accruals, she has reprioritized the planned output for the 2012/13 financial year. The Accounting Officer further indicated that the accruals for the Archives Building has been settled through allocation by the Provincial Treasury during budget adjustment in the 2012/13 financial year.

The Accounting Officer indicated that to prevent this finding from recurring it had put measures to ensure that all programmes adhere to their implementation plans and continuous monitoring through dedicated personnel appointed for programme monitoring.

### **3.2.1 RECOMMENDATIONS**

The Committee recommends the House to resolve that:

- (i) The Executive Authority must ensure that Cabinet address the shortfall as a result of the escalation of the archives building and close this matter; proof of action taken must be submitted to the Committee.
- (ii) The Accounting Officer must ensure that there are proper systems and tools to enable the department to pay creditors within 30 days. Proof of these systems or tools must be submitted to the Committee

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### **3.3 ADDITIONAL MATTERS (SUPPLEMENTARY INFORMATION)**

The Committee noted that the Auditor General has reported that information provided on pages 147 to 153 was not clearly differentiated from the Audited Financial Statements.

The Department indicated that the supplementary information was submitted using a National Treasury format which was prescribed for the Department.

### **3.3.1 RECOMMENDATIONS**

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must ensure that its information is clearly differentiated from the Audited Financial Statements.

### **3.4 ANNUAL FINANCIAL STATEMENTS, EXPENDITURE MANAGEMENT, ASSETS AND LIABILITIES MANAGEMENT**

The Committee noted that the Auditor General has reported non-compliance with laws and regulations relating to material misstatement of the financial statement, contravention of section 38(2) of the PFMA, irregular, unauthorised, fruitless and wasteful expenditure as well as contravention of section 38(1)(f) of the PFMA and Treasury Regulation 8.2.3

The Committee was greatly concerned that the Accounting Officer has failed to comply with section 40(1) (c) (i) (ii) of the PFMA. The Committee wanted accountability on the action taken against officials who failed to present proper financial statements.

The Accounting officer indicated that the Annual Financial Statements were submitted timeously; however; the Audit Process not the internal controls of the Department, has picked up mistakes that were corrected by management immediately after they were identified. The Accounting officer further indicated that the CFO as the leader of the financial team was held responsible for failure to present proper financial statements. In addition to this failure, the Accounting officer further indicated that this was viewed as a serious misconduct hence the CFO was redeployed within the department and the CFO's position has been advertised and that capacity building is planned for the team that will, in future, be in charge with the responsibility of compiling Annual Financial Statements.

The Committee was of the view that the actions taken by the Accounting officer was not equivalent to the misconduct. The Committee was also concerned about the training level achieved by the financial team of the Department.

The Accounting Officer conceded that the action taken was not sufficient but the department chose to use corrective measures as opposed to punitive measures. The Department further indicated that the skilling of the finance team is on-going.

The Committee was further concerned that the Accounting Officer has committed R 1 282 500.00 which was not appropriated to the Department by the Legislature thus contravening section 38 (2) of the PFMA. The Committee wanted the Accounting Officer to indicate measures which have been taken to ensure that in future the Accounting Officer will not commit funds that have not been appropriated by the Legislature.

The Accounting Officer has indicated that the budget was for the cultural hub inherited from the Department of Economic Development, Environment and Tourism (DEDET). The Department had earlier budgeted R2 000 000.00 for the project. However, DEDET had already incurred liabilities of R 1 282 500.00 which the Department had committed to settle as a result of announcements in the State of the Province Address. The Accounting officer further indicated that the Department will ensure that all due processes on procurement are followed before a project can be accepted and implemented from any government agent.

The Committee was of the view that if the Accounting Officer understood the PFMA, she would have not committed this contravention because the PFMA is clear that any project transferred from one Department to the other must be accompanied by its corresponding budget, so this projects transferred from DEDET to the Department should have been accompanied by the corresponding budget or funds.

The Committee further indicated that the commitment of funds not allocated resulted in unauthorised expenditure and required the Accounting Officer to explain the failure to prevent unauthorised expenditure as required by section 38 (1) (b) of the PFMA and Treasury Regulation 9.1.1. The Committee further wanted to know if the Accounting Officer has reported this unauthorised expenditure to the Executive Authority and the Provincial Treasury.

The Accounting Officer indicated that the Department budgeted and included the project in the Annual Performance Plan for 2011/12 however the three sector strategies were not budgeted for by the Department and such a debt has been acknowledged by DEDET who have committed to refund the Department. In addition, the Accounting Officer indicated that the unauthorised expenditure has been reported both to the executive Authority and the Provincial Treasury.

