



**REPORT 9 of 2018**  
**SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5<sup>TH</sup> MPUMALANGA PROVINCIAL LEGISLATURE:**  
**MPUMALANGA PROVINCIAL LEGISLATURE (2017/18)**

## **1. INTRODUCTION**

The Select Committee on Public Accounts (SCOPA) hereinafter referred to as a Committee, examined the Annual Report of the Mpumalanga Provincial Legislature; hereinafter referred to as the Legislature, which includes the Annual Financial Statements, the report of the Auditor-General, the report of the Accounting Officer and performance information.

The Committee sent preliminary questions to the Legislature and received responses which were subsequently presented during a hearing. This transparent process of engagement was aimed at assisting and guiding the Legislature on areas that require improvement and monitoring.

The Committee discharged its mandate of ensuring prudent financial management over the report of the Legislature.

## **2. COMMITTEE PROCEDURES**

The Committee met on 31 October 2018 to deliberate on the above reports and considered the report on 26 March 2019. 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 IMPLEMENTATION OF PREVIOUS SCOPA RESOLUTIONS FOR 2016/17 FINANCIAL YEAR**

NO.	RESOLUTION	PROGRESS BY MPULEG 31 MAY 2017	STATUS
(i)	The Accounting Officer must ensure that the compliance register is effectively implemented, especially since the same matter was raised by the Auditor General with the Legislature in the previous year 2015/16		
(ii)	The Accounting Officer must ensure that there is proper tendering system and the procurement policy is correctly adhered to and effectively implemented		
(iii)	The Accounting Officer must take disciplinary action against official/s that are responsible for the irregular expenditure amounting to R4 614 080.00 as a result of non-compliance with SCM regulations.	The Hon. Speaker has instituted investigations on the issues of irregular expenditure. This irregular expenditure was investigated and condoned in the 2016/17 financial year.	Ongoing
(iv)	The Accounting Officer must provide sufficient and appropriate audit evidence that all awards were made in accordance with the Legislative requirements and a procurement process that is fair. Equitable and relevant SCM processes		
(v)	The Executive Authority must take disciplinary action against the Accounting Officer for failing to advertise bids for the required minimum period as required by SCM regulation 6(8) (a) (ii) issued in terms of the FMPPLA	The Hon. Speaker has instituted investigations on the issues of irregular expenditure.	Ongoing

(vi)	The Executive Authority must expedite the conclusion of all disciplinary cases amicably. This will curtail protracted and costly legal wrangles. It will further ensure stability in the senior management of the Legislature	The Hon Speaker is the process of concluding all the disciplinary cases. The Committee will be informed on the progress.	Ongoing
(vii)	The Accounting Officer must ensure that unauthorized, irregular, fruitless and wasteful expenditure and other losses are prevented, and appropriate steps are taken where such expenditure has occurred as required by Section 7 (e) of FMPPLA.		
(viii)	The Accounting Officer must finalise the cases of the responsible officials/ MPLs that are /is liable for expenditure that were not finalised at the end of 31 March 2017; hence disclosed as fruitless and wasteful expenditure.		
(ix)	The Accounting Office must ensure that Management of the Legislature complies with applicable laws and regulations to adequately monitor internal controls in the SCM to ensure that relevant evidence is submitted to auditors during the audit process.		
(x)	The Accounting Officer must submit a report of the investigation that was completed and internal disciplinary processes that were initiated on all cases.		

### **Recommendations**

The Committee recommend that the House resolve that;

- (i) The Executive Authority must appear to the Committee for none adherence to House Resolutions

The Committee noted that there are seven (7) Resolutions that were not properly responded to by the Legislature and those were due for submissions in March 2018. There are no submissions that were received, although a number of follow ups have been done. The Legislature is failing to lead by example as the custodian authority.

### **Recommendations**

The Committee recommend that the House resolve that;

- (i) The Executive Authority must institute disciplinary actions against the Accounting Officer for failing to implement resolutions amounting to contempt of the Legislature.

### **OBSERVATIONS MADE BY THE COMMITTEE**

- The Legislature has made late submission of documents for the meeting, the matter has been raised before and noting that the meeting was previously postponed.
- Responses given does not give a clear understanding in dealing with issues raised administratively.
- There is no gender balance in Senior Management positions.
- There is no proper report on placement of the reinstated officials.
- The Accounting Officer has not acted accordingly in addressing non-compliance issues in the Legislature.
- There are no effective internal control prescripts.
- There are no remedial actions taken by the Accounting Officer against implicated officials and mechanisms in dealing with the recurrence of Irregular Expenditure.
- The Legislature appointing Contactors without following SCM prescripts.
- The travel desk in the Office of the Speaker is not adequately staffed, MPLs have difficulties on their travelling arrangements.

### **COMMITTEE FINDINGS AND RECOMMENDATIONS**

#### **3. AUDIT OPINION FOR 2017/18**

The Committee has noted that the Auditor General reported that the Legislature received an unqualified audit opinion for the 2016/17 financial year. It had no legislation in place for 2014/15 financial year and to that effect it was not qualified on compliance with legislation however there were legislations in place for 2015/16 financial year.

The Committee further noted that there were non-compliance issues raised in the subsequent years including the 2017/18 financial year. The Auditor General raised material findings on non-compliance with material laws and regulations on expenditure management where the Legislature did not take effective steps to prevent irregular expenditure as required by FMPPLA.

Based on the above report, the Committee required the Accounting Officer to explain the strategies in place to ensure that the Legislature moves to a clean audit in 2018/19 financial year.

In giving an explanation, the Accounting Officer mentioned to the Committee that, the Legislature has developed a strategies to ensure compliance with legislation during the competitive process which includes the following:

- A detailed Action Plan which is monitored on a quarterly basis which ensure sufficient evidence on any progress made. These are deliberated in Management and Audit Committee meetings.
- Completion of detailed competitive bidding process checklist for all bid components i.e. bid specification, evaluation and adjudication.
- Regular training of bid committee members and SCM officials.
- Updating SCM policy to be in line with FMPPLA and SCM regulations.

### **Recommendations**

The Committee recommend that the House resolve that;

- (i) The Accounting Officer must implement and monitor the developed strategy in ensuring compliance with legislation.
- (ii) The Accounting Officer must submit to the Committee, the progress made on the implemented action plan on quarterly basis.

### **4. IRREGULAR EXPENDITURE**

The Committee has noted that the Auditor General reported that the Legislature disclosed an amount of R 8 683 440.00 of irregular expenditure which was still under investigation by end of the financial year under review.

In the current year under review the Legislature incurred irregular expenditure to the amount of R 5 409 414 which indicates an increase from the amount R 4 614 080.00 incurred in 2016/17 as a result of non-compliance with SCM regulations. At the end of the financial year 2017/18 the Legislature had a closing balance of R 14 047 854 of irregular expenditure because an amount of R 2 470 812 was investigated and condoned while an amount of R 109 803.00 as indicated on **note 30 of the annual report**. A material finding on procurement management was also raised by the Auditor General against the Legislature on the following:

- Prospective bidders were disqualified from the bidding process, resulting in non-compliance with procurement processes. As a result the preference point system was not applied to these suppliers for the procurement of goods and services above R 30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act of South Africa, 2000.
- A contract was awarded to a bidder based on pre-qualification criteria that differed from those stipulated in the original invitation for bidding. This is in contravention of the 2017 preferential procurement regulation 4(a) and 4(2).
- No appropriate steps taken to prevent irregular expenditure amounting to R 5 409 414 which was caused by noncompliance with competitive bidding processes.

Based on the reported findings, the Committee required the Accounting Officer to give a briefing about the state of affair within the SCM function, arising from the fact that the Legislature contravened with key legislations and incurred Fruitless and Wasteful Expenditure and Irregular Expenditure. The Accounting Officer was further required to brief the Committee regarding the status of investigations of R 8 638 440.00 irregular expenditure relating to 2015/16 financial year.

The Accounting Officer gave a briefing and mentioned to the Committee that, SCM functions includes, coordinating the bid committees, determining the mandatory documents