



REPORT 05 OF 2018
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
MPUMALANGA TOURISM AND PARKS AGENCY (2017/18)

1. INTRODUCTION

The Constitution of the Republic of South Africa, Act 108 of 1996 empowers Provincial Legislatures to establish mechanisms to maintain oversight on provincial executive authority and organs of state. The Legislature through its Standing Rules and Orders has established the Select Committee on Public Accounts (SCOPA) hereinafter referred to as a Committee, and entrusted it with the responsibility to conduct financial scrutiny and examination of all financial statements and reports of the Auditor-General tabled before the House.

The Committee sent preliminary questions to the Mpumalanga Tourism and Parks Agency and received responses which were subsequently presented during a hearing of the Committee. 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 public entity and wish to report as follows;

2. COMMITTEE PROCEDURES

The Committee met with the entity on the 25 October 2018 to deliberate on the above report and considered the report on 05 March 2019. The Meeting of the Committee was open for the public including the media as required by section 118 (1) (b) of the Constitution of the Republic of South Africa, Act No. 108 of 1996, read with the Standing Rules and Orders.

3. PROGRESS REPORT ON HOUSE RESOLUTIONS 2016/17 FINANCIAL YEAR

The Committee considered progress made by the entity in implementing previous House Resolutions relating to the 2016/17 financial year. The progress per House Resolutions is contained in the table below:

	RESOLUTIONS	PROGRESS AS ON	STATUS
1. PROPERTY, PLANT AND EQUIPMENT	i. The Accounting Authority must take disciplinary actions against official(s) who failed to ensure that the entity has adequate controls in safeguarding and monitoring of assets.	The entity is under staffed within the Asset management unit. Physical verification of assets is now conducted electronically (scanner) on a quarterly basis. This electronic system has brought about adequate control and monitoring of assets.	Ongoing
	ii. The Accounting Authority must ensure that the entity has an accurate asset register before the end of the financial year 2017/18.	The entity has an updated accurate register.	Closed
2. ZITHABISENI RESORT OWNERSHIP PROPERTIES	i. The Accounting Authority must ensure that the entity provide progress made towards resolving the property ownership of Zithabiseni Resort and Conference Centre.	The Department of Rural Development and Land Reform has issued a letter to Zithabiseni Resort giving them permission to utilize the land until the finalization of the settlement to the rightful owners.	Ongoing
	ii. Portfolio Committee must meet with Rural Development and follow-up on the Zithabiseni land claim.	The Portfolio Committee has a planned visit to Zithabiseni Resort during the month of November 2018.	Ongoing
3. OTHER INCOME: CONCESSION FEES	i. The Accounting Authority must ensure that the entity operates with adequate and effective contract management system.	The entity has standardized all concession contracts. Where there were no contracts or the terms have expired, the entity has negotiated new terms and	Ongoing

	RESOLUTIONS	PROGRESS AS ON	STATUS
		signed with the concessionaires. However there are contracts that have not been concluded because the entity is still engaging on the new standardized terms	
4. PREDETERMINED OBJECTIVES	i. The Accounting Authority must ensure that the Performance Information Policy is developed and implemented accordingly.	The Performance Information Policy has been developed, approved and is being implemented	Closed
	ii. The Accounting Authority must conduct quarterly review on performance information and ensure that MOV's is verified and filed proper.	Quarterly reviews on performance information are conducted and Portfolio of Evidence verified and filed	Ongoing
5. MATTERS OF EMPHASIS (LAND UTILIZATION LAWSUIT OF R740 MILLION)	i. The Accounting Authority must provide progress regarding land utilization claim amounting to R740 million.	Updated progress report on the legal case of Grand Valley Estates & 11 others versus MTPA & 24 others is hereby attached (annexure 1)	Ongoing
6. IRREGULAR EXPENDITURE	i. The Accounting Authority must provide progress report and/or outcome of the submission to Treasury (irregular expenditure R35 957 190.00).	The National Treasury has not yet provided feedback on the submission of the irregular expenditure. Follow up meetings were held with the Provincial Treasury however they are still awaiting feedback from National Treasury.	Ongoing
7. COMPLIANCE WITH LEGISLATION (COMPILATION OF FINANCIAL STATEMENT)	i. The Accounting Authority must establish a system of development and reviewing of Financial Statements on Quarterly basis and a quality assurance team to review Annual Financial Statements.	The entity has established a system of development and reviewing of Financial Statements: Half year Financial Statements are reviewed by an independent audit firm and Treasury to ensure that no material misstatements are found when the annual financial statements are consolidated.	Closed

