



REPORT 5 OF 2015
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5th MPUMALANGA PROVINCIAL LEGISLATURE:
COMMUNITY SAFETY, SECURITY AND LIAISON (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 Community Safety, Security and Liaison; 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 13 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**

Number	RESOLUTION	PROGRESS REPORTED	STATUS
3.1.1	(i) The Accounting Officer must ensure that all planned targets as contained in the Annual Performance Plan are achieved.	In 2014/15 Annual Performance plan, the Department encompasses all the functions and programmes of the Department.	Closed
	(ii) The Accounting Officer must ensure that the developed action plan is effectively implemented.	The Audit action plan was monitored by the Chief Risk officer on a monthly report through submission of progress reports to the internal audit and Audit Committee.	Closed
	(iii) The Accounting Officer must ensure that the Department timely prepares Portfolio Of Evidence files that support targets.	Portfolio of evidence files that support reported targets are timely prepared and 160 files were purchased for 2014/15 financial year.	Closed
	(iv) The Accounting Officer must ensure that measures developed are fully implemented to prevent the finding from recurring.	Measures developed are fully implemented however the Department has a limited storage problem to file the portfolio of evidence.	On-going
	(v) The Accounting Officer must ensure that the department report only on performance that is in the approved Annual Performance Plan and supported by the validated evidence be reported on the Annual Performance Report.	The Department acknowledges the recommendation, The Department reports only on performance that is in the approved annual performance plan and supported by validated evidence.	Closed
3.2.1.	(i) The Executive Authority must take disciplinary actions against the Accounting Officer for failing to comply with section 31(1)(f) of the PFMA and Treasury Regulation 8.2.3	The Accounting Officer has resigned.	Closed

	(ii) The Accounting Officer must develop necessary measures to detect and prevent irregular expenditure.	Internal controls have been improved and implemented e.g. financial policies and Procedure manuals.	Closed
	(iii) The Accounting Officer must ensure that all measures put in place are effectively implemented and monitored to prevent the matter recurring.	The Compliance committee has been established to monitor the implementation of the measures.	On-going
3.3.1	(i) The Accounting Officer must ensure that all leave taken by employees are recorded accurately and in full, as required by Public Service Regulation 1/V/F (b). (ii) The Accounting Officer must ensure that all measures taken are effectively implemented and monitored.	Recommendation noted, the Department has developed a leave register and leave forms are recorded at registry before capturing by the leave section. All leave taken by employees are recorded accurately and in full since the Department has a process of recording leave taken at a supervisory level through the leave registers submitted to registries and Human resource for capturing. The Department is also conducting leave audits on a quarterly basis.	Closed Closed
	(iii) The Accounting Officer must ensure and constantly monitor that the employee concerned with certification of payments is always available at pay points.	Monthly pay roll reports are compiled which indicate the outstanding certified pay rolls and follow ups are made.	On-going
3.4.1	(i) The Accounting Officer must ensure that adequate oversight responsibility is effectively exercised to prevent this finding from recurring	The Department established the annual report consolidation committee for quality assurance which sit before the submission of the annual report.	Closed
	(ii) The Accounting Officer must ensure that all key vacant and funded positions are filled	Most of the key vacant funded post were filled but some of the posts are not filled due to financial constrains	On-going

	(iii) The Accounting Officer must implement all recommendations of the Annual Report consolidation committee	Recommendations of the committee were implemented.	Closed
	(iv) The Accounting Officer must implement all recommendation made by the Committee regarding using employees within the Department to fill in gaps	Available employees were reassigned to fill in the gaps	Closed
3.5.1	(i) 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 does constantly monitor compliance with laws and regulations however payment of service providers within the prescribe time frame is still a challenge due to budget constraints.	On-going
	(ii) The Accounting Officer must develop a system that will ensure that the Department have a management system that provide for information supporting the reported performance contained in the Annual Performance Report	A draft procedure manual has been developed and is in the process of consultation	On-going
	(iii) The Accounting Officer must ensure that financial and performance reports are prepared regularly, accurately and completely and are supported and evidenced by reliable information	Quarterly financial statements and Performance reports are prepared and reviewed to ensure reliability of reported information	Closed
	(iv) The Executive Authority must ensure that the Accounting Officer implement all measures put in the Audit Plan to deal with the Audit findings	The Accounting Officer is ensuring that all measures are put in place and monitored	Closed
	(v) The Accounting Officer must ensure that all vacant funded positions are filled in order to prevent	Most of the key vacant funded post were filled but some of the posts are not filled due to financial constrains	On-going

