



REPORT 3 OF 2015
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
DEPARTMENT PUBLIC WORKS, ROADS AND TRANSPORT (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 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 19 February 2015 to deliberate on the above reports. Meetings of the Committee were open sessions for the public including the media as required by Standing Rule 123 and section 118 (1) (b) of the Constitution of the Republic of South Africa, Act No. 108 of 1996.

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

NO.	RESOLUTION	PROGRESS BY DPWRT BY JANUARY 2014	STATUS
3.1.1	(i) The Accounting Officer must ensure that all planned targets as contained in the Annual Performance Plan are achieved.	The Department endeavors to achieve all planned targets as contained in the APP. However, unforeseen circumstances such as accruals, revision of project lists, labor unrests and inclement weather may result in the Department not achieving 100% of its planned targets. Notwithstanding this, the Department managed to achieve 58% of its planned targets for 2013/14 which was an improvement from the 51% attained in 2012/13.	On-going
	(ii) The Accounting Officer must ensure that realistic and achievable targets are set and consider taking disciplinary actions against individuals who failed to execute their duties effectively and efficiently.	Relevant systems (e.g. RAMS) and evidential information (e.g. baseline information) is used to set realistic and achievable targets that are espoused in the Department's APP. These targets are thereafter translated into key performance areas which form the basis of all individual performance agreements. During prescribed intervals, the PMDS tool is used to assess individual performance against the set targets. However, there is need to enhance accountability by introducing consequent management as advised by the Committee.	On-going
3.2.1	(i) The Executive Authority must consider taking disciplinary actions against the Accounting Officer for failure to ensure that 85% of the reported objectives were consistent with the objectives, as per the approved strategic and annual performance plan as required by Treasury Regulation 5.2.4.	The Accounting Officer indicated that this was due to lack of capacity within the Strategic Planning Unit. A Senior Manager has since been appointed with effect from 01 August 2013. It should further be noted that this finding did not recur in the audit for 2013/14 financial year.	Closed
3.3.1	(i) The Accounting Officer must consider taking disciplinary actions against the officials who contravened section 40 (1) (a) and (b) of the PFMA.	Training has been identified and rolled out to all officials involved in Annual Financial Statements (AFS) compilation or processing of information included in the AFS. Critically, the post of Senior Manager: Financial Accounting has been filled with effect from 01 December 2014.	On-going
	(ii) The Accounting Officer must furnish the Committee with a detailed report of the outcomes of the investigation in progress, with regards to Abomndeni Construction.	The official is employed by the SAPS (South African Police Services). A letter was written to the employer (SAPS) of the implicated official. The matter is currently under investigation and the outcome is still pending from SAPS	On-going
3.4.1	(i) The Executive Authority must consider taking disciplinary actions against the Accounting Officer for failure to settle invoices within 30 days after receipt of each invoice:	The Department managed to pay 99.8% invoices within 30 days of receipt. However the outstanding (0.2%) invoices could not be settled on time due to the verification process that took longer.	On-going

	contravening section 38(1) (f) of the PFMA and Treasury Regulations 8.2.3		
	(ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored to prevent the matter from recurring.	An invoice process flow has since been developed to ensure payment of all invoices within 30 days of receipt. Furthermore, a monthly report of all invoices received and processed is submitted to the Chief Financial Officer, Accounting Officer and to the Provincial Treasury in compliance to Section 38(1) (f) of the PFMA and Treasury Regulation.	Closed
3.5.1	(i) The Accounting Officer must develop and implement measures to prevent irregular, fruitless and wasteful expenditure	The Department will continue to review its internal controls in order to minimize the likelihood of irregularities and wasteful acts. High risk areas have been identified and by looking into these "red flags" will not only detect irregularities; it will prevent them from occurring in the first place because an environment of accountability will have been established. In the event of discovery, irregular expenditures will be reported to Provincial Treasury and disclosed as such in the Annual Financial Statements.	Closed
3.7.1	(i) The Accounting Officer must consider taking disciplinary actions against officials in Human Resource Management who failed to verify qualifications as required by PSR 1/VII/D1.8 in the 2012/13 financial year.	The Human Resource Management Unit currently verifies qualifications of all shortlisted candidates. However, the Department will engage the relevant external agencies responsible for criminal record checks to improve their turnaround time. Notwithstanding this, consequent management will 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.	On-going
3.8.1	(i) The Accounting Officer must constantly monitor and exercise control to ensure that leave taken by employees are recorded accurately and in full, as required by Public Service Regulation 1/V/F(b) and consider taking disciplinary actions against officials who failed to execute their duties effectively in order to prevent this finding from recurring.	The Department has developed leave registers for all Programmes and these are assigned to specific officials for management. The responsible officials are continuously work shopped on existing prescripts and best leave management practices. The Accounting Officer concurs that consequent management should be applied against officials who are found to be negligent in the execution of their duties.	Closed
	(ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored.	On a quarterly basis, the leave registers are audited to ensure reconciliation between leave files and what is captured on PERSAL. The audited results are circulated to all Programmes for further management.	Closed
3.9.1	(i) The Accounting Officer must develop an effective record keeping system in order to be able to efficiently deal with leave files of employees	The Department has appointed a Records Management Task Team to oversee and expedite implementation of the approved File Plan. The focus areas for HR include management of leave files/forms. Also noteworthy is that, DPSA is working	Closed

