



REPORT 6 OF 2016
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
MPUMALANGA TOURISM AND PARKS AGENCY (2014/15)

1. INTRODUCTION

The Select Committee on Public Accounts (SCOPA) hereinafter referred to as a Committee, examined the annual report of the Mpumalanga Tourism and Parks Agency ; 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 entity on areas that require improvement and monitoring.

The Committee discharged its mandate of ensuring prudent financial management over the reports of the entity.

3. COMMITTEE PROCEDURES

The Committee met with the entity on the 11 August. The Meeting of the Committee was 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 Acting CEO and the delegation responded to various questions posed by the Committee during the hearing.

4. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee considered progress made by the entity in implementing previous House Resolutions relating to the 2013/14 financial year. The progress per House Resolution is contained in the table below:

PROGRESS REPORT ON SCOPA RESOLUTION 2013/14 FINANCIAL YEAR

NO	RESOLUTION	PROGRESS AS ON	Status
1.	The Accounting Officer must forward a report on progress made in law suit amounting R740 million against Grand Valley Estate.	Documents relating to GRAND VALLEY ESTATES & 11 OTHERS versus MTPA & 24 OTHERS were submitted to the Committee	On-going
2.	The Accounting Authority must ensure that the entity develop reliable targets (SMART).	The entity reviewed the Strategic Outcome Oriented Goals, some performance indicators and targets when developing the 2015/2016 Annual Performance Plan so as to align with the SMART principle	Closed
3.	The Accounting Authority must consider taking disciplinary action against official(s) who failed to prepare financial statements according to the prescribed financial reporting framework as required by section 55(1) (b) of the PFMA.	The officials concerned have left the MTPA and cannot be disciplined.	Closed
4.	The Accounting Authority must develop a procurement plan for the entity and submits a copy to the Committee by 30 August 2015.	Procurement Plan for 2015/2016 was submitted to the Committee and accepted	Closed
5.	The Accounting Authority must provide the Committee on the progress of the investigation by Deloitte and indicate how will the irregular expenditure amounting to R11 338 224.00 be recovered and/or treated.	The Deloitte investigation report has been completed. The expenditure will be treated as per the recommendations.	Closed
6	The Accounting Authority must take disciplinary action against the official(s) who caused the entity to incur irregular expenditure in contravention of section 38(h) (iii) of the PFMA.	No disciplinary action will be taken against official(s) based on the recommendations of Deloitte investigation report.	Closed
7	The Accounting Authority must ensure that the entity develops adequate capacity on assets	Capacitation of the assets management unit was halted in view of the existing moratorium on the filling of vacant positions. The Agency is in the process	On-going

	management.	of reviewing the current organisational structure in line with Cabinet resolution of 15 March 2015. However, an official was seconded to the asset management unit to enhance the human resources capacity and in terms of skills development capacity.	
8	The Accounting Officer must ensure that the department has an updated asset register.	The Agency has updated the asset register and submitted to the AG and Internal Audit for review. Monthly fixed asset reconciliation reports are compiled as well.	Closed
9	The Accounting Officer must exercise oversight responsibility on financial and performance reporting and compliance.	<ul style="list-style-type: none"> • The Agency implemented formal quarterly financial and performance reporting which are submitted to the Audit Committee and the Board, for review. • Monthly and quarterly financial reports are being prepared to monitor budget versus expenditure. • The Internal Audit conducts regular reviews on the performance of the Agency and makes recommendations. 	On-going
10	The Accounting Officer must develop a Human Resource Management Plan and submit a copy to the Committee.	The Agency compiled a draft Human Resource Management plan pending consultation processes with internal stakeholders. The plan will be finalised in the 1 st quarter of 2016/17	On-going
11	The Accounting Authority must ensure that the entity operates with an effective internal audit function.	The Agency has an effective Internal Audit function. Currently the function is outsourced .The service provider's performance is monitored by the Audit Committee and the Senior Manager Internal Audit and Risk Management.	Closed
12	The Accounting Authority must submit the internal audit plan for 2014/15 to the Committee.	Internal Audit Plan for 2014/15	Closed
13	The entity must ensure that staff are correctly placed and all critical vacant funded posts are filled in the current financial year 2015/16.	The filling of critical vacant positions was halted in view of the existing moratorium and that the entity is in the process of reviewing the current organisational structure in line with Cabinet resolution of 15 March 2015.	Closed

AUDIT ACTION PLAN FINDINGS 2014/15

5. PROPERTY, PLANT AND EQUIPMENT

The Committee noted that the Auditor General's reported that the entity recognized assets additions as expenditure to property plant and equipment. The Acting CEO indicated that expenditure was in respect of programmes that were recognized in projects but not allocated to assets and this was subsequently rectified. This has since been corrected and confirmed in the 2015-2016 audit.