The Accounting Officer further indicated that the R 13 780 000.00 which incurred has been dealt with as R 10 646 000.00 was settled because R 1 406 000.00 was condoned without funding and R 9 240 000.00 was recovered from Free State, KwaZulu Natal and CoGTA Mpumalanga. The Accounting Officer further indicated that R4 417 000.00 is still waiting Condonment from the Committee.

### **3.4.1 RECOMMENDATIONS**

The Committee recommends the House to resolve that:

- (i) The unauthorised expenditure amounting R4 417 000.00 be condoned without funding.

### **3.5 HUMAN RESOURCE MANAGEMENT**

The Committee has found that the Auditor General has reported that leave were not accurately recorded, overtime in excess of 30% of monthly salaries, employees acting for more than 12 months and funded vacant posts not more than 12 months.

The Committee wanted the Accounting Officer to indicate why she has failed to ensure that all leave taken by employees are well recorded as per the Public Service Regulation 1/v/f (b).

The Accounting Officer indicated that leave taken by employees are supposed to be recorded within the period they are taken. However their investigation revealed that officials did not capture the leave forms in time. In the meantime, the accounting officer asserted that, several workshops are conducted to strengthen awareness and management of leave in the department. The Accounting Officer, in addition, indicated

that 96 officials were affected but the department will ensure that administration of leave forms will be centralised to line managers; capturing of leave forms to be done as the leave form is received; verification and conciliation of leave will be done on a monthly basis. The Accounting Officer indicated that three officials who failed to keep the accurate records have been given written warnings.

The Committee further noted that the Accounting officer approve overtime in excess of the 30% of monthly salary. The Committee believes that overtime must be managed well to avoid fatigue of employees and other problems related to overworking.

The Accounting Officer indicated nine employees were granted overtime over the 30% monthly salary. In order to prevent this finding from recurring, the Accounting Officer indicated that corrective measures have been put in place which includes: Managers are instructed not to recommend overtime more than 30% of the monthly salary; The activation of the system that bars officials from claiming overtime in excess of 30% of the monthly salary;

### **3.5.1 RECOMMENDATIONS**

The Committee recommends the House to resolve that:

- (i) Accounting Officer takes actions against managers who recommend overtime for officials above 30% of their monthly salaries as this is prohibited by the Public Service Act.
- (ii) The Accounting Officer must ensure that there are proper controls that will enable the Department to ensure that no official is acting in a position more than what the prescripts have determined.
- (iii) The Accounting Officer must ensure that there are proper internal controls to ensure the correct and timely capturing of leave forms, such controls must be provided to the Committee.
- (iv) The Accounting Officer must ensure that leave is approved in line with the prescripts governing leave of officials.

### **3.6. PROCUREMENT AND CONTRACT MANAGEMENT**

The Committee has found that the Auditor General has reported on procured goods below R 500 000.00 without the required price quotations and procured goods and services above R 500 000.00 without inviting bidders as well as awarding contracts to bidders who did not submit SBD4 form and failure to provide evidence to verify whether the preference point system had been applied in procurement of goods and services above R 30 000.00.

The Accounting Officer, in response indicated that she contravene treasury regulation 16A6.1 by using SCM practice note 8 of 2007/08, section 3.3.3. The reasons for deviation, as per the response of the Accounting Officer, were the nature of the project, the other procurement is a SITA rendered service and the procurement followed the SITA procedures by choosing from SITA registered companies.

In relation to the bidders awarded contracts without SBD4 form, the Accounting Officer indicated that the form prescribed by Treasury Regulation 16A8.3 that was applied made it applicable to fill the form for bids R500 000.00 and above. The Accounting Officer asserted that, in order to prevent this finding from recurring the department has developed a business plan which assists officials to plan in advance in the execution of their programmes.

The Committee was of the opinion that the Accounting Officer should have taken action against officials who presided over this finding. But the Accounting Officer indicated that no action has been taken against any officials because according to the Accounting Officer, the deviations were approved in terms of SCM Practice note 8 of 2007/2008 section 3.3.3.

### **3.6.1 RECOMMENDATION**

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must obtain three quotations amongst SITA registered service providers and not approach a single service provider.
- (ii) The Accounting Officer must require proof from officials that the market was tested prior to approving any deviation.