	who have been in long service with the Department	towards a web-based electronic submission system (workflow) that will enhance overall leave management within the public service.	
	(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 failed to execute their duties effectively in order to prevent this finding from recurring.	On a quarterly basis, the leave registers are audited to ensure reconciliation between leave files and what is captured on PERSAL. The audited results are circulated to all Programmes for further management. The Accounting Officer concurs that consequent management should be applied against officials who are found to be negligent in the execution of their duties and will therefore act as advised.	Closed
3.5.5	(i) The Accounting Officer must ensure that the overtime policy is effectively implemented and exercise continuous monitoring on issues of overtime to prevent the matter from recurring.	The overtime policy has since been reviewed and amended to include exceptional cases as recommended by the Auditor General.	Closed
3.5.6	(i) The Accounting Officer must develop and effectively implement a strategy that will enable the Department to attract and retain individuals with scarce skills into technical and senior positions	The Department has a Retention Strategy in place. Currently, the following attraction and retention initiatives are being implemented: OSD, internship, learnership, young technical graduates, other monetary interventions, etc. However, the public service cannot compete with the lucrative remuneration packages that are offered by the private sector. Radical recruitment and retention will have to be explored going forward.	Closed
3.5.7	(i) The Accounting Office must exercise continuous monitoring and controls over acting arrangements in order to ensure compliance with Public Service Regulation 1/VII/B.5.3.	The 2013/14 audit outcome indicates that the Department has managed to correct this matter since it did not recur. In compliance to the Public Service Regulation, acting on higher positions by employees on salary level 1-12 has been restricted to 12 months whilst SMS members were restricted to 6 months.	Closed
3.5.8	(i) The Accounting Officer must ensure that Senior Managers and Managers are properly trained to effectively implement the Performance Management and Development System.	Training on PMDS is conducted annually to all employees at head office and regional offices. Further training is provided to members of the moderating committees before quarterly and annual moderations. However, there is a need to review the efficacy of the PMDS tool.	Closed
3.6.1	(i) The Accounting Office must monitor and ensure that Supply Chain Management staff adheres to Treasury Regulation 16A9.2 at all times and consider taking disciplinary actions against officials who failed to execute their duties effectively as required by the	<ul style="list-style-type: none"> -The Department verifies directorship of service providers on PERSAL even if it is not disclosed on the SBD4. -However, the Department cannot verify directors who are in the employment of other state organizations such as Public Entities, Local Government, SAPS, Correctional Services, etc. because they are not on PERSAL. -Based on the above, the Department requested the Provincial Treasury to assist with the electronic 	On-going

	abovementioned regulation	<p>system that can be used to detect the said officials. However, the Provincial Treasury responded that it also does not have such a system.</p> <ul style="list-style-type: none"> -The Department was then advised to approach the Auditor General for assistance and feedback is still awaited. -The Department 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. 	
3.6.2	(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
3.6.3	(i) The Accounting Officer must furnish the Committee with a progress report indicating the amount of money collected by the Department from those officials who were found to be doing business with the Department.	<ul style="list-style-type: none"> -No money has been collected yet but the Department cancelled all the contracts of service providers that had directors as government officials. -All the cases were referred to the Departments where such officials are employed and that the Accounting Officers of those -Departments were advised to take appropriate actions against those officials. -With regard to officials of DPWRT, the matter was referred to Internal Audit and Legal Services for further management. A progress report will be submitted in the next quarterly report. 	On-going
	(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 failed to execute their duties effectively in order to prevent this finding from recurring.	The Department will continue to review its internal controls in order to minimize the likelihood of awarding contracts to employees of the state. Where monies have been paid, due process will be followed to recover the money and disciplinary actions taken against implicated officials.	On-going
3.7	(i) The Accounting Officer must furnish the Committee with a report regarding the registration of these project managers with the South African Council for the Project and Construction Profession after the process has been finalized.	The candidates were advised to enroll for specific modules that are required before eligibility for registration by the South African Council for Project and Construction Profession.	On-going

	(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 failed to execute their duties effectively in order to prevent this finding from recurring.	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 since the job titles were translated as per the OSD guidelines.	Closed
3.8.1	(i) The Accounting Officer must implement adequate Standard Operating Procedures at programme level in order to ensure quality of performance information.	The Department will continue to review its internal controls in order to enhance accountability and data integrity. To this regard, Standard Operating Procedures (SOPs) for the Infrastructure Programmes have since been developed. This document has been circulated to all Programmes as a referral	On-going
	(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 failed to execute their duties effectively in order to prevent this finding from recurring.	The Accounting Officer believes that existence of SOPs will enhance financial and performance reporting. Disciplinary actions will be taken against Programme Managers that have failed to implement existing SOPs.	Closed
	(iii) The Executive Authority must ensure that the Accounting Officer effectively implements the developed Performance Information Plan.	Compliance to the Performance Information Plan is evaluated on a monthly basis by the Monitoring and Evaluation Unit. Thereafter, evaluation reports are generated for further management by specific Programmes.	On-going
3.8.2	(i) The Executive Authority must consider taking disciplinary actions against the Accounting Officer for failing to ensure that oversight responsibility regarding financial and performance reporting and compliance, as well as related internal controls is exercised.	There was inadequate capacity within the Department hence poor reporting on financial and non-financial performance. Some of the critical posts were within Finance, Strategic Planning and Technical Services. To address this, several critical posts have since been advertised and filled. See annexure A for the list of all posts filled.	On-going
3.9.1	(i) The Accounting Officer must ensure that quarterly Performance Review sessions (performance and financial information) are conducted.	Programme performance review is done on a monthly basis and this is presented at sectional meetings, MANCO and Audit Committee. Thereafter, corrective action plans are developed and monitored through various governance structures.	On-going
	(ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored and consider taking disciplinary actions against	Effectiveness of the above-mentioned emanates itself through findings by the existing governance structures. In the case of adverse findings, investigations are conducted to determine the root cause(s). The Accounting Officer concurs that consequent management should be applied against	On-going

	Senior Manager who failed to execute their duties effectively in order to prevent this finding from recurring.	officials who report inaccurate financial and performance information.	
3.9.2	(i) The Accounting Officer must consider taking disciplinary actions against Members of Senior Management for failing to ensure compliance with applicable laws and regulations within their respective sections/divisions.	To enhance accountability, performance agreements of senior management have been revised to include the key performance areas that were identified by Auditor General. Performance assessment on these areas will be done within the parameters of Chapter 4 of the SMS handbook.	Closed
	(ii) The Executive Authority must ensure that the Accounting Officer constantly monitors compliance with laws and regulations and a compliance register be submitted to the Committee.	The Accounting Officer monitors compliance to laws and regulations through various governance structures (e.g. Risk Management Committee, Budget and Programme Managers Forum, Audit Committee, etc.). Effectiveness of these structures is expressed in the findings by various oversight authorities including Auditor General. Emanating from this, the Department develops an audit action plan to address specific areas of non-compliance. The progress report on implementation of the audit action is attached as annexure B.	Closed
	(iii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored in order to prevent this finding from recurring.	As mentioned earlier, various governance structures are in place to ensure compliance to laws and regulations by the Department. However, there is a need to ensure accountability and consequences for non-compliance. This has been formalized in the performance agreements of all responsibility managers.	Closed
3.9.3	(i) The Accounting Officer must furnish the Committee with a progress report with regard to filling all vacant funded positions by 30 November 2013.	The posts of Manager: Information and Records Management and Property Management: Records Management has since been filled. In addition, interviews for the post of Senior Manager: Knowledge Management have been concluded and awaiting approval by Cabinet. See annexure A for a comprehensive report on filling all vacant funded positions.	On-going
	(ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored and take disciplinary actions against officials who fail to execute their duties effectively in order to prevent this finding from recurring.	The Department has appointed a Records Management Task Team to oversee and expedite implementation of the approved File Plan. Also, an online data repository has been developed to enhance management of institutional knowledge. At a Provincial level, the Office of the Premier is championing an effort to develop a Provincial Knowledge Management Framework. All these initiatives are aimed to assist employees to improve their records management practices that will in turn provide the paper trail for audit purposes.	Closed
3.9.4	(i) The Accounting Officer must consider taking disciplinary actions against the Chief Financial Officer for	The Acting Chief Financial Officer has since reviewed the internal controls for daily and monthly reconciling of transactions. Monthly reconciliations are submitted to Provincial Treasury in compliance	Closed

