



**REPORT 13 OF 2016**  
**SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5<sup>TH</sup> MPUMALANGA PROVINCIAL LEGISLATURE:**  
**DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (2014/15)**

## **1. INTRODUCTION**

The Select Committee on Public Accounts (SCOPA) hereinafter referred to as a Committee, examined the annual report of the Department of Cooperative Governance and Traditional Affairs (COGTA); 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 was aimed at assessing prudent financial management, good governance and value for money appropriated by the Legislature.

The Committee discharged its mandate over the reports of COGTA and assessed its response to issues raised by the Auditor General as contained in the 2014/15 annual report.

## **2. COMMITTEE PROCEDURES**

The Committee met on the 11 August 2016 and considered the report on the 20 August 2016. Meeting of the Committee are open sessions for the public including the media

as required by Standing Rule 116 and section 118 (1) (b) of the Constitution of the Republic of South Africa, Act No. 108 of 1996.

The Accounting Officer and the delegation responded to various questions posed by the Committee during the hearing.

**A. PROGRESS REPORT ON THE IMPLEMENTATION OF HOUSE RESOLUTIONS 2013/14 FINANCIAL YEAR**

NO.	RESOLUTION	PROGRESS AS ON 11 AUGUST 2016	STATUS
3.1.1	3.1.1. (i) The Executive Authority must ensure that the Accounting Officer fill all vacant funded positions on time.	The department advertised 10 posts of Senior Managers in the 2014/15 financial year. Five of the posts were filled within the prescribed time frame. 5 of the posts were advertised late during the year and could not be filled as the Executive Council directed that departments should review their organizational structures.	Closed
3.2	The Accounting Officer must ensure that management exercise oversight responsibility regarding financial, performance reporting and related internal controls.	The Department has established an Annual Report Committee, which review the Annual Financial Statements and Performance Report prior to submission to Treasury and Auditor General.  The Department further conducts quarterly performance reviews (financial and non-financial) as part of oversight responsibility on the reported information.	Closed
3.3	.(i) The Accounting Officer must take disciplinary action against the officials who failed to ensure that monies owed by the department are settled within 30 days as required by section 38(1)(f) of the PMFA and Treasury Regulations 8.2.3.	Letters of intent to institute disciplinary actions on officials who failed to ensure that monies owed by the Department are settled within 30 days have been issued to the affected officials.	Ongoing
3.4	.(i) The Accounting Officer must submit to the Committee signed copies of the Audit Action Plan for 2013/14	The Accounting Officer is evaluating and implementing the Internal Audit unit's recommendations and follow up audits are being conducted by the unit to monitor progress on the implementation of their recommendations.	closed
3.5	The Accounting Officer must ensure that recommendations of the internal audit unit are implemented by all officials and disciplinary action be taken against those who fail to	All responsibility managers have been directed to take the Internal Audit Unit's function serious and implement its recommendations accordingly. Disciplinary action will be taken by the Accounting Officer on officials who fails to comply with such recommendations.	Closed

	comply.		
3.6	The Accounting Officer must develop a plan that will ensure that the department maintains the clean audit.	<p>Despite the clean audit obtained by the Department in 2013/14 financial year, an Audit Action Plan has been developed to deal with housekeeping matters with an objective of maintaining the clean audit. The Department monitors the implementation of the Audit Action Plan on monthly basis.</p> <p>The Department has also established a functional Compliance Unit which complements the work of the shared Internal Audit to monitor compliance with internal policies and with Laws and Regulations.</p>	Closed
3.7	The Accounting Officer must monitor progress made by municipalities in order to achieve clean audits	<p>The Accounting Officer working together with the Department of Provincial Treasury is monitoring and providing support to ensure that all municipalities develop and implement Audit Action Plans (External and Internal) to address issues raised by both the Office of the Auditor General and Internal audit units with the objective of obtaining a clean audit and improve service delivery within their areas of jurisdiction.</p> <p>The Department together with the Department of Provincial Treasury continues to support all the municipalities with the implementation of the approved Integrated Municipal Support Plan to ensure improved financial management and service delivery.</p>	Closed
3.8	The Accounting Officer must put plans to minimize the accruals.	<p>The Department has established and implemented a cutoff date for submission of invoices and is meeting with all contracted / standing suppliers on regular basis.</p> <p>Regular follow-ups are being made with service providers to submit their invoices within 30 days after a service/good has been rendered/delivered.</p>	Closed
3.9	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	The Department did not report the fruitless and wasteful expenditure as it was discovered during the audit process, however the Department effected adjustments on the Annual Financial Statements which were subsequently submitted to the Office of the Auditor General and Provincial Treasury in the Public Finance Management Act(PFMA).	Closed
3.10	The Accounting Officer must develop effective internal control systems and tools to timeously detect and prevent fruitless wasteful, irregular and fruitless expenditure as	The Department has developed a checklist and fully implements SBD forms which are used by Supply Chain Management Unit and Expenditure section to prevent unauthorized, Irregular and Fruitless and Wasteful expenditure.	Closed