	misstatements in the Annual Statements		
	(vi) The Accounting Officer must ensure that resolutions emanating from SCOPA are effectively implemented	All SCOPA Resolutions are implemented	On-going
3.6.1	(i) The Executive Authority must take disciplinary actions against the Accounting Officer for failing to comply with section 38(1)(f) of the PFMA and Treasury Regulation 8.2.3	The Executive Authority is unable to institute disciplinary actions against the Accounting Officer due to the fact that fruitless and wasteful expenditure was as a result of insufficient funds received from various Departments with the Security management function shift	Closed
3.7.1	(i) The Accounting Officer must ensure that irregular expenditure is prevented in future and section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1 is adhered to.	Irregular expenditure was condoned in 2013/14 which was as a result of bid document that could not be received on time from PWRT	Closed
3.8.1	(i) The Executive Authority must take disciplinary actions against the Accounting Officer for failing to comply with section 38(1)(f) of the PFMA and Treasury Regulation 8.2.3	The Executive Authority is unable to institute disciplinary actions against the Accounting Officer due to the fact that accruals was as a result of insufficient funds received from various Department with the Security management function shift	Closed
	(ii) The Accounting Officer must ensure that measures put in place are effectively implemented	Measures have been put in place to ensure that payments are made within the prescribed time frame however the Department is still faced with the challenge of insufficient funding of Security Management	Closed
3.9.1	(i) The Executive Authority must ensure that the Accounting Officer achieves a clean audit in the 2013/14 financial year	The Department received a qualified audit opinion in 2013/2014	Ongoing
3.10.1	(ii) The Accounting officer must ensure that all measures put in place to ensure that the Department achieves a clean audit are effectively implemented	The Audit action plan that has been developed is monitored on a monthly basis by the compliance committee to check progress on the effectiveness of measures put in place	Closed

3. COMMITTEE FINDINGS AND RECOMMENDATIONS

3.1 QUALIFIED AUDIT OPINION

The Committee has noted that the Auditor General (AG) reported that the Department of Community Safety, Security and Liaison received a “qualified audit opinion” for the first time in the 2013/14 financial year. The department received an “unqualified audit opinion with findings” during the 2012/13 financial year.

The department’s 2013/14 adjusted appropriation amounted to R1 104 548 000 and as at the end of the financial year, actual expenditure amounted to R1 099 184 000 or 99.5% of the total appropriated funds. The department had a total of 76 planned targets for the 2013/14 financial year and the department achieved 60 or 78.9% of the planned targets. In most of the unachieved targets, financial constraints were cited by the department as a common reason for under-achievement. The department is receiving this audit opinion for the first time since 2009/10 financial year.

The basis in which the Auditor General arrived to a qualified audit opinion includes the following;

- Internal controls within the department are weak.
- Department’s revenue – the department could not account for R27 360 000 on revenue
- Commitments – the department didn’t account for escalations on the security contracts
- Accrued department’s revenue – the department could not provide evidence for department’s revenue emanating from fines, penalties and forfeits amounting to R 105 112 000 and tax revenue amounting to R233 999 000.
- Fruitless and wasteful expenditure amounting to R130 737 872
- The unreliability and unavailability of sufficient information supporting the programme performance.

Upon these findings the Committee required the Accounting Officer to share the contributing factors which have led to the qualification opinion by the Auditor General and indicate the challenges faced by the Department, taking into consideration of the fact that this is the first qualified audit opinion in 5 years. Furthermore the Committee requested the Accounting Officer to share the impact that will accrue to the communities/society due to the failure of the department to achieve all its planned targets for the 2013/14 financial year or the impact that those 16 unachieved targets will have on the society/communities which were supposed to receive the services. The Accounting Officer was requested to indicate measures and systems put in place to prevent this matter from recurring by addressing the key issues pointed out by the Auditor General.

The Accounting Officer informed the Committee that during 2011/12 and 2012/13 financial years the Department has experienced a huge growth where the whole management of security services was transferred from different departments. He further informed the Committee that Transport Regulation unit which has a large volume of assets and resources was also transferred to the Department. He indicated that the Department's number of employees has increased from 174 to 1371 employees within this period. All these transfers added a functional responsibility which the support function within the Department could not cope with.

It was brought to the attention of the Committee that the Department's budget also increased from R120 000 000 to above R1 200 000 000 and that little changes were implemented on sections that provided support to the operations of the Department such as Supply Chain, Expenditure, Revenue and Transport Management. The Accounting Officer informed the Committee that the Department had about +-20 GG vehicles before the transfers and that number escalated to 400 GG vehicles excluding subsidised vehicles with only 3 officials to manage the fleet.

The Accounting Officer further informed the Committee that management and administration of revenue was part of the responsibilities that came with these transfers. Which required the department to develop systems and capacity to ensure that all revenue generated can be easily reconciled, administered and accounted for. The

Accounting Officer reported that Municipalities also contribute to the revenue management challenges by not transferring what is due to the Department in time.