	failure to conduct daily and monthly reconciling of transactions. A progress report must be submitted to the Committee.	to Section 40 (2) c of the PFMA.	
	(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 failed to execute their duties effectively in order to prevent this finding from recurring.	To ensure effective implementation, these controls form part the audit action plan that is monitored on a monthly basis. The Accounting Officer concurs that consequent management should be applied against officials who are negligent in the execution of their duties and will therefore act as advised.	Closed
3.9.5	(i) The Accounting Officer must ensure that formal controls over the IT systems of the Department are effectively implemented and exercise on-going monitoring over the system.	The finding by Auditor General emanated from lack of controls for the Road Asset Management System (RAMS). To address this, the following IT controls were developed and approved: -User Account Management Procedure Manual -Backup and Restore Procedure Manual -Configuration Management Procedure Manual.	On-going
	(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 failed to execute their duties effectively in order to prevent this finding from recurring.	The Departmental ICT Forum meets on a monthly basis to evaluate the overall performance of all IT systems. Members of the forum also sit in various provincial and national IT committees that oversee performance and controls of specific systems. However, most IT controls have to be continuously reviewed due to technological development hence they are sometimes found to be inadequate. Also some employees fail to follow available IT procedures which may result in such a finding. In such instances, the Accounting Officer concurs with the Portfolio Committee that disciplinary actions should be taken against any officials that are negligent in the execution of their duties and will therefore act as advised.	Closed
3.10	(i) The Accounting Officer must furnish the Committee with a copy of the outcomes of the investigation after it has been concluded.	The SAPS investigation is still ongoing and a report will be submitted to the committee once the matter is finalized.	On-going
	(ii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored in order to prevent the matter from recurring.	The control measures that include locking of face value forms and regular review of transactions on the national server have proven to be effective. Notwithstanding this, the matter continuous to receive maximum attention of the Provincial Regulatory Entity (PRE) and Risk Management Committee.	Closed
3.11	(i) The Accounting Officer must make savings to clear the accruals amounting to R67, 859 million (2012/13).	The accruals of R67, 859 million from the 2012/13 financial year were paid during the 2013/14 financial year. Cost curtailment measures with minimal impact to service delivery were developed and	Closed

		implemented. The Annual Performance Plan for the 2013/14 financial year was also adjusted accordingly to accommodate the accruals.	
3.13	(i) The Accounting Officer must ensure quality assurance over information prior to submission to Treasury, Auditor General and the Legislature.	The Department has established a committee which reviews and monitors the preparation of the Annual Report to ensure completeness and accuracy thereof. In addition, a Governance and Accountability Forum was established to evaluate all financial and non-financial information reported	Closed
	(ii) The Accounting Officer must implement recommendations by the Audit Committee, Internal Audit and Risk Assessment report in order to mitigate risks.	The Department has developed a remedial audit action plan for the 2013/14 financial year findings to mitigate all findings raised by the Auditor General. Progress reports on the 6 high risk areas are monitored and presented at MANCO, Risk Management Committee and Audit Committee.	Closed

3. COMMITTEE FINDINGS AND RECOMMENDATIONS

3.1 IRREGULAR EXPENDITURE (R442 563 000)

The Committee has noted that the Auditor General reported that the Department has reported R442 563 000 of irregular expenditure in 2013/14 financial year, to which R226 000 was incurred in the 2013/14 financial year and R442 337 000 was the opening balance for the year under review. The Department has not indicated any attempt to regularise these irregular expenditures as directed by the National Treasury Practice note no 4 of 2008/2009 and the guidelines from the National Treasury, which guides department on how to treat irregular expenditures (May 2014).

The Committee required the Accounting Officer to clarify why the Department incurred irregular expenditure, furthermore the Committee required the Accounting Officer to provide a list of irregular expenditure as stated in the Annual Report and to submit proof that these irregular expenditure was reported to Provincial Treasury. The Committee enquired on the steps taken by the Accounting Officer to prevent such expenditure and the measures put in place by the Accounting Officer to ensure that such expenditures do not recur.

The Accounting Officer informed the Committee that the amount of R391 538 million relates to Scholar Transport. It was explained that when the Scholar Transport function was transferred to the Department, the Accounting Officer reported that provisions of Practice Note 6 of 2007/2008 were exercised and further reported service providers who were rendering scholar transport services to the Department of Education were appointed on a month to month basis because at that time it was impractical to follow the normal procurement processes.

The Accounting Officer informed the Committee that both the Provincial Treasury and the Auditor-General were notified as prescribed. It was brought to the attention of the Committee that the Department appointed a service provider to verify the routes. Thereafter, the Department advertised the

tender for provision of scholar transport. The Accounting Officer further reported that other amounts of R100, 653 are relating to contravention of SCM practice notes, No. 6 of 2007/2008, no 7 of 2008/2009 and no 8 of 2007/2008, contravention of the PPPFA, contravention of the PSA, acting allowance etc.

The Accounting Officer submitted to the Committee a register of all irregular expenditure. A letter had been submitted to Provincial Treasury for condonation of the irregular expenditure relating to Scholar Transport. Furthermore the Accounting Officer reported that these irregular expenditures have been reported to the Department's Internal Audit and Legal Services section for investigation whilst cases relating to the Department have been referred to the State Attorney and that letters were written to the other institutions to conduct investigations and take necessary actions against their officials for doing business with the Department.