	required by Section 51(1) (b) (ii) of the PFMA.		
3.11	The Accounting Officer must develop effective measure and systems to prevent fruitless and wasteful expenditure and irregular expenditure from occurring in the Department.	The Department has further developed a template for reporting of Unauthorized, Irregular, Fruitless and Wasteful Expenditure on discovery by all officials within the Department.	Closed
3.12	The Accounting Officer must recover the fruitless and wasteful expenditure relating to officials with NO shows at hotels.	The Department has created debts and is currently deducting all NO show fees from the affected officials.	Closed
3.13	The Accounting officer must provide the Committee with proof that disciplinary actions was taken against the official and that money was recovered as required by section 38(1) (c) of the PFMA	The Accounting Officer did take disciplinary actions against the officials and she was demoted for this conduct and subsequently dismissed for other conducts within the Department.	Closed
3.14	Accounting Officer must proof that the irregular expenditure amounting to R836 000 was timely reported to Treasury.	Further investigations revealed that there was value for money received by the Department despite the contravention of procurement processes. The Irregular expenditure of R 836,000.00 was never recovered by the Department however condonement was granted by the Provincial Treasury.  All monies due to the Department are timeously captured on the financial system (BAS) as debts and respective debtors sign the acknowledgement of debt forms in accordance to the Departmental Policy.	Closed
3.15	The Accounting Officer must develop effective measures and systems timely recover monies due to the department as required by Section 38(1) (c) of the PFMA.	Debtors older than 90 days are handed over Legal Section to issue letters of demand and institute legal actions to recover such debts / monies.	Closed

3.16	The Accounting Officer must make a follow up on the matter with the office of the president on providing the progress report on the outcome of investigations to the Committee not later than the 29 May 2015.	Progress report on the implementation of the SIU report/recommendations will be provided to the Committee upon receipt of such report from the Presidency's Office.	Ongoing
3.17	The Accounting Officer must ensure that the department implements recommendations of the internal Audit Committee.	<p>The Accounting Officer is evaluating and implementing the Audit Committee's recommendations and follow up audits are being conducted by the unit to monitor progress on the implementation of the Committee's recommendations.</p> <p>The Department will also provides progress report on the Audit Committee's resolutions on quarterly basis during the sittings</p> <p>Disciplinary actions will be taken by the Accounting Officer on officials who fail to comply with such recommendations.</p>	Ongoing
3.18	The Accounting Officer must ensure that there is an official (secretariat) responsible for providing support and keeping of documents for the Audit Committee.	The Department has assigned a dedicated official within Compliance Unit at Deputy Director level to deal with providing support and keeping of documents for the Audit Committee.	Closed

### 3. COMMITTEE FINDINGS AND RECOMMENDATIONS

#### 3. AUDIT ACTION PLAN FOR 2014/15 FINANCIAL YEAR

The Committee has noted that the Auditor General has found that department has managed to obtain clean Audit opinions two years in succession. The Department has indicated that it had developed and implemented its Audit Action Plan after the end of each Audit process and the implementation process was monitored by management on regular basis.

It was indicated to the Committee that the Department has further developed Internal Control measures and policies aligned to enabling legislations and such policies are

respected, enforced and adhered to by all staff members. All risks areas identified by Internal Audit Unit, Audit Committee, External Auditors, and Oversight Bodies are incorporated into the Departmental Risk Register and mitigating factors monitored on regular basis through the Risk Management Committee.