It was brought to the attention of the Committee that the key issues that contributed to the qualified audit opinion are tax revenue, traffic fines, and security contract and expenditure management. He further reported that the Department has established a Compliance Committee to ensure that all issue as raised by Auditor General are implemented through the audit action plan and that a new organizational structure to strengthen the Department to cope with the added functions has been developed and approved.

With regards to the impact that non achievement of targets will have on service delivery, the Accounting Officer reported that the impact cannot be quantified; however indicated that the impact is certainly going to be negative. The Accounting Officer then elaborated on the impact that will be caused by the following programmes:

Programme 2: The non-achievement of the targets by Programme 2 might have a likely negative impact to the community since SAPS could not be fully monitored and this may result in them not providing an effective and efficient service to the communities to a certain extent.

Programme 3: This could also be the case with Programme 3 where the department was supposed to resource policing structures and could not resource some of them due to budget pressure and reprioritization of budget which resulted in cost curtailment and this could have had negative impact on community participation in crime prevention initiatives.

Programme 4: Road crashes and fatalities are National and Provincial challenges, the non-achievement of targets in this programme might have had a negative impact on road crashes prevention and other road safety activities in the province.

3.1.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must ensure that realistic and achievable targets are set and that internal controls within the Department are strengthened to prevent the matter from recurring.
- (ii) The Accounting Officer must develop effective systems to ensure that all revenue due to the Department is collected timeously.
- (iii) The accounting officer must submit a report accounting for the revenue amounting R27 360 000. The report must detail the sources/origin of the revenue.
- (iv) The accounting officer must take disciplinary action against all officials who played a role in relation to the escalations on the security contracts (2013/14). Losses resulting from the escalations must be recovered.
- (v) The accounting officer must take disciplinary action against all officials who caused or had a role in the department incurring Fruitless and wasteful expenditure amounting to R130 737 872 in 2013/14.
- (vi) The accounting officer must recover Fruitless and wasteful expenditure amounting to R130 737 872 incurred in 2013/14 from those service providers who unduly benefited.

3.2 IRREGULAR EXPENDITURE (R1 237 000)

The Committee noted that the Auditor General found that the Department has reported R1 237 000 of irregular expenditure in 2013/14 financial year, which indicated a decrease from R9 902 000 incurred in 2012/13 financial year. The department has indicated it is awaiting regularisation of these expenditures.

Upon these findings the Committee required the Accounting Officer to provide reasons that led to such high figures on irregular expenditures being incurred and the steps taken by the Accounting Officer to prevent such expenditures from recurring. The Committee further required the Accounting Officer to provide evident information of the request to condone this expenditure in accordance with relevant prescripts. The Committee upon noting that contracts were awarded to suppliers who were prohibited from supplying goods to the Department; the Accounting Officer was required to provide reasons in this regard, as well as the disciplinary actions taken as required by Treasury Regulation 9.1.3. Furthermore the

Committee enquired on the amount recovered from losses emanating from the irregular expenditure as per Treasury Regulation 9.1.4.

The Accounting Officer informed the Committee that the irregular expenditure was as a result of the following:

- **Awards to prohibited suppliers**

The Accounting Officer reported that there was an oversight by the Department, erroneously as their data was not updated with the latest treasury's data base hence prohibited suppliers were awarded contracts, It was reported to the Committee that the Department is checking all prohibited suppliers from the National Treasury's database prior to contracts being awarded.

The Committee raised its concern over the lack of verification processes being implemented before issuing a contract, of which if carried effectively the Department would have picked up that the service provider is blacklisted.

- **Awards made without evaluation of suppliers**

The Accounting Officer informed the Committee that due to limited budget the Department opted to utilise suppliers with the cheapest price hence the evaluation score sheets were not utilised, which resulted in the irregular expenditure in question. The Committee did not accept the explanation.

- **Overtime exceeding 30% limit**

The Accounting Officer reported that this irregular expenditure was as a result of the agreement between SANRAL and the Mpumalanga Provincial government whereby the traffic officers in overloading have to work 24 hours. The expenditure for these officials is claimed from SANRAL however overloading control was supposed to get an approval to exceed 30% limit before implementation and that this has been corrected moving forward.

In addressing the question of steps taken the Accounting Officer has taken to prevent this matter from recurring, the Accounting Officer reported that the Department has fully implemented Supply Chain management policies. With regards to request for condonation of

the irregular expenditures, the Accounting Officer informed the Committee that the Department was in the process of appointing a forensic audit to conduct an extensive audit on the exact amount of irregular expenditure of security contract, however the appointment could not be finalised due to unavailability of funds and that this appointment will be finalised when the Department has sufficient budget.