The Committee wanted to know the steps taken by the entity in capacitating officials responsible for assets management. The Committee was informed that entity has acquired capacity from internal audit pending the approval of the new MTPA organogram and lifting of the moratorium on the filling of vacant positions.

It was further reported that that the review of the residual value and useful lives of the assets was performed throughout the period but the fixed asset register was not adjusted due to capacity constraints and had been corrected and the 2015-2016 audit has confirmed.

The Committee further enquired has the entity put in place to address these findings from AG. The entity reported that there is an accelerated audit action plan to address the audit findings and the internal auditors are monitoring and tracking the implementation thereof. They are reporting quarterly to the audit committee and the Board.

5.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- i. The Accounting Authority must prioritise the vacancies in asset management and process them for approval by the Executive Council.

6. Valuation of Properties and Buildings

The Committee has noted that the Auditor General reported that the entity has not ensured that the assets register is accurate and complete. The Committee was informed that the fixed asset register is reconciled to the general ledger monthly. The reconciliation is reviewed by the Senior

Manager and the CFO will monitor the implementation. Quarterly assets management reports are prepared and sent to Management Committee, Audit Committee and the Board.

The Committee wanted to know the steps taken by the entity against contractors who incorrectly revalued properties and buildings. The entity indicated that management agreed with the contractor to utilize a different method since the area to be valued was inaccessible at the time. The contractors will now perform the revaluation using the same methods applied to all the other areas. The methodology has been agreed to and there were no anomalies in the 2015-2016 Audit.

The Committee further enquired on why the CEO failed to ensure that the entity has adequate controls in safeguarding and monitoring of assets. The acting CEO indicated that management engaged with the consultants to adopt alternative methods upon realization that one of the areas to be revalued is not accessible. Arrangements were made for the contractor to access those areas and the same methodology was used to evaluate the assets. The 2015-2016 audits have confirmed that this is the correct methodology.

6.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must develop adequate mechanism and systems to safeguard and maintain its assets and ensure that it has necessary capacity thereof.

7. Revaluation Reserve

The Committee has noted that the Auditor General reported that the entity did not transfer the full revaluation amount from completed work in progress to the statement of changes in net assets. The entity reported that there was an inadvertent error due to inadequate available detail to allocate to specific assets. That has since been corrected and the 2015-2016 Audit has confirmed the corrections.

The Committee was informed that the entity has established a project steering committee which includes CFO's office to address the details required for allocation of revaluation at individual asset level.

7.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must ensure that the entity transfers the full revaluation amount from completed work in progress to the statement of changes in net assets.

8. Accounts Payable

The Committee noted that the Auditor General's report indicates that the entity did not provide supporting evidence that was required the AG. The entity indicated that invoices were misplaced within the department and identified at a later stage. This was due to a high staff turnover in the department.

The Committee wanted to know the measures in place the entity has to mitigate this finding from recurring. The Committee was informed that the entity will request confirmation of balances on a monthly basis with related parties and follow up on any long outstanding or missing documents. It was also mentioned that the entity has a proper filing system has been introduced. The Committee was not happy with the explanation and requested the entity to have system in place that will ensure that invoices are kept safe.

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 failing to provide supporting evidence that was required the Auditor General.
- ii. The Accounting Authority must develop mechanisms to collect all monies due to the entity and safeguarding of documents i.e. invoices.

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9. Accruals

The Committee enquired as to why the Accounting Authority should explain why the entity failed to accrue for vehicle reimbursement in arrears. The entity indicated that there was a lapse in financial controls as long outstanding claims were processed in subsequent months. That has since been corrected and the 2015-2016 Audit has confirmed that.

The Committee wanted to know how the Accounting Authority must indicate the impact of accruals on service delivery. The entity indicated that the impact is on cash flow and the budget of subsequent financial period. The entity had sufficient cash reserves at the end of the financial year to cushion the accruals.