In addressing the question of the corrective steps put in place, the Accounting Officer reported that draft policy on Un-Authorised, Irregular and Fruitless Expenditure had been developed. The Accounting Officer reported that the PERSAL system is used to check if directors of companies are not employed by the state. Regarding the disciplinary action taken against the affected officials the Accounting Officer reported that the Legal Section and the State Attorney are currently busy with the legal process to recoup the money from the affected parties and reported that disciplinary action will be applied where necessary once the investigation is concluded. The Accounting Officer reported that no loses had been recovered as the investigation was in progress.

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).
- (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.
- (iii) The Accounting Officer must develop effective internal control systems and tools to timeously detect and prevent fruitless, wasteful, irregular and unauthorised expenditure as required by Section 51(1) (b) (ii) of the PFMA.

4. RELIABILITY OF PERFORMANCE INFORMATION AND THE PREDETERMINED OBJECTIVES

The Committee has noted that the Auditor General highlighted that the reported performance information for programme 2, programme 3, programme 4 and programme 5 were not valid, not accurate and not complete when compared to the evidence provided as required by the Treasury's Framework for Managing Programme Performance Information (FMPPPI).

The Committee required the Accounting Officer to provide reasons for failure to report reliably on performance information in light of opinion of the Auditor General. The Committee enquired the challenges that lead to reporting difficulties within the Department, it further required the Accounting Officer to indicate the steps that have been taken to ensure that poor record keeping of information as indicated in programme 2 and 3 is prevented in the future.

Upon the findings of the Committee the Accounting Officer informed the Committee that the Department did submit supporting documents for all performance indicators in the APP. However, the Auditor-General (AG) deemed some of the supporting documents as unreliable or incomplete whilst some documents were not readily available. Storing of performance information was also challenging at the time due to non-availability of space. The Accounting Officer further reported that storing of performance information has since been addressed. As part of an attempt to address the above-mentioned challenge a Performance Information Plan and Audit Action Plan has been developed to address the submission of reliable information by programme managers.

Furthermore, the Department requested training from AG on predetermined objectives/ performance information to get a common understanding of what supporting documents are required. Training had been conducted on 21 January 2015.

In addressing the question regarding the challenges experienced by the Department when it comes to reporting, the Accounting Officer informed the Committee that the number of vacant funded posts has a high impact on performance management and reporting. He further reported that the concept of predetermined objectives and performance information was still evolving. The Accounting Officer further reported that established Audit Action Plan and Performance Information Plan addresses the challenges of whom should report what, when, where and how.

With regards to the poor state of record keeping as highlighted in programme 2&3 by the Auditor General, the Department reported that it had identified store rooms that were under-utilized and managed to move some performance information to these locations. The Accounting Officer further reported that Performance information was then stored in lockable storages and only authorized officials are allowed to access these storages. In addition, an Information Repository was developed to store performance information electronically and to make it available to top management.

4.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The accounting officer must ensure that the department has and operates with adequate capacity to manage programme performance information
- (ii) The Accounting Officer must ensure that all key vacant posts are filled by 30 June 2015.

- (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.

5. DPWRT 2013/14 ANNUAL REPORT: REPORT OF THE AUDITOR GENERAL

5.1 SUPPLY CHAIN RELATED MATTERS (PROCUREMENT AND CONTRACT MANAGEMENT)

The Committee had noted that the Auditor General reported that contracts were awarded to some contractors whom their tax matters had not been declared by SARS to be in order in contravention of Section 16A of the Treasury Regulations of 2005 as amended in November 2013 (AR: 92).

The Committee required the Accounting Officer must give clarity as to why there was contravention of section 16.6A of the Treasury Regulations and to furthermore clarify the Department's position on this matter taking into considerations the serious implications it have on the ability of SARS to collect taxes on behalf of government/citizens in the country. The Committee enquired on the challenges faced by the Department relating to ensuring that tax matters of suppliers are in order prior to awarding a contract and sought reasons that led to the contravention of prescribed legislations. The Committee required the Accounting Officer to indicate the steps taken by the Accounting Officer in ensuring that those contractors who had tax problems are assisted to ensure compliance in the future.

The Accounting Officer was in disagreement with the finding and reported that a copy of a tax clearance certificate was attached to the submission that was audited by Auditor General instead of an original tax clearance certificate. The Accounting Officer brought it to the attention of the Committee that original tax clearance certificates for SNNT, Sinobuntu and Associates General Trading Enterprise and SS Shongwe General Trading were submitted and audited; and the matter was resolved. He further indicted that an original tax clearance certificate for Angelo Motors was later submitted but it was rejected by the Auditor General.

The Accounting Officer further reported that the Department requests tax clearance certificates for procurement of all goods and services which is in line with the treasury regulations. In addressing the question relating to challenges faced by the Department regarding the matter, the Accounting Officer maintained that the Department did not contravene the prescribed legislation since there were no contracts awarded to suppliers whose tax matters were not in order.

The Committee raised a concern over the fact that the Accounting Officer was in disagreement with the findings of the Auditor. The Accounting Officer informed the Committee that the Department is at fault to disagree with the findings of the Auditor General and informed the Committee that the findings of the Auditor General are valid and they are in concurrence.

5.1.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must ensure that complete and accurate information is timeously submitted to the Office of the Auditor General for auditing purposes.

5.2 AWARDING OF CONTRACTS

The Committee has noted that the Auditor General reported that contracts were awarded to contractors who were not registered with the Construction Industry Development Board (CIDB) in contravention of Section 20(1) of the CIDB Act 38 of 2000. The Committee required the Accounting Officer to provide reasons for deviating from the above-mentioned legislation. The Committee further enquired on how emerging contractors who does not have the financial resources to embark on the registration process, are assisted by the Department and requested evidence in this regard.

The Accounting Officer informed the Committee that a contract was awarded to a joint venture of which one of the suppliers was not registered with CIDB. The Accounting Officer reported that at the time the services were procured, the service provider was registered on the CIDB. It was brought to the attention of the Committee that the Department has since developed a checklist to ensure that all supporting documents are attached and complies with legislation.

With regards to the assistance of emerging contractors, the Accounting Officer informed the Committee that the Department was unable to provide financial assistance to emerging contractors. However, various programmes such as Sakhabakhi which assist emerging contractors to compete in the market have been developed.

The Committee recorded its dissatisfaction with the Accounting Officer's response regarding the kind of assistance provided to emerging contractors by the Department and indicated that Sakhabakhi was an incubator programme; therefore it does not qualify as any type of assistance.

5.2.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (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.