	RESOLUTIONS	PROGRESS AS ON	STATUS
		The entity's internal auditors are conducting quarterly reviews of financial reports.	
8. PROCUREMENT AND CONTRACT MANAGEMENT	i. The Accounting Authority must take disciplinary actions against officials contravene Treasury Regulation 16A6.3, 16A9.1 (d) and Preferential Procurement Regulations.	<p>The irregular expenditure was investigated by an independent investigator. The report did not recommend disciplinary actions against any official because the entity derived value for money on the transactions. The report recommended that the entity should submit the irregular expenditure to National Treasury for condonation.</p> <p>However, the entity has provided training to officials in the finance department to avoid recurrence of the irregular expenditure</p>	Ongoing

4. COMMITTEE FINDINGS AND RECOMMENDATIONS

Audit opinion for 2017/18

The entity improved from qualified audit opinion for the past two financial years (2015/16 and 2016/17) to unqualified audit opinion with findings during 2017/18 financial year.

5. EMPHASIS OF MATTERS

The Committee noted that the Auditor General reported that the entity has failed to review quarterly reports. The Committee wanted to know why the entity failed to review its quarterly/interim reports during the year in order to ensure that the final submitted financial statements are free of errors before submitting to the Auditor General. The CEO indicated that the entity did not adequately review the reports submitted to the external auditor due to lack of Training and Human Capacity Constraints. The Committee enquired the various departmental committees including senior management to review financial reports before submitting for auditing.

The CEO indicated that senior management reviewed the submitted Financial Statements, however due to the human resource capacity constraints, the review did not cover the verification of any balances nor transactions as well as accounting treatment of transactions and balances in terms of Generally Recognised Accounting Practice (GRAP). It was also indicated that human resources capacity constraints related to high vacancy rate, inadequately equipped workforce at management level and the instability brought by the departure of the acting CFO during the audit period. The issue of the appointment of the CFO is receiving attention to bring about stability.

The Committee wanted to know what measures have been put in place to ensure that the financial statements for 2018/19 financial year are free from errors. The CEO indicated measures that were put in place to ensure that the financial statements for 2018/19 financial year are free from errors are as follows:

- Finance staff would attend workshops and training on the preparation of Annual Financial Statements;
- Half year financial statements have been prepared and audited by internal auditors and have been subsequently been submitted to AG for Interim Audit;
- The enforcement of a GRAP checklist during the preparation of the interim financial statements to ensure that financial statements are prepared in accordance to the prescribed financial reporting framework and supported by full and proper records;
- Training on compilation of Financial Statement would be provided by Provincial Treasury in capacitating the entity's Finance Section before the year end. The training would continue as and when it is needed.

5.1 RECOMMENDATIONS

The Committee recommended that:

- i. The Executive Authority must take disciplinary actions against official(s) who failed to ensure that the entity review its quarterly/interim reports are accurate and credible.
- ii. The Executive Authority must ensure that the process of recruiting the CFO for the entity is finalised.

6. UNCERTAINTY RELATING TO THE FUTURE OUTCOME OF EXCEPTIONAL LITIGATION

The Committee noted that the Auditor General reported that the entity has cases that are still pending. The Committee enquired on the status quo of the case since it is recurring. The CEO indicated that the case is still pending before the court with no trial date set yet. It was also reported that there has been other attempts made to resolve the case through mediation, although that process did not resolve the case, it led to the development of the Greater Nkomati River Valley Development Plan which was formally adopted by the

board. This plan continues to be integrated within the MTPA functions because all its elements form part of the MTPA functions.

The entity was requested to provide a breakdown of the money spent toward defending the case. The CEO indicated that the legal fees incurred and paid in respect of this matter amount to more than **R7 million** since 2010 to date. The entity requested the State Attorney to provide the entity with a detailed breakdown, as soon as the entity gets it, it will be made available. The Committee wanted to know what measures are in place to address this matter and ensure that it does not recur in the 2018/19 financial year. This is an ongoing court case instituted against the entity and government both at Provincial and National. Attempts to settle and resolve the case outside of court failed several times. The Committee was further informed that the court will have to hear the matter and pass a judgement or a legal ruling on it, that process will be prolonged and the entity is uncertain as to when the legal trial will commence and conclude.

6.1 RECOMMENDATIONS

The Committee recommended that:

- (i) The Executive Authority must ensure that the entity provide progress report on the outstanding disciplinary cases.

- (ii) The Executive Authority must ensure that the entity provide the expenditure breakdown of the **R7 million** and that the money was spent on the legal fees.

7. MATERIAL IMPAIRMENTS

The Committee noted that the Auditor General reported that the entity have not recover or collect **34% or R2 872 772** of debtors. The Committee wanted to know the developed and implemented strategy used by the Accounting Authority to recover or collect the **34% or R2 872 772** of debtors. The CEO indicated that the developed strategy by the Accounting Authority to recover the **34% or R2 872 772** of debtors is:

- Debtors that are not settling their account after 120 days are handed to the Entity's legal department for collection. The process entails using the services of external lawyers.
- Irrecoverable debts are submitted to Board for write off.
- The Entity signed payment terms with Debtors that are agreeing to repay their long outstanding debts.