The Committee further enquired on what steps have been taken by the Accounting Authority to ensure that the reported finding does not recur in the next financial years. The entity indicated that it has implemented an accruals schedule that is prepared monthly and reviewed by management before General Ledger closure. The entity will ensure that accruals are cash-backed and cut off dates are adhered to.

9.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- i. The Accounting Authority must develop a strategy that will ensure that accruals are minimise.

10. Other Income

The Committee noted that the Auditor General's report indicates that the entity had failed to ensure that the entity has a proper record management system. In response the acting CEO indicated that there is a record management system in place, however there was no human resource capacity responsible to manage the system. The responsibility has since been assigned to a creditors' clerk.

The Committee enquired whether there were steps taken by agency to ensure that the reported finding does not recur in the next financial years. The acting CEO informed the Committee that an official has been assigned to ensure that there was proper records management system.

10.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- i. The Accounting Authority must ensure that the entity has a proper records management system not later than the 30 November 2016.

11. EMPHASIS OF MATTERS

The Committee required the entity to provide the status quo on the progress made for the land utilization lawsuit of R740 million since this matter is recurring. In response, the acting CEO indicated that this matter will recur until it is formally withdrawn. Currently, it is stagnant and there is no indication that it will go onto the Court roll. The matter has been transferred to OTP as part of centralizing all litigation against the Provincial Government.

The Committee wanted to know the implications or consequences should the entity lose the case. The entity indicated that the event that they lose the case, the possible implications is payment of financial compensation. The case is still at the very early commencement stage, furthermore the defense to this case is considered to be watertight with good prospects of success against the action. The Committee was further informed that is commonly used practices to arrange for payment in instances where there is judgment granted by the court against Defendant(s). Parties often negotiate and conclude such an arrangement as judgment debts are not always forthcoming outright.

The Committee required the CEO to submit a breakdown of the R740 million with regard to the 21 respondent that Mr. Daniel has taken actions against. The Committee was provided with the relevant part of Plaintiffs' Particulars of Claim forming part of their Summons which provides a breakdown of the amount claimed.

The Committee noted that the case was still in court.

11.1 RECOMMENDATION

The Committee recommend the House to resolve that:

- i. The Accounting Authority must provide a report on the matter and the end of the case (R740 million lawsuits).

12. USEFULNESS OF REPORTED PERFORMANCE INFORMATION

The Committee noted that the Auditor General's report indicates that the entity had failed to provide reliable corroborating evidence for significant targets to be assessed. In response, the acting CEO indicated that the entity did not have in place a performance monitoring and evaluation framework.

The Committee required the entity to provide reasons why it had failed to develop processes and procedures for all indicators and targets as well as ensuring that monthly reviews were performed with the portfolio of evidence and adequately filled. The Committee was informed that the entity was experiencing human resources capacity challenges to develop processes and procedures. The entity has developed a framework for processes and procedures for all indicators and targets. The entity has introduced quarterly reviews where Programme Heads are required to provide portfolio of evidence.

The Committee need clarity on what are the steps taken by the entity in capacitating the performance management unit, how will the entity monitor the achievement of planned targets in the 2015/16 financial year. The entity reported that it has appointed officials (i.e. planning, monitoring and evaluation) for the unit and definitions to the planned targets have been developed, the performance monitoring and evaluation framework is completed. The Committee was further informed that the entity has developed the monitoring and evaluation framework during the 2015/2016 financial year. The Committee was not pleased with the entity responses for failing to achieve its targets and ensuring that there is enough capacity within the performance management unit.

12.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- i. The Accounting Officer must develop a plan that will ensure that the entity achieves all planned targets.
- ii. The Accounting Officer must ensure that the entity has a system in place and capacity to monitor the achievement of the planned targets.

13. Measurability of indicators and targets

The Committee further noted that the entity did not have appropriate systems to collect, collate, verify and store performance information. The Committee asked why the entity was unable to have appropriate systems to collect, collate, verify and store performance information. The

entity indicated that they did not do a performance monitoring and evaluation framework, the process thereof was supposed to be managed human resource management.

The Committee established on what are the measures put in place by the Accounting Authority to mitigate the material misstatement of indicators. The entity reported that it has developed a performance monitoring and evaluation framework and compiled definitions to the planned targets. This has since been corrected and the 2015-2016 audit has confirmed that.