It was brought to the Committee's attention that no disciplinary action was taken; as the demand and acquisition assistant manager is no longer working for the Department. He further informed the Committee that no amount of the irregular expenditure has been recovered as there were no losses incurred because all goods and services were received in good order.

The Committee required the Accounting Officer to furnish proof that the irregular expenditure of R 9 282 000 was regularised and subsequently the approval letter was submitted.

3.2.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must take disciplinary actions against responsible officials who caused the department to award contracts to service providers without evaluation score sheets in the 2013/14 financial year.
- (ii) The Accounting Officer provides proof that the Irregular expenditure amounting R9 282 000 or any part of it was reported to Treasury.

3.3 UNDERSTATEMENT OF FRUITLESS AND WASTEFUL EXPENDITURE

The Committee noted that the Auditor General found that the Department has reported a total amount of R238 000 as fruitless and wasteful expenditure and also indicated that this expenditure is awaiting resolution. However, the Committee noted that the Auditor General has indicated that the Department has understated the total amount of this expenditure in their Annual Report. This is due to the fact that the department is involved in a number of contractual arrangements in which payments are not done according to contracts resulting to over-payments of R130 737 872 for the period under review, hence the department

understated the total amount of fruitless and wasteful expenditures as per the Auditor General's insight.

Based on these findings the Committee required the Accounting Officer to provide reasons that led to this fruitless and wasteful expenditure being incurred and requested proof that measures were put in place to prevent fruitless and wasteful expenditure. The Committee further required the Accounting Officer to provide proof that the fruitless and wasteful expenditure was reported as required by treasury regulation 9.1.2. The Committee displayed interest on the type of disciplinary action taken against officials as required by section 38(1)(h)(iii) of the PFMA and the amount recovered from the responsible officials as required by TR 12.7.

Responding to the questions posed by the Committee, the Accounting Officer informed the Committee that the total amount of R238 000 came as a result of interests charged by some service providers due to the department's failure to make the necessary payment within the stipulated time frames. The challenges raised on budget pressure had an impact on the payment of these amounts to service providers, it was reported. The Accounting Officer further brought it to the Committee's attention that the amount of R130 737 872 was as a result of VAT charged on pistols and number of security sites and guards paid being different from the contract .

In an attempt to address this challenge the Accounting Officer reported that the Department has developed payment register to track invoices; Invoices are checked against the contracts for compliance prior to being processed for payment. With regards to the question of this expenditure being reported, the Accounting Officer informed the Committee that no fruitless and wasteful expenditure was identified by Auditor General contrary to the findings of the Auditor General. It was brought to the Committee's attention that disciplinary processes were instituted and the official responsible has been dismissed and that the amount in question will be recovered from the company affected before the end of the financial year.

The Committee required the Accounting Officer to indicate the exact number of officials whom disciplinary actions were instituted against. The Committee further displayed its dissatisfaction regarding the recovery of funds due to the Department and required the Accounting Officer to indicate exactly the time frame of the process of recovery of these monies.

The Accounting Officer confirmed to before the Committee that only one official was implicated in the abovementioned irregular expenditure; the Accounting Officer informed the Committee that the process of recovery is underway and ensured the Committee that all monies owed to the Department will be recouped in full.

The Committee strongly felt that the Accounting Officer has contravened Treasury Regulation 9.1.2 and Section 38(1) (g) of the PFMA by failing to report the fruitless and unauthorised expenditure upon discovery, to which the Office of the Auditor General attested to.

3.3.1 RECOMMENDATIONS

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must take disciplinary action against officials who caused the department to pay for security guards that were different from the contract.
- (ii) The Accounting Officer must take action against security service providers who invoiced the department for guards contrary to the contract. A report detailing each invoice, site, scope of work and action taken must be submitted to the Committee.
- (iii) The Accounting Officer must take disciplinary action against the official(s) who were responsible for security management in 2013/14, in that they failed to prevent overpayments to security service providers (fruitless expenditure) as required by section 45 of the PFMA.
- (iv) The Executive Authority must take disciplinary action against the accounting officer for failure to prevent the fruitless and wasteful expenditure in 2013/14 as required by section 38 of the PFMA.

3.4 RELIABILITY OF PERFORMANCE INFORMATION AND THE PREDETERMINED OBJECTIVES

The Committee noted that the Auditor General highlighted that the reported performance information for programme 4 and programme 5 were not valid, not accurate and not complete when compared to the evidence provided as required by the FMPPI. Furthermore the Committee noted that in programme 4, the Auditor General indicated that significantly important targets were not reliable when compared to the information source or evidence provided.

The Committee noted that the Auditor General attributed this to the lack of document systems descriptions for the accurate recording of actual achievements for accurate measurement, recording and monitoring of the completeness of source documentation in support of achievements, and a lack of frequent review of the validity of reported achievements against source documentation.