### **3.7 TRANSFER OF FUNDS AND CONDITIONAL GRANTS**

The Committee noted that the Auditor General has reported that the Accounting Officer did not maintain appropriate measures to ensure that transfers and subsidies to entities were applied for the intended purposes, as required by Treasury Regulation 8.4.1

The Accounting Officer indicated that two beneficiaries were identified as Govan Mbeki Cultural Forum to the amount of R30 000.00 and the case is pending and Victor Khanye Cultural Forum to the amount of R30 000.00 out of which a case has been finalised and the court ordered Ms Cynthia Dumisile Msibi to pay R 1000 a month starting from 29 August 2012.

The Committee was concerned that this finding was found by the Auditor General having not being identified by the internal controls of the department. The Committee was further concerned about the lack of monitoring of the department to its beneficiaries.

#### **3.7.1 RECOMMENDATIONS**

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must develop mechanism to monitor departmental beneficiaries.
- (ii) The Accounting Officer must ensure that all departmental beneficiaries are trained on financial management
- (iii) The Accounting Officer must report to the Committee the verdict of the case against Govan Mbeki Cultural Forum

### **3.8 LEADERSHIP**

The Committee found that the Auditor General has found that the Accounting Officer failed to exercise oversight responsibility regarding financial and performance management and internal control as well establishing an IT governance framework.

The Accounting Officer indicated that she exercise oversight responsibilities but there areas that needed constant monitoring. The Accounting Officer further indicated that

she has developed systems to improve the area of performance management information and will introduce a dashboard in order to monitor and track compliance with strategic and business plan.

The Accounting Officer further indicated that the Department did not have an IT governance framework because it relies on the centralized service provided by the Provincial Treasury and plan to standardize the national framework during 2013/14 financial year.

### **3.8.1 RECOMMENDATION**

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must develop effective systems to exercise oversight responsibility of the Department.
- (ii) The Accounting Officer must strengthen internal controls.
- (iii) The accounting officer must develop an IT governance framework.

### **3.9 FINANCIAL AND PERFORMANCE MANAGEMENT**

The Committee found that the Auditor General has reported that the Accounting Officer did not implement controls over daily and monthly processing and reconciliation of transactions and that the Accounting Officer did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.

The Committee was concerned that this finding is recurring having been in the previous financial year and wanted to understand what has the Accounting Officer done to implement the House Resolutions relating to this matter.

The Accounting Officer indicated that there is a need to strengthen proper controls and monitoring. The Accounting Officer has since developed a policy to guide the strengthening of controls and monitoring systems. She further indicated that continuous workshops are provided to all officials and will be part of their officials' Performance Agreements.

The Accounting Officer further indicated that this finding has been a problem for the past two years in the department which has resulted in the CFO position being advertised, conducted various capacity building session on financial management to relevant officials, having standing meetings with Audit Committee, incorporating matters of emphasis by the Auditor General into the departmental risk plan.

However, the Committee was of the view that the Accounting Officer should have put measures to improve the departments oversight and ensure that it does not have recurring findings.

### **3.9.1 RECOMMENDATION**

The Committee recommends that the House to resolve that:

- (i) The Accounting Officer must develop systems and mechanisms to implement controls over daily and monthly processing and reconciliation of transactions.
- (ii) The Accounting Officer must ensure that regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information are prepared and provided timeously

### **3.10 VALIDITY, ACCURACY AND COMPLETENESS OF INFORMATION**

The Committee found that the Auditor General has reported that invalidity, inaccuracy and incompleteness of reported performance information relating to 21% of cultural affairs and 30 % of sport and recreation.

The Committee was of the view that the department is not putting enough effort to ensure that its reported performance information is valid, accurate and complete as this has been a finding for the department in the previous financial years.

The Accounting Officer indicated that the evidence supporting the reported performance was not accepted by the Auditor General because it was on DVDs and video. The Accounting Officer used DVDs and Videos to proof accuracy and validity of the information.

The Accounting Officer further indicated that the completeness of the information was because she signed cover pages not all the pages in the documents because of the volume of those documents in question.

### **3.10.1 RECOMMENDATION**

The Committee recommend that the House to resolve that:

- (i) The Accounting Officer must package its portfolio of evidence in an auditable manner in accordance to the Treasury Framework
- (ii) The Accounting Officer must develop a system that will ensure that the reported performance information is valid, accurate and complete.

### **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 Department of Culture, Sport and Recreation.

**Unless specified differently, progress on all resolutions must be submitted to the Committee by the 30 November 2013.**

### **5. ADOPTION**

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

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**Hon. NS Mtsweni**  
**Chairperson**  
**Select Committee on Public Accounts**  
**Mpumalanga Provincial Legislature**

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Date