The Committee wanted to know what measures in place to ensure that the entity targets are specific and measurable, as well as ensuring that indicators are well defined and verifiable. The entity indicated that it has provided definitions for the indicators and targets of the 2015/2016 to ensure that they are verifiable and reliable. This has been very useful in the 2015-2016 Audit.

13.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- i. The Accounting Office must ensure that the entity has appropriate systems to collect, collate, verify and store performance information.

14. COMPLIANCE WITH LEGISLATION

The Committee wanted to know why did the entity failed to submit the strategic plan for 2014/15 financial year to the members of the executive committee for approval. The Committee was informed that the entity submitted the strategic plan at the beginning of the five year term and it was under the impression that the submission takes place once in five years. The entity has since complied with the requirements and submitted the strategic plan for 2015-2016.

The Committee required the entity to provide reasons why did the Accounting authority failed to execute his responsibilities as outlined by section 51(1) (a) (i) of the PFMA. The entity indicated that they did not have a performance management framework and the human resources to manage the process. The entity did not have adequate human skills. This has since been corrected in the 2015-2016 APP.

The Committee further enquired on what are the measures in place to ensure that the reported finding does not recur. In response, the entity indicated that it has appointed officials (i.e.

planning, monitoring and evaluation) to the unit and definitions to the planned targets have been developed and the performance monitoring and evaluation framework completed.

The Committee noted that officials were appointed as a measure to curb the challenge and will monitor if the matter doesn't recur in the future.

15. Annual financial statements, performance report and annual report

The Committee noted that the Auditor General's report indicates that the entity had failed to prepare the financial statements in accordance with the prescribed financial reporting framework as required by section 55(1) (a) and (b) of the PFMA. The entity indicated that it experienced significant challenges within Asset Management at year-end which led to the non-compliance. The Internal Audit assists with the External Audit readiness. The CFO develops an audit plan with responsible officials and deadlines so that they can review the accuracy of the information.

The Committee further required the entity to explain why did the Accounting Authority contravene section 55(1) (a) and (b) of the PFMA. The entity reported that changeover and rotation of critical key roles around year-end period impacted the process adversely.

15.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must consider taking disciplinary actions against officials who failed prepare the financial statements in accordance with the prescribed financial reporting framework as required by section 55(1) (a) and (b) of the PFMA.

16. Procurement and contract management - Treasury Regulation 16A6-3 (c)

The Committee noted that the Auditor General's report indicates that the entity had failed to comply with Treasury Regulation 16A6.3(c) and 16A6.1.1. The entity indicated that there was lack of experience and continuity due to rotation of the key role during period under review. The Committee wanted to know whether any action was been taken against the person who had been responsible for this action. The Committee was informed that the matter is under investigation by internal auditors and action will be taken after the report has been concluded.

The Committee wanted to know the measures in place the entity has taken to prevent these non-compliances from recurring. The entity indicated that it has implemented a detailed checklist to highlight any deviations. The checklist also assists in ensuring adequate compliance. In addition a register has been introduced to record and process all unavoidable irregular expenditure.

The Committee noted that the Accounting Authority contravene Treasury Regulation 16A6.3 as indicated by Auditors Report. The entity reported that there was lack of training, workshops on updating and refreshing staff on treasury regulations and PFMA including new developments.

The Committee asked the entity on what measures has the Accounting Authority put in place to ensure that the reported finding does not recur in the next financial year. The Committee was informed that training has been provided by Provincial Treasury and a checklist has been implemented to highlight any deviation.

The Committee wanted to know how many contracts and their value were awarded in contravention to the requirements of the Preferential Procurement Policy Framework Act of South Africa (Act No.5 of 2000) and its regulations. It was indicated by the entity that there were seven (7) contracts to the value of **R17.6m** that were awarded, the matter is under investigation by internal auditors and action will be taken after the report has been concluded.

16.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must ensure that investigation on officials who failed to comply with Treasury Regulation 16A6.3(c) and 16A6.1.1 and disciplinary actions is taken against implicated officials.
- (ii) The Accounting Authority must consider taking disciplinary actions against officials who contravene Treasury Regulation 16A6.3
- (iii) The Accounting Authority must consider taking disciplinary actions against officials awarded contracts in contravention to the requirements of the Preferential Procurement Policy Framework Act of South Africa (Act No.5 of 2000) and its regulations

17. Expenditure management

The Committee noted that the Accounting officer failed to prevent irregular as well as fruitless and wasteful expenditure. The entity informed the Committee that it had chronic shortage of staff in the CFO's office which resulted in a lapse in controls.