Based on these findings the Committee required the Accounting Officer to provide clarity as to why they are failing to report reliably on performance information in light of opinion of the Auditor General and share the challenges that led to reporting difficulties within the Department. The Committee further required the Accounting Officer to provide clarity as to why don't they have a proper record keeping system where performance information can be reliably stored for accountability purposes.

The Accounting Officer informed the Committee that the Department experienced a huge growth from previous years with limited staff support in monitoring and Evaluation to review the portfolio of evidence. Transport Regulation and Security management was transferred to the Department with no support staff relating to monitoring and evaluation which resulted in lack of frequent review of information for validity, accuracy and completeness. It was brought to the Committee's attention that there is an improvement in this current financial year and that an organizational structure was approved which will assist in boosting the section and a draft process flow /system description of predetermined objections and Draft Procedure manual for performance information was also developed which will assist in the accurate recording of actual achievement.

The Accounting Officer reported that the challenges that led to reporting difficulty is the shortage of staff within Monitoring and Evaluation to review the portfolio of evidence. With regards to failure to ensure that there is a proper record keeping system in place, the Accounting Officer reported that the Department has grown from previous years and does not have enough space to store all portfolio of evidence, some portfolio of evidence are kept at the regions and cost centres which also had a contributing factor for sourcing of the Portfolio of evidence from cost centres to provincial head office.

Based on the responses of the Accounting Officer the Committee required the Accounting Officer to indicate the measures put in place to address the issue of lack of capacity within the Monitoring and Evaluation unit.

3.4.1 RECOMMENDATION

The Committee recommend the House to resolve that:

- (i) The accounting officer must develop systems, mechanism and business processes that will respond to the growth of the department and necessary capacity and leadership.
- (ii) The Accounting Officer must ensure that the Department operates with necessary capacity and delivers on its core mandate.

3.5 2013/14 ANNUAL REPORT: REPORT OF THE AUDITOR GENERAL

3.5.1 INTERNAL AUDIT

The Committee noted that the Auditor General has found that the Department's internal audit did not submit reports detailing performance against the annual audit plan to the audit Committee for the first two quarters of the 2013/14 financial year and in contravention of Section 3.2.7 (d) of Treasury Regulations (AR: 136).

Upon this finding the Committee required the Accounting Officer to provide clarity as to what led to the failure to submit the audit reports as required by the treasury regulations and how he (Accounting Officer) accounted for performance when audit reports were not submitted to the audit Committee as per requirement. The Committee required the Accounting Officer to respond taking into cognisance the fact that the Auditor General also raised some concerns regarding reliability of the performance information provided by the department for audit purposes.

The Committee required the Accounting Officer to indicate what measures have been taken to address the challenge and the actions taken against those who contravened the relevant prescripts. The Committee further enquired on the systems and measures put in place to ensure that this problem doesn't recur in the 2014/15 financial year.

The Accounting Officer informed the Committee that the failure to submit was as a result of the fact that the Head of Internal audit reported that he was fairly new and needed to familiarise himself with the expectations of the Audit committee as well as those of the auditee. It was brought to the Committee's attention that the Internal Audit function is a shared service that is located in the Office of the Premier and is reporting directly to the

Office of the Premier. He (Accounting Officer) informed the Committee that the internal audit unit has acknowledged the omission to the Department.

In addressing the question of accountability in the absence of audit reports, the Accounting Officer informed the Committee that quarterly reports might not have been submitted however work done during the first 2 quarters was submitted to the audit committee for monitoring and intervention which serves sufficient evidence for the unit accounting for its performance, contrary to what has been reported by the Auditor General. Disciplinary actions could not be taken against any of the Internal Audit unit staff members as the Internal Audit unit reports directly to the office of the Premier, the Accounting Officer indicated. The Accounting Officer did not commit nor indicate the measures put in place to ensure that this problem doesn't recur in the 2014/15 financial year, as he maintained that the Internal Audit unit reports directly to the office of the Premier.

Based on the responses provided the Committee strongly felt that the Accounting Officer displayed a sense of lack of seriousness on the matter regarding the failure to submit internal audit reports and requested the Accounting Officer to clarify his position in this regard. The Committee further displayed its satisfaction regarding the response provided by the Accounting Officer which relates to the failure of the Head of Internal Audit to execute his duties effectively, the Committee required the Accounting Officer to indicate as to why would an incapable person be tasked with such an important responsibility and furthermore enquired on the steps taken by the Accounting Officer in this regard.

The Accounting Officer informed the Committee that the Internal Audit function is a shared service and that an individual is seconded by the Office of the Premier, therefore the Accounting Officer has little authority to act over that individual as a result of the fact that the Head of Internal Audit is not an employee of the Department. Regarding the question of what has the Accounting Officer done to address the challenge; it was brought to the Committee's attention that the matter has been reported to the Office of the Premier.