- (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.

5.3 OFFICIALS DOING BUSINESS WITH THE STATE

The Committee has noted that the Auditor General highlighted that there are people who are on the employ of the Department who have business interests to contracts awarded by the Department. These individuals were either part of family, partner or associates of the contractor and have failed to disclose such information as required in terms of section 16A8.4 of the Treasury Regulations of 2005 as amended and also in contravention of Public Service Regulation 3C.

The Committee sought reasons that led to the contravening of section 16A8.4 of the Treasury Regulations, furthermore the Committee enquired on the effectiveness of the risk register and fraud prevention plan which was in place. The Committee enquired on the action taken by the Accounting Officer upon realisation of these discrepancies, which could have prevented the contravening of the good standard and code of ethics which are the cornerstone of the PFMA and Treasury Regulation.

Upon these findings the Accounting Officer reported that for all procurement above the threshold of R2000 the Department issues a standard bidding document (SBD4) which requires the suppliers to declare their interests. It was indicated by the Accounting Officer that the Department verifies directorship of service providers on PERSAL, even if it was not disclosed on the SBD4. However, the Department cannot verify directors who are in the employment of other state organizations such as Public Entities, Local Government, SAPS, Correctional Services, etc. because they are not on PERSAL.

The Accounting Officer reported that in terms of the inability to verify employees who are in the employ of other state institutions, the Department requested the Provincial Treasury to assist with the electronic system that can be used to detect the said officials to which the Provincial Treasury responded that it does not have such a system in place. The Accounting Officer reported that the Auditor General has been approached for assistance and they are still awaiting feedback.

In addressing the effectiveness of the risk register and fraud prevention plan, the Accounting Officer informed the Committee that the Department has and maintains an effective risk register and a fraud prevention plan. However, the Department uses the PERSAL system to check for employees working for the Provincial government, National Government and other institutions; the Department relies on the information completed on the SBD4 forms. The Accounting Officer reported that if it is discovered that a service provider has misled the Department, the contract was terminated.

With regards to adequate systems which can assist the Department with verifications the Committee was informed that the Department does not have an electronic system to verify government officials who are not paid through PERSAL System, however the Auditor General has been approached for assistance. The Accounting Officer reported that contracts of the service providers who are found to have misled the Department are terminated and these service providers are de-activated from the financial system upon discovery. Furthermore, the Department through the assistance of Treasury restricts the service providers from doing business with government for a period of not less than five years.

It was further indicated that the Accounting Officer informed the Committee that upon discovery of employees doing business with the state, the Department terminates the contract and embarks on a process of recovering the funds. The Accounting Officer brought it to the attention of the Committee that the difficulty encountered is in the case whereby the employee is involved in a partnership and owns a certain percentage, which then necessitates legal intervention. The Accounting Officer further informed the Committee that the matter is then handed over to the State Attorney, he informed the Committee that the Department is not being efficient enough in terms of follow ups with the office of the State Attorney.

5.3.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must provide feedback relating to the request made to the Auditor General relating to the challenge of employees doing business with the state.
- (ii) The Accounting Officer must develop effective measures and systems to speed up the process of recovering monies due to the Department as required by Section 38(1) (c) of the PFMA.

5.4 CONTRACTS AWARDED TO BIDDERS WHO DID NOT SCORE THE HIGHEST POINTS

The Committee has noted that the Auditor General reported that contracts were awarded to bidders who did not score the highest during the bid-evaluation processes which contravenes the principles in which Section 2(1) (F) of the Preferential Procurement Policy Framework was developed to address. The Committee further noted that the Auditor General discovered that contracts were awarded to bidders who did not submit declarations on whether they are employed by the state or connected to any person employed by the state and this was contravening of Treasury Regulation 16A8.3.

The Accounting Officer was in disagreement with the finding and reported that the Department awards contracts based on the responsiveness of the requirements and bidders who have scored the highest points as per the Preferential Procurement Policy Framework.

The Accounting Officer further reported that for all procurement above the threshold of R2000, the department issues a standard bidding document (SBD 4) which requires the suppliers to declare their interest. The Department verifies directorship of service providers on PERSAL, even if it is not disclosed on the SBD4. The Accounting Officer informed the Committee that the Department cannot verify directors who are in the employment of other state organizations such as Public Entities, Local Government, SAPS, Correctional Services, etc. because they are not on PERSAL. The Accounting Officer reported that the Auditor General has been approached for assistance.

The Committee was not satisfied with the response of the Accounting Officer and further required the Accounting Officer to provide the reasons that led to the contravention of section 16A8.3 of the Treasury Regulations as initially raised by the Committee. The Committee once again raised a concern over the fact that the Accounting Officer was in constant disagreement with the findings of the Auditor General and required the Accounting Officer to indicate his position in this regard.

The Accounting Officer informed the Committee that the Department was at fault to disagree with the findings of the Auditor General and informed the Committee that the findings of the Auditor General are valid and they were in concurrence.

The Accounting Officer further informed the Committee that this finding came as a result of the deliberations done by the three Committees involved during a bid evaluation process, one which deals with compliance, the other one focuses on pricing and the last one which looks at functionality.

5.4.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The department must take disciplinary actions against official(s) 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).
- (ii) The Accounting Officer must ensure that there is compliance with Section 2(1) (f) of the Preferential Procurement Policy Framework.

5.5 PROCUREMENT OF SERVICE WITHOUT OBTAINING QUOTATIONS

The Committee has noted that the Auditor General reported that goods and services transaction valued below R500 000 were procured without obtaining the required quotations as required by Section 16A6.1 of Treasury Regulations.

The Committee required the Accounting Officer to provide the reasons that led to the contravention of Section 16A6.1 of the Treasury Regulations and enquired on the challenges experienced by the Department which result to the violation of the Treasury Regulations as discovered by the Auditor General. The Committee further enquired on the urgent issues which resulted to the procurement of the said goods and services without following proper procedures and enquired on whether approval to procure those goods was granted, the Accounting Officer was required to provide proof or evidence of the approvals which were granted to deviate from those prescripts.

The Accounting Officer responded to the above questions by informing the Committee that National Treasury practice note no 8 of 2007/8, indicates that "should it be impractical to invite competitive bids for a specific procurement e.g. in urgent or emergency cases or in case of a sole supplier, the accounting officer/ authority may procure the required goods or service by other means such as price quotations or negotiations" in accordance with treasury regulation 16A6.4. The reason for deviating from inviting competitive bids should be recorded and approved by the accounting officer/authority or his/her delegate. Accounting officers/ authorities are required to report within 10 working days to the relevant Treasury and the Auditor-General, all cases where goods and services above R1 million (VAT inclusive) were procured in terms of Treasury Regulation 16A6.4".