The Committee required the entity to indicate on what are the measures put in place to ensure that the reported matter is prevented from recurring in future. The entity indicated that there is system in place that prevents and detects fraudulent activities within the entity through risk management.

The Committee requested the Accounting Authority to provide submit proof that the irregular expenditure was reported to Provincial Treasury. The entity will submit to Provincial Treasury as soon as the investigation is completed. The entity has started submitting to Provincial Treasury monthly supply chain/irregular expenditure report.

17.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must consider taking disciplinary actions against officials who failed to prevent irregular expenditure as well as fruitless and wasteful expenditure.
- (ii) The Accounting Authority must consider taking disciplinary actions against officials who failed to submit proof that the irregular expenditure was reported to Provincial Treasury

18. Revenue Management

The Committee needed clarity on why did the Accounting Authority fail to take effective and appropriate steps to collect all money due as a required by section 51(1) (a) (1) of PFMA and Treasury Regulation 31.2(a) and (e). The entity indicated that there is a revenue management system in place, however there was no human resource capacity responsible to manage the system. This relates to concessions which are a matter of disputes with concessionaires and claimant communities.

The Committee further required the give clarity on what measures did the Accounting Authority put in place to enable the department to collect all money due to the department as per legislation. The Committee was informed that a specific person has been assigned to manage the process of revenue management. A concessions register was developed with detailed information and status regarding each concession.

18.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must consider taking disciplinary actions against officials who failed to take effective and appropriate steps to collect all monies due as a required by section 51(1) (a) (1) of PFMA and Treasury Regulation 31.2(a) and (e).

19. INTERNAL CONTROLS

The Committee noted that the Accounting Officer has failed to implement effective human resource management to ensure adequate and sufficient skilled resources were in place and that performance was monitored. The entity indicated that the appropriate vacancies were not filled due to outstanding placement processes followed by moratorium on the filling of vacant positions.

The Committee enquired whether there are the measures in place to ensure that the reported finding does not recur. The entity reported that the filling of vacant positions will be done upon finalization of the organogram in terms of the new EXCO resolution and lifting of the moratorium.

19.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Executive Authority must consider taking disciplinary actions against the Accounting Officer failing to implement effective human resource management to ensure adequate and sufficient skilled resources were in place and that performance was monitored.

20. Annual report policies and Procedures

The Committee noted that the Auditor General's report indicates that the Accounting Authority failed to establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities. The entity reported that it is as a result of critical vacant positions that were not filled within the entity during the year under review. Policy development/review and communication is in progress, specifically regarding Information Technology, Human Resources, Finance and Risk Management.

The entity has also appointed some of the officials in key positions and procedures are being reviewed, updated and workshopped within the entity.

20.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must consider taking disciplinary actions against officials who failed to establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities

21. Investigations

The Committee required entity to provide the progress on the outcome of the investigations on rhino horns. The entity indicated that matter was reported to the SAPS and 2 suspects were arrested. The matter is still in court. Standard Operating Procedures (SOP) were developed and implemented to minimize the risk of rhino horns theft. The Committee wanted to indicate whether there are measures in place to recover the rhino horns. The entity reported that rhino horns could not be recovered at the time the arrests were made and it is unlikely that these will be recovered at all.

21.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must provide the Committee with the outcomes/progress made regarding the 2 suspects arrested for rhino horn theft not later than the 30 November 2016.

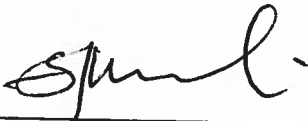
22. CONCLUSION

The Committee has satisfied the requirements of the Mpumalanga Provincial Legislature Rules and Orders of conducting oversight over the financial statements of the entity.

Unless otherwise stated a report detailing progress made in the implementation of all recommendations in this report should be forwarded to the Committee by 31 January 2017 and thereafter on quarterly basis.

23. ADOPTION OF THE REPORT

The Select Committee on Public Accounts recommends that the House adopt this report.



**HON. SI MALAZA
CHAIRPERSON
SELECT COMMITTEE ON PUBLIC ACCOUNTS**

25/11/2016

DATE