3.5.1.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Executive Authority must consider taking disciplinary actions against the Accounting Officer for failure to comply with Treasury Regulation 3.2.7 (d).
- (ii) The Accounting Officer must report in writing to the Director General the deficiencies relating to the shared internal audit and suggest amicable solutions.

3.5.2 EXPENDITURE MANAGEMENT AND ACCRUALS

The Committee noted that the Auditor General has found that some of the Department's revenue amounting to R27 360 000 was not accounted for as indicated on note 3 of the Annual Report (AR: 133). The Committee required the Accounting Officer to clarify the issue in light of the Auditor General's report (AR: 133) and note 3 of the AR (166), furthermore the Committee required the Accounting Officer to clarify the different methods used to record and accurately account for their revenue and how reliable those methods are.

The Accounting Officer informed the Committee that lack of capacity to provide support to the general operations of the Department contributed to this challenge. He informed the Committee that the Department does not have capacity to do the total reconciliation of the revenue generated; hence the amount was received into the bank account without conducting reconciliation reports.

The Accounting Officer further informed the Committee of the methods used to record and account for revenue; Traffic and overloading fines are captured in JADAS and reconciled to BAS and monthly reconciliations are produced, Vehicle licensing and testing is captured on eNatis and reconciled to BAS he indicated. It was reported in confidence that the systems/ methods Department used to collect revenue are effective; the only challenge was staff shortage to assist in revenue collection.

3.5.2.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Executive Authority must consider taking disciplinary actions against the Accounting Officer for failure to comply with Section 38(1) (c) (i) of the PFMA.
- (ii) The Executive Authority must consider taking disciplinary actions against the Accounting Officer for failure to comply with Section 39(2)(i) of the PFMA.

- (iii) The Accounting Officer must ensure that capacity within the Department's Revenue Management services is strengthened in order to be able to effectively reconcile all revenue generated.

3.5.3 MEDACO

The Committee further noted that the Auditor General found that the Department has understated the total amount of its commitments by excluding escalation cost relating to the Security Services (AR: 133). The Committee required the Accounting Officer to indicate the challenges that caused the department to fail to indicate their commitments accurately. In relation to the question above, the department has also indicated that it has a contract with MEDACO which the commitment cannot be determined for the remaining period (AR: 172). The Committee requested clarity on the Department's position in this matter and also clarify how come they have a contract with MEDACO but they don't know the total value of that contract for the remaining period.

The Committee was interested in knowing whether the Accounting Officer included the service on the department's plans, as well as budgetary plans for this contract. Furthermore the Committee required the Accounting Officer to indicate whether resources to fund this service were available, if yes then why is the service experiencing funding problems when it was properly planned and budgeted for. The Committee enquired about the initiatives taken by the Accounting Officer to address the MEDACO problem and the current status in trying to address these problems as raised by the Auditor General.

In addressing the MEDACO matter the Accounting Officer reported that it was not easy to determine the commitments on the MEDACO contract because the contract is based on the number of Section 56 and 341 notices captured and sent to offenders. It is also dependent on the number of summons paid or cancelled and withdrawn in court. The more the Section 56 and 341 notices produced and captured the more the Department will pay. Therefore the number will always fluctuate.

The Accounting Officer further informed the committee that the service is included in the Annual Performance Plan (APP) and that MEDACO was appointed on the basis that revenue generated from this service will be utilised to pay the invoices which did not happen, therefore the budget for this service was not sufficient. The same response was provided

regarding the question regarding availability of resources. It was brought to the Committee's attention that the contract was not budgeted for hence MEDACO was appointed on the basis of revenue generated and that Cost curtailments measures have been introduced. The Department is negotiating with Treasury for additional funding, the Accounting Officer reported.

Upon the responses provided by the Accounting Officer, relating to budgetary plans being made for the contract in question, the Committee felt that the Accounting Officer did not do justice in responding to the question and required the Accounting Officer to provide a more detailed response. The Committee strongly felt that the MEDACO contract is a liability to the Department, causing unnecessary financial constraints. The Committee required the Accounting Officer to indicate the amount that has been recouped on its behalf by MEDACO. The Committee further enquired on whether the contract is still in place and required the Accounting Officer to provide reasons why is the Department still in contract with MEDACO if it causing problems within the Department.

The Accounting Officer reported to the Committee that MEDACO was appointed on the basis that part of the revenue generated by the company would be used to pay for the service rendered to the Department. The Accounting Officer informed the Committee that the Department does not have sufficient budget to service/honour the contract and is unable to pay MEDACO.

The Committee referred the matter to a the joint meeting of the Office of the Premier, Finance, Economic Development and Tourism and the Portfolio Committee of Public Works, Roads and Transport and Community Safety, Security & Liaison. The matter was discussed and could not be resolved.