The Accounting Officer in light of the above reported that, 3 quotations were sourced for a period of 3 months whereby a service provider for scholar transport was appointed. It was brought to the attention of the Committee that at the end of the period, an extension of the same service was requested and necessary approval was sought for the extension. The Accounting Officer further reported that the other services required were for the repair of plant equipment, whereby 3 quotes couldn't be obtained since the process to service machines or equipment are sourced directly from the Original Equipment Manufacturers / Franchised dealers and the necessary approvals are in place.

In addressing the question relating to the pressing issues which led to deviations, the Accounting Officer informed the Committee that one service was procured as per requirement of relevant Treasury Regulations (Scholar Transport), the Accounting Officer reported that the other services required were for the repair of plant equipment. The 3 quotes could not be obtained since the process to service machines or equipment are sourced directly from the Original Equipment Manufacturers / franchised

dealers and the necessary approval are in place. It was reported that approvals were granted by the Chief Financial Officer as delegated by Accounting Officer. The approval letter was submitted to the Committee.

The Committee further noted that the procurement systems and processes of the Department did not comply with fair supply chain management system as required by Section 51 (1) (a) (iii) of the PFMA due to the fact that competitive bidding were not advertised for the minimum prescribed period in the SCM policy, Bids were not invited through a public advert as prescribed in the SCM policy, and sufficient audit evidence could not be provided that bids were not awarded to people who submitted after the closing date.

Based on these findings the Committee required the Accounting Officer to clarify and provide substantive reasons on what were the compelling reasons and circumstances which led to the violation of their SCM policy in terms of the minimum period required to advertise and award a tender. Furthermore the Committee required the Accounting Officer to provide reasons which led to the violation of SCM policies, and also state the policies/prescripts used to advertise and award tenders.

The Committee required the Accounting Officer to provide clarity on how the Department keeps records of bids submitted and the date and time in which those bids were submitted. The Committee further enquired on the impact that the gross non-compliance with SCM policies by the Department, as it is regarded as the implementing agent has on the performance and audit opinions of the other Departments and the level of involvement of other Departments in the process of awarding of contracts.

In responding to the questions posed by the Committee, the Accounting Officer informed the Committee that Treasury Regulation 16A.6.3(C) makes provision for the advertisement of a tender for a shorter period and that approval to do so was granted by the Accounting Officer. The Accounting Officer further informed the Committee that the bids were advertised publicly on newspapers for a shorter period and this was approved by the Accounting Officer. In addressing the question of the prescripts used when bids are advertised, The Accounting Officer informed the Committee that the Department made use of Treasury Regulation 16A.6.3(C) which makes provision for advertisement of a tender for a shorter period as determined by the accounting officer.

Regarding record keeping of bid documents, the Accounting Officer reported that tenders close at Central Supply Chain (Provincial Treasury), and the approved documents are sent to the Department. Treasury is requested to respond in writing for record purposes in the case of an extension of closing date. The Accounting Officer reported that the Contract Management section does filing and check the completeness of all contract files and that a checklist has been developed for each contract file. The Accounting Officer confidently informed the Committee that the Department does not award tenders to bidders who does not comply with SCM policies.

The Accounting Officer further reported that Officials from the client Departments are involved in the bid specification and evaluation processes and indicated that confirmation was requested from the client Department prior to a contract being awarded.

Upon the responses of the Accounting Officer, the Committee sought reasons that led to the appointment of other service providers when there were service providers already in place for the scholar transport service.

The Accounting Officer informed the Committee that the appointment of other service providers came as a result of the reconfigurations which were necessitated by the construction of new schools in farm areas.

5.5.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must ensure compliance with Section 51 (1) (a) (iii) of the PFMA and Section 16A6.1 of the Treasury Regulations.
- (ii) The Accounting Officer must furnish the Committee with the proof of approvals for deviations relating to Scholar Transport (2013/14).

5.6 ANNUAL FINANCIAL STATEMENTS

The Committee has noted that the Auditor General highlighted that the financial statements submitted for auditing were not prepared according to the prescribed financial reporting framework, as required by section 40 (1) (b) of the PFMA, particularly with material misstatements on non-current assets.

The Committee required the Accounting Officer to provide the reasons that led to failure to ensure that financial statements are prepared accurately, as well as the reasons that led to failure to properly account for non-current assets. Furthermore the Committee required the Accounting Officer to whether the key vacant posts in Supply Chain and the post of the Chief Financial Officer which has been filled on an acting capacity for more than a year have any contribution to the challenges experienced by the Department. The Accounting Officer was further required to indicate when these vacant positions were going to be filled.

Upon the findings of the Committee, the Accounting Officer reported that the Annual Financial Statements in the Annual Report were prepared in accordance to the reporting frameworks determined by the National Treasury. During the preparation of the annual financial statements, the Accounting Officer was of the view that the financial statements fairly presented the state of affairs of the Department, its business, its financial results, its performance against its predetermined objectives and

its financial position for the year under review. The Accounting Officer indicated the Office of the Auditor General raised exceptions on disclosure notes which necessitated adjustments.

The Accounting Officer committed before the Committee that proper Financial Statements will be submitted for auditing purposes in future. The Accounting Officer further informed the Committee that a Committee which reviews and monitors the preparation of Annual Financial Statements and ensures completeness and accuracy thereof has been established.

The Accounting Officer reported that he was confident that the Asset Register was accurate, reliable and useful for the Department during preparation of the Non-Current Asset Register. Contrary to what the Office of the Auditor General found which necessitated adjustments. Relating to the key vacant funded posts, the Accounting Officer reported that the SCM positions were filled, however the Chief Financial Officer (CFO) position has been re-advertised 3 times as a result of the fact that suitable qualified candidates could not be attracted. The Accounting Officer informed the Committee that the post of the CFO will be re-advertised in the last quarter of the 2014/15 financial year and that the plan was to fill the post in the first quarter of 2015/16.

5.6.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must ensure that all key vacant funded positions are filled by 30 June 2015.
- (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.