The Committee enquired on the corrective measures that have been put in place to improve the debt-management skills. The CEO indicated that the entity has prioritized the filling of the Debtors Accountant position to fast track the collection of debts, continuously provides training to officials assigned to debt management and the long outstanding debts have been handed over to legal service for collection.

7.1 RECOMMENDATIONS

The Committee recommended that:

- (i) The Executive Authority must ensure that the entity finalises the appointment of the Debtors Accountant.
- (ii) The Executive Authority must ensure that the entity recover the outstanding debtors.

8. IRREGULAR AS WELL AS FRUITLESS AND WASTEFUL EXPENDITURE

The Committee noted that the Auditor General reported that the entity had irregular expenditure of **R6 720 772**. The Committee wanted to know why the entity incurred irregular expenditure amounting to **R6 720 772**. The CEO indicated that the irregular expenditure incurred relates to the following transactions:

- The Entity incorrectly used the preference point system (i.e. 90/10 system instead of 80/20) for the appointment of a service provider to manage the world tourism day.
- The contract of an implementer appointed for the infrastructure upgrade at Manyeleti and Blyde Nature Reserve was terminated due to breach of contract. The entity

continued to utilize the services of local sub-contractors which were appointed by the contractor.

The CEO also reported that the entity is in a process of appointing an independent service provider to investigate the irregular expenditure.

The Committee enquired on the failure by the Accounting Authority to put effective internal controls to prevent irregular expenditure. The CEO indicated that ineffective internal controls on irregular expenditure were caused by amongst the following:

- Procurement of service providers with specialized service providers whose availability in the province is limited thus rendering competitive bidding impossible, for example, advertising on electronic and print media and participation in specific national and international events.
- Inadequate human resources skills from the SCM staff.
- Outdated Supply Chain Management (SCM) policy.

The CEO further indicated that the entity has put measures in place to ensure that the reported matter is prevented from recurring in future as follows:

- The SCM Policy was reviewed and subsequently approved.
- The entity is enforcing the implementation of the policy as a crucial internal control measure to prevent recurrence (e.g. Workshops and Training).
- Plans are in place to engage Provincial Treasury on sole and preferred suppliers and subsequently consult with AGSA.
- Enforce Consequence Management.
- A plan to rotate staff in the SCM function and Finance is in place.
- Training provided by Provincial Treasury on Irregular Expenditure.

8.1 RECOMMENDATIONS

- (i) The Executive Authority must take disciplinary actions against the official(s) liable in law for incurring the irregular expenditure who caused the entity to incur the Irregular Expenditure amounting **R 6 720 772**.
- (ii) The Executive Authority must ensure that the entity finalizes the process of investigating the irregular expenditure
- (iii) The Executive Authority must ensure that the entity used the correct preference point system for the appointment of the service provides

9. FRUITLESS AND WASTEFUL EXPENDITURE

The Committee noted that the Auditor General reported that the entity had incurred fruitless and wasteful expenditure. The Committee noted that the entity incurred fruitless and wasteful expenditure during the period under review. The Accounting Authority indicated that the entity incurred fruitless and wasteful expenditure related to the following:

- The CFO released from her duties and later labour processes ruled that the CFO be reinstated. The three months' salary of the CFO was paid by the Entity before the official was seconded to the Department of Economic Development and Tourism (DEDT)
- The entity had to recognize the amount that was paid to SARS in 2010 as penalties for late submission for EMP201 in which the Entity had paid the amount to SARS and SARS had deducted the amount from MTPA's account. The amount was not recoverable and has been recognized as accounts receivable in the past years.

The Committee wanted to know why the Accounting Authority failed to address the finding relating to payment of two salaries in the previous financial year. The CEO indicated that

the payment could not have been recovered as the CFO was seconded by the Professional Body to the Department of Health since the Entity has released the CFO from her duties and therefore could not be recovered from the Department of Health as the entity was legally obligated to pay the salary. The secondment occurred rather late due to circumstances beyond the Entity's control

The Committee was further informed that the CFO was subsequently seconded to the Department of Economic Development (DEDT) in July 2017 and the salary of the CFO for July 2017 has been re-imbursed by the Department however the Salary for April 2017 to June 2017 is recognized as wasteful and fruitless expenditure.

9.1 RECOMMENDATIONS

The Committee recommended that:

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- (i) The Executive Authority must ensure that the entity develops an effective internal control systems and tools to timeously detect and prevent the irregular, unauthorised, fruitless and wasteful expenditure as required by Section 51(1) (b) (ii) of the PFMA.