3.5.3.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Executive Authority for Department of Community Safety, Security & Liaison and the Executive Authority for Finance, Economic Development and Tourism must resolve the misunderstanding relating to MEDACO and table a joint report with an action plan on the matter.

3.5.4 ACCRUALS

The Committee noted that the Auditor General has found that as at the end of the 2013/14 financial year, the Department had accruals amounting to R86 364 000, which R42 968 000 were older than 30 days. A total of R120 139 000 accruals were realised in the 2012/13 financial year. During the financial year that ended 31 March 2014, the department underspent its budget by R5 364 000 or 0.5% out of the total adjusted budget of R1 104 548 000.

Based on these findings the Committee required the Accounting Officer to provide clarity as to why the accruals are more than the Department's under-expenditure on total appropriation, taking into cognisance the fact that should there be procurement of goods and services for more than the available budget, the department must either have a proper plan on how to fund those expenditures or it can constitute irregular expenditure. Furthermore the Committee required the Accounting Officer to also clarify and provide proof of the total amount of accruals which has been carried over from the 2012/13 financial year to 2013/14 and for the 2014/15 financial year as well as the reasons why those accruals were not paid in the 2013/14 financial year.

In response to the questions posed by the Committee the Accounting Officer indicated that the accruals were as the result of shortage of funds relating to security management and MEDACO. The budget received from various departments was not adequate to pay the number of sites occupied. He further informed the Committee that MEDACO was appointed on the basis that part of revenue generated from this service will be utilised to pay their invoices, unfortunately Treasury want all revenue collected from section 56 fines be transferred to their account.

The Accounting Officer reported that the Department paid for 2012/13 accruals with the operational budget for 2013/14 without receiving additional budget from Treasury and as a result new accruals was carried over in 2014/15 financial year.

The Committee required sought reasons from the Accounting Officer for paying accruals with money that isn't there and commit the Department when there are no funds.

3.5.4.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (ii) The Executive Authority must consider taking disciplinary steps against the Accounting Officer for incurring accruals amounting R86 364 000 in the 2013/14 financial year.
- (iii) The Executive Authority must take disciplinary action against the Accounting Officer for contravening Section 38(2) of the PFMA.

3.6 LEADERSHIP

The Committee noted that the Auditor General has found that the Accounting Officer did not always ensure on-going monitoring and supervision to enable an assessment of the effectiveness of internal control.

The Committee further noted that the Auditor General has found that the Accounting Officer failed to evaluate whether management had implemented effective internal controls by gaining an understanding of how senior management members had effectively carried out their responsibilities.

Based on these findings the Committee required the Accounting Officer to share the challenges in the Department that resulted to his failure to monitor effectiveness of internal Controls. The Committee further requested the probability of his failure as a result of unavailability of personnel in key positions in the department as reflected in the Organisation's organogram. The Committee noted that there are three (3) key vacant posts, that of general managers: Corporate Service, Crime Prevention, and Civilian Oversight.

The Committee further required the Accounting Officer to share the challenges which resulted to failure to ensure that senior management staff did their job, the Committee enquired on the time frame that the Accounting Officer envisage that the key management positions (3 general manger posts and 1 senior manager) will be filled. The Committee required the Accounting Officer to indicate the extent to which these vacant posts contributed negatively to the performance of the department for the period under review.

Upon these findings the Accounting Officer informed the Committee that the challenges that resulted the Department not to monitor the effectiveness of internal controls is that the is the fact that the Department experienced a huge growth in the previous years through the transfer of Transport Regulation and centralization of Security Management to the Department which resulted in the shortage of personnel and budget constraints. The Accounting Officer acknowledged that unavailability of key personnel at operational level affect the implementation of internal controls and also made reference to the three (3) key vacant positions, however it was indicated that 2 (two) Positions of General Managers and 1(one) senior manager were advertised and Interviews have been conducted and the process of filling the post is underway.

The Accounting Officer informed the Committee that Senior Management could not perform their duties effectively due to budgetary constraints. It was further confirmed to the Committee that these vacant positions indeed contributed negatively to the performance of the Department which resulted in a qualified audit opinion in the year under review.

3.6.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Executive Authority must take disciplinary steps against the Accounting Officer for failure to monitor the effectiveness of internal Controls.
- (ii) The Accounting Officer must ensure that all vacant funded positions are filled by 30 June 2015.

3.7 INVESTIGATIONS

The Committee required the Accounting Officer to provide an update on the progress made on the alleged fraud and irregularities in Supply Chain Management with regards to the awarding of the security contract.

The Accounting Officer reported that the matter in question is handled by the South African Police Service (Directorate for Priority Crimes Investigations Unit) and since been heard in September 2014 over a period of 3 days and was postponed to the fourth of February 2015.