5.7 EXPENDITURE MANAGEMENT AND ACCRUALS

The Committee has noted that the Auditor General reported that the Accounting Officer failed to ensure that contractual obligations and money owed by the department were not settled within 30 days or an agreed period as required by Section 38 (1) (f) of the PFMA and Treasury Regulation 8.2.3. The Committee required the Accounting Officer to share the challenges which resulted in delays in payments of service providers, and the measures that have put in place to address those challenges and its effectiveness.

The Committee further noted that the Auditor General found that at the end of the 2013/14 financial year, the Department had total accruals of R18 578 000, which R840 000 were for invoices older than 30 days. A total of R67 859 000 accruals were realised in the 2012/13 financial year. During the

financial year that ended 31 March 2014/2013/14, the Department underspent its budget by R1 057 000 out of the total adjusted budget of R3 948 210 000.

Upon these findings, the Committee required the Accounting Officer to clarify and provide reasons as to why the accruals are more than the Department under-expenditure on total appropriation and to also provide proof/evidence on what is the total amount of accruals which has been carried over from the 2012/13 financial year to 2013/14 and now 2014/15 and how and when these accruals are going to be settled.

The Accounting Officer in response to the questions posed by the Committee reported that the Department managed to pay 99% of invoices within 30 days of receipt. However, the outstanding 1% of invoices could not be settled on time due to the verification process that took longer and the system down time. The Accounting Officer informed the Committee that as part of corrective steps put in place, a process flow for invoice management has been developed.

In addressing the matter relating to accruals, the Accounting Officer informed the Committee that the accruals are as a result of the multi-year commitments and other unforeseen circumstances and further indicated that the accruals of the Department have since been reduced from R67, 859,000 in 2012/13 to R18, 578,000 in 2013/14. The Accounting Officer brought it to the Committee's attention that the Department pays all municipal and telephone service accounts on behalf of other provincial Departments and recover costs on a monthly basis.

The Accounting reported that the accruals of the Department were reduced from R67, 859,000 in 2012/13 to R18, 578,000 in 2013/14 and indicated that the accruals of R18, 578,000 were absorbed during the current financial year. He further reported that an amount of R1, 046,000 was requested as a roll over and the balance of the accruals has been absorbed within the current financial year's budget with minimal impact to service delivery.

In addressing the question of how and when will these accruals be settled, the Accounting Officer informed the Committee that cost curtailment measures were implemented and that savings were identified from compensation of employees, Communication services, servicing and repair of GG vehicles, Consultants, Inventory, training and development of non-employees, Roads district support services, travel and subsistence and municipal services to settle the balance of the accruals.

5.7.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Executive Authority must consider taking disciplinary actions against the Accounting Officer for contravening Section 38 (1) (f) of the PFMA and Treasury Regulation 8.2.3.

- (ii) The Accounting Officer must develop effective and efficient systems to ensure timely verification and tracking of invoices to ensure compliance with Section 38 (1) (f) of the PFMA and Treasury Regulation 8.2.3.
- (iii) The Accounting Officer must develop effective and efficient systems to ensure that Accruals are minimised.
- (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 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.

5.8 LEADERSHIP

The Committee has noted that the Auditor General found that staff members were not trained to properly understand and implement the formal code of conduct that addressed issues of appropriate ethical and moral behavior. The Committee required the Accounting Officer to provide the reasons that led to failure to ensure that staff members are trained on the code and to also share legal implications of not training staff to properly understand the code. The Committee further enquired on whether the Accounting Officer would be in a position to charge staff members in case of violation of the said code, and to provide information and clarity on the implications of having key vacant positions in the financial and performance management section for more than 12 months.

Upon the findings and questions raised by the Committee, the Accounting Officer reported that newly appointed employees are given the code of conduct when they assume their duties and indicated that a presentation on the code of conduct is made during the induction process. The Accounting Officer further informed the Committee that lack of understanding of the code of conduct can result in non-compliance to administrative processes and as such, staff can face legal implications.

Contrary to the findings of the Auditor General the Accounting Officer reported before the Committee that all staff members were trained and can therefore be charged since the code of conduct forms part of their employment contract when they assume their duties. In addressing the question of the impact the key vacant positions have on the performance of the Department, the Accounting Officer indicated that the position of Chief Financial Officer has been re-advertised for the 3rd time and that the appointment of a Senior Manager: Knowledge Management has been re-submitted to EXCO for approval. It was brought to the attention of the Committee that the post of General Manager: Integrated Planning was filled.

5.8.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) A copy of minutes / proof of the training of employees on the code of conduct are furnished to the Committee.
- (ii) The Accounting Officer must ensure that refresher sessions of the code of conduct are held.

5.9 RECORD KEEPING

The Committee has noted that the Auditor General found that Department does not have proper record management system to maintain information that supported the reported performance in the annual performance report. The Committee further noted that the Auditor General found that non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.

Based on this finding the Committee required the Accounting Officer to clarify how performance information is stored do and the reliability of those storage devices and to indicate the challenges experienced when it comes to proper record keeping and what causes those challenges when the Department is close to full capacity in its staff establishment. The Committee further enquired on the measures put in place by the Accounting Officer to address the challenges relating to storage. Regarding the non-compliance with laws and regulations, the Committee required the Accounting Officer to share what is the cause of this gross negligence when it comes to monitoring of compliance with the relevant legislations.

The Accounting Officer informed the Committee that Programme managers are required to store their own performance information in their offices through a filing system and by scanning and storing soft copies on computers. Supporting documents for performance indicators in the Annual Performance Plan (APP) are submitted to the Monitoring and Evaluation section for verification and storage. The supporting documents are then submitted to the Auditor-General during the audit process.

The Accounting Officer reported that inadequate records storage was a major challenge in previous financial years and indicated that the matter has been addressed. The vacant post of the Senior Manager: Knowledge Management is being occupied by an acting Senior Manager whilst the post for the Records Manager has been filled.

In responding to the question of measures put in place to address the challenge, the Accounting Officer reported that records storages that were under-utilized have been identified and managed to move performance information to these locations. Performance information is now stored in lockable storages

and only authorized officials are allowed to access these storages. In addition, and further reported that an Information Repository was developed to store performance information electronically and to make it available to top management for sharing of information.

Regarding non-compliance with laws and regulations, the Accounting Officer reported that effort is being taken by the Department to ensure compliance to legislation and further indicated that the Audit Action Plan and Risk Report ensures that some of the findings on non-compliance are addressed. It was brought to the attention of the Committee that the Internal Audit unit, Risk unit and Audit Committee are also monitoring compliance to legislation.

5.9.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must ensure that the vacant post of Senior Manager: Records Management is filled by 30 June 2015.
- (ii) The Accounting Officer must ensure that there is effective record keeping in the department.

5.10 GOVERNANCE

Regarding issues of governance, the Committee required the Accounting Officer to share what were the compelling reasons which led to failure to conduct internal audits or reviews of information systems.

The Accounting Officer informed the Committee that the Internal Audit Section follows a risk based approach to develop their plans. According to the Departmental risk register, the IT risk is classified as a low risk. As a result, the Internal Audit section did not include it in its Plan for 2013/2014; however, the Internal Audit Section has included it as part of the risk based plans (2014/2015).

5.10.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer 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.

5.11 SERVICE DELIVERY

The Committee has noted that upon inspections of the plan for leased properties the Auditor General found that that the plan did not include all the properties leased by the department.

The Committee required the Accounting Officer to provide the full scaled list of all the listed properties and to provide the reasons for failure to list all properties on the plan and indicate the implications this omission will have. The Committee further enquired on the status of completion of the plan and required the Accounting Officer to indicate how these properties are managed when they are not reflected on the plan. The Committee required evidence on those properties which were not included in their register and what has been done to address this problem since its discovery.

The Accounting Officer reported that the full scaled list of all the listed properties is reflected on the Department's Asset Register which includes 5428 properties and offered to provide a copy. The Accounting Officer further reported that the Asset Register is complete and this is being verified by the Auditor-General's annual audit, hence the Department was not qualified on the completeness of the Asset Register.

5.11.1 RECOMMENDATION

The Committee recommend the House to resolve that:

- (i) The department must submit a detailed list of all leased properties to the Committee.

5.12 HUMAN RESOURCES MANAGEMENT

The Committee has noted that the Auditor General found that the verifications process on new appointments was not carried out; the Committee also noted that performance bonuses were paid to Senior Managers and other employees who did not sign performance agreements for the period to which those bonuses were paid. The Committee further noted that other employees were allowed to work beyond the maximum hours of overtime.

The Committee required the Accounting Officer to provide clarify on the Auditor General's finding that the verification process for new appointments did not always take place and did not cover criminal record checks. Furthermore the Committee required the Accounting Officer to provide the reasons for failure to ensure that the stipulated maximum hours of overtime worked is not exceeded and required clarity regarding the matter of performance bonuses being paid to individuals who have not signed performance agreements.

Upon the findings and questions raised by the Committee, the Accounting Officer informed the Committee that the verification process for new employees is conducted on all qualifications and that suitability checks are carried out. The Accounting Officer further reported that screening is done through the State Security Agency (SSA). It was brought to the attention of the Committee that Young Professionals (YP) could not be screened as a result of the fact that they were not full time employees,

but trainees. However, since the Audit, the Department has embarked on the process to screen them through the SSA and they were all found suitable.

The Accounting Officer informed the Committee that approval is granted for those exceptional cases where officials have to work more than the maximum number of hours allowed. The overtime policy has since been reviewed and amended to include exceptional cases as recommended by the Auditor General.

Regarding the payment of performance bonuses to staff members who haven't signed performance agreements, the Accounting Officer reported that the finding relates to the payment of performance bonuses for 2 employees on salary level 1-12. He indicated that the performance agreements were signed but returned back to them for corrections. Their documents were re-submitted, but that was after the closing date. The Accounting Officer informed the Committee that a checklist on PMDS has been developed and is used to check and verify the correctness of all performance agreements and assessments of all employees.

5.12.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must ensure that officials in Human Resource Management verify qualifications as required by PSR 1/VII/D1.8.
- (ii) The Accounting Officer must ensure effective implementation of the amended overtime policy and continuous monitoring and take measures against officials who will contravene the policy.
- (iii) The Accounting Officer must ensure that Senior Managers and Managers are properly trained to effectively implement the Performance Management and Development System.
- (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.

5.13 SECTOR RELATED ISSUES- PUBLIC WORKS

The Committee has noted that the Auditor General found that immovable assets management plan did not address the needs of all the clients Departments, and that the process of verification of properties owned by the Department was not efficiently done. The Committee further noted that the Auditor General has found that infrastructure projects were not effectively monitored and that some project managers were not registered with South African Council of Project and Construction Management Professions (SACPCMP).

Upon these findings the Committee required the Accounting Officer to provide reasons why the immovable assets management plans did not address the needs of all the clients Departments and the

reasons that led to failure to verify all the properties managed by the Department. The Committee further required the Accounting Officer to provide the reasons for failure to effectively monitor all infrastructure projects and ensure that all project managers are registered with SACPCMP.

The Accounting Officer informed the Committee that some client Departments did not submit their User Asset Management Plans (UAMPs) for inclusion in the Custodian Asset Management Plan in time and were incomplete upon submission. The Accounting Officer reported that monthly meetings with all client Departments are held to ensure that UAMPs are fully completed. In terms of the verification of properties, the Accounting Officer informed the Committee that attention is given to a specific number of properties per annum based on the available resources; i.e. schools, clinics, houses, etc. are targeted for that purpose.

In addressing the question relating to project management, the Accounting Officer informed the Committee that Infrastructure projects are continuously monitored at different stages of development i.e. planning, design, construction and close-out and went on to indicate that systems and structures to ensure effective monitoring and supervision of projects have been put in place.

Regarding the finding of the Committee in relation to the fact that some project managers are not registered with SACPCMP, the Accounting Officer reported that the identified officials were initially appointed as Project Coordinators and in terms of resolution 9 of 2009 (OSD) they were then translated to Project Managers due to the nature of work that they are performing. The Department liaised with the South African Council of Project and Construction Management Professions (SACPCMP) on individual requirement to be registered as a Project Manager. The Department is currently implementing the advice and recommendation of the South African Council of Project and Construction Management Professions.

5.13.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (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.
- (ii) The Accounting Officer must furnish the Department with copies of minutes of the monthly meetings between the Department and Client Departments.
- (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.

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 Public Works, Roads and Transport.

Unless specified differently, progress on all resolutions must be submitted to the Committee by the 30 May 2015 and on a quarterly basis afterwards.

5. ADOPTION

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

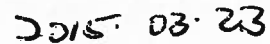


Hon. S I Malaza

Chairperson: Select Committee on Public Accounts

Select Committee on Public Accounts

Mpumalanga Provincial Legislature



Date