10. FINANCIAL STATEMENT AND PERFORMANCE MANAGEMENT

The Committee noted that the Auditor General reported that the entity had failed to submit financial statements that are free of material misstatements. The Committee enquired why the entity failed to submit financial statements that are free of material misstatements. The CEO indicated that entity did not adequately review the reports submitted to the Auditor General due to lack of Training and Human Capacity Constraints. The Committee also wanted to know the measures that have been put in place to ensure that the reported finding does not recur in 2018/19 financial year.

The CEO indicated that the measures put in place to ensure that the financial statements for 2018/19 financial year are free from errors are as follows:

- Finance staff would attend workshops and trainings on the preparation of Annual Financial Statements;
- Half year financial statements are prepared and audited by internal auditors and have been subsequently submitted to AG for Interim Audit;
- A GRAP checklist is enforced during the preparation of the interim financial statements to ensure that financial statements are prepared in accordance to the prescribed financial reporting framework and supported by full and proper records;
- Treasury Reporting Requirements are followed in the preparations of the Financial Statement;
- Provincial Financial Statement training is attended by officials.

10.1 RECOMMENDATIONS

The Committee recommended that:

- (i) The Executive Authority must ensure that the entity employs officials with relevant requirements within the Finance Management Section and continuous training are provided.

11. PROCUREMENT AND CONTRACT MANAGEMENT

The Committee noted that the Auditor General reported that the entity had failed to take reasonable steps to prevent the abuse of the supply chain management system. The Committee wanted to know why the entity failed to take reasonable steps to prevent the abuse of the supply chain management system. The CEO indicated that this was an error committed on the part of the entity, the bid was advertised for 20 days on the bulletin and national papers instead of the prescribed 21 days. The entity has since put in place verification mechanism before adverts could be published.

The entity was requested to share with the Committee whether there was any investigation conducted by the Executive Authority on allegation against official or other

role player of corruption, improper conduct of failure to comply with supply chain management. The CEO indicated that the entity is in the process of appointing an independent service provider to investigate irregular expenditure for 2017/2018 before corrective action can be taken.

11.1 RECOMMENDATIONS

The Committee recommended that:

- (i) The Executive Authority must take disciplinary actions against the official(s) who abused the supply chain management system.

- (ii) The Executive Authority must ensure that the entity finalizes the appointment of the service provider to investigate irregular expenditure incurred in the 2017/18 financial year and provide the progress report to the Committee.

12. REVENUE COLLECTION

The Committee noted that the Auditor General reported that the entity had contravene section 51(1) (b) (i) of the PFMA. The Committee wanted to know why did the Accounting Authority contravene section 51(1) (b) (i) of the PFMA. The CEO indicated that entity does not have a contract with Inzalo as a result the expected revenue is) as the matter between the entity and Inzalo is in court. The revenue collection system is not standardized across the reserves which resulted in efficiencies in the collection of revenue.

The Committee further enquired on the measures that have been put in place to ensure that revenue management is done per legislation. The entity indicated that the following measures have been put in place to ensure that revenue management is done as per legislation:

- Finalize all outstanding concessions agreements.
- Fill the Debtors Accountant position for effective collection of revenue.
- Standardization of revenue collection in all of our reserves.

- The long outstanding debt have been handed over to the Entity's legal services department for handling.

12.1 RECOMMENDATIONS

The Committee recommended that:

- (i) The Executive Authority must take disciplinary actions against the official(s) for contravening section 51(1) (b) (i) of the PFMA.

13. INTERNAL CONTROL (LEADERSHIP)

The entity was requested to share with the Committee the plans that have been put in place to fill the vacant key management position. The CEO indicated that the entity is in the process of filling the position of Executive Manager, Commercial Operation through headhunting and a dedicated official within the entity has been assigned the Commercial Operation function in the interim. The process of filling the position of Executive Manager, Conservation is almost complete (interviews were done and candidates are to go for competency assessments). It was also reported to the Committee that all positions that became vacant from 2017/18 financial year to date are in the process of being filled.

13.1 RECOMMENDATIONS

The Committee recommends that the House resolve that:

- (i) The Executive Authority must ensure that the entity finalizes the appointment of the vacant funded critical positions.

14. 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. The Chairperson would like to express his heartfelt gratitude to Honorable Members of the Committee CEO and Senior Management for availing themselves to deliberate on matters pertaining to the entity.

The Chairperson would also like to thank the support staff for contributing to the production of this report.

Unless otherwise stated a report detailing progress made in the implementation of all recommendations in this report should be forwarded to the Legislature by 26 June 2019 and thereafter on quarterly basis.

15. ADOPTION OF THE REPORT

The Select Committee on Public Accounts recommends that the House adopts the report with its recommendations.



HON. VV WINDVOËL

CHAIRPERSON

SELECT COMMITTEE ON PUBLIC ACCOUNTS

02/04/2019

DATE