The Committee required the Accounting Officer to provide a detailed report regarding the investigation in progress. Based on the above request by the Committee, the Accounting Officer informed the Committee that the case has been postponed to March 2015.

3.7.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must furnish the Committee with a progress report / outcomes of the investigation by 10 May 2015.

3.8 HUMAN RESOURCE MANAGEMENT AND COMPENSATION

The Committee noted that the Auditor General has found that the Department failed to provide evidence indicating that a proper process has been followed to verify claims in candidate's applications before being appointed as required by public service regulation 1/VII/D.8.

The Committee required the Accounting Officer to clarify whether they do follow any process to verify claims by applicants particularly when it comes to qualifications. The Committee required the Accounting Officer to provide reasons why verification of qualifications before appointments is not being done as discovered by the Auditor General, as well as the systems and measures put in place to prevent the matter from recurring.

The Accounting Officer reported that the Department does follow a process of verifying claims by applicants specifically on qualifications. It was reported that the appointed service provider is being appointed on a quotation basis and is responsible for the verification of qualifications of applicants and the Department has also entered into a service level agreement with UMALUSI to verify the grade 12 certificates.

The Accounting Officer further acknowledged that qualifications are verified after appointments, and this is receiving attention hence a service provider has been identified to perform the function. In addressing the question of the corrective measures put in place by the Accounting Officer, he (Accounting Officer) reported that the service provider is being appointed on a quotation basis that verifies the qualifications of applicants and the Department has also entered into a service level agreement with UMALUSI to verify the grade 12 certificates.

Based on the responses provided by the Accounting Officer, the Committee required the Accounting Officer to provide reasons why the function has been outsourced when there is internal staff within the Human Resources section of the Department. The Committee further required the Accounting Officer to indicate the name of the service provider as well as the amount paid by the Department for this service.

The Accounting Officer informed the Committee that the outsourcing of the function of verification of qualifications was as a result of the fact that responses from South African Qualifications Authority (SAQA) normally take longer and by the time they revert back to the Department the appointment would have been finalised. The Committee was informed that the name of the service provider is Management Integrity Evaluation (MIE) which varies in pricing, starting from R45.00 which is for a diploma. The Committee still emphasised on the fact that it is unnecessary for the function to be outsourced and insisted that this function be retained and carried out by the Human Resource staff within the Department.

3.8.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Executive Authority must consider taking disciplinary actions against the Accounting Officer for contravening Public Service Regulation 1/VII/D.8.
- (ii) The Accounting Officer must develop effective systems that will ensure that the function of verification of qualifications is retained within the Human Resources section of the Department.

3.9 PAYABLES

The Committee noted that the Auditor General has found that the Department's payables which exceeded the 30 days payment period as required by Treasury Regulations 8.2.3 amounted to R42 968 000. In addition, this amount exceeded the Department's voted funds to be surrendered to the Revenue fund amounting to R5 364 000 as per the Department's statement of financial performance by R37 604 000. The Committee noted that the total amount of R37 604 000 would constitute unauthorised expenditure had this amount been paid timeously. This is also an indication that the Department is struggling to pay its suppliers within 30 days and to settle that, the 2014/15 appropriated budget should be used to fund this accruals.

Based on these findings the Committee required the Accounting Officer to provide reasons as to why the Department's payables are more than the Department's surrendered funds. The Accounting Officer was further required to clarify how the Department is going to fund the accruals and indicate the impact that the R37 604 000 have on service delivery should it be paid using the 2014/15 voted funds.

The Accounting Officer informed the Committee that the difference between payables and surrendered funds was as a result of insufficient budget for Security and Revenue & debt collection management; hence all these invoices could not be paid. In addressing the question regarding where the Accounting Officer will source funds to pay off accruals, he reported that the Department agreed with the Service providers to reduce security rates with 30% and also introduced the cost curtailments to generate savings which will not be enough to fund the whole amount. With regards to the impact this matter will have on service delivery, the Accounting Officer informed the Committee that the Department will have to reschedule some of its programmes and implement plans within the available budget, however the Department will still have accruals in 2014/15 financial year since the available budget is not enough to fund the accruals.

3.9.1 RECOMMENDATIONS

The Committee recommend 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 Regulations 8.2.3.
- (ii) Then Accounting Officer must ensure that debt management is enhanced within the Department in compliance with Section 38(1) (c) (ii) of the PFMA.

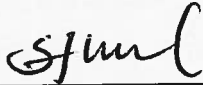
4. CONCLUSION

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 Community Safety, Security and Liaison.

Unless specified differently, progress on all resolutions must be submitted to the Committee by 30 June 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

Date

Chairperson

Select Committee on Public Accounts

Mpumalanga Provincial Legislature