### **3.1 Improvement of Local Government Audit Outcomes**

The Committee required the department to share its strategies to achieve clean audit opinions with the 19 Municipalities that did not achieve clean audit opinions. The Department indicated that it was working together with the Department of Finance and has established an effective CFO's forum which enforces and monitor the implementation of the Audit Action Plans by all Municipalities in the Province with an objective of achieving clean Audits. Clean Audit Strategies should be developed by all the Municipalities supported by both the Department of Co-operative Governance and Finance in the Province. The department also reported that the Provincial Treasury has developed a monthly reporting mechanism on the implementation of the Audit Action Plans by all Municipalities in the Province.

The Department has incorporated all the issues raised by the Audit Committee and Internal Audit Unit into the Audit Action Plan and Risk Assessment reports and monitors these issues on regular basis.

The Committee accepted the representation of the department and raised that more effort need to be put in assisting local government to improve its internal controls and consequently the audit outcomes of individual municipalities. There was a need for the department to channel resources towards capacitating the Municipal Public Accounts Committees in the province. The Committee noted that there were municipalities doing excellent work and others doing fairly well in the province and it was time that such practices need to be documented by the department and institutionalized in the province.

### **3.1.1 Recommendations**

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must develop a plan on how the department will improve audit outcomes at local government level in the province and submit report to the Legislature by 30 November 2016.
- (ii) The Accounting Officer must conduct an assessment of the capacity of MPACs in the province and submit report to the Legislature by 30 November 2016.
- (iii) The department must develop a local government oversight model for the province that will assist municipalities to achieve clean audits.

### **3.2 Litigations**

The Committee has noted that the Auditor General has found that the department has the litigation claim amounting to R25 691 000.00 which is in progress. The Committee required the department to provide the progress report regarding the litigation.

#### **3.2.1 STEMASHAN SPHELELO JOINT VENTURE V/S THE MEC AND HOD COGTA - R 24.708 million**

The Department indicated that is disputing the above ligation and the matter is before the court of law with a trial date of 08<sup>th</sup> March 2016. It should be further noted that the department has filed a counter claim of R12.942 million on the same matter.

#### **3.2.2 AFRICAN GAZA CHURCH V/S TIBONELENI PRIMARY SHOOL, MEC COGTA & EDUCATION AND MPAKENI TRIBAL AUTHORITY - R39.000.00**

The Department reported that is disputing the above ligation and the matter is before the court of law with a trial date of 25<sup>th</sup> November 2015. The above matter also involves the Department of Education which was served with the warrant of execution herein, but is preparing to apply for rescission of judgment.

### **3.2.3 THWALA AND 3 OTHERS V/S MEC COGTA AND MBOMBELA MUNICIPALITY – R 944 000.00**

The Department indicated that is disputing the above ligation and the matter is before the court of law with a trial date of 25<sup>th</sup> November 2015. The Committee was further informed that the department has capable officials in the legal unit to resolve the matters raised above and the progress thereof will be provided in due course.

#### **3.2.1 Recommendations**

The Committee recommends that the House resolve that:

- (i) The Accounting Officer must monitor the litigations and ensure that the best interest of the government is upheld.

#### **3.3 Investigation**

The Committee required the department to provide progress with regard to the SIU investigation on the water for all flagships. The Department has indicated that it has issued follow up letter to the Special Investigation Unit and is still waiting for the report as soon as the investigation is concluded.

#### **3.3.1 Recommendations**

The Committee recommends that the House resolve that:

- (ii) The Accounting Officer must make follow up with the SIU on the outcomes of the investigation and finalization of the Water for all flagship project matters.



#### **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 Cooperative Governance and Traditional Affairs (COGTA).

**Unless otherwise stated a report detailing progress made in the implementation of all recommendations in this report should be forwarded to the Committee by 30 January 2017 and thereafter on quarterly basis.**

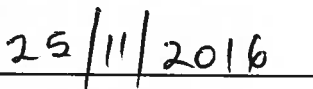
#### **5. ADOPTION**

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



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**HON. S I MALAZA**  
**CHAIRPERSON: SELECT COMMITTEE**  
**ON PUBLIC ACCOUNTS**



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**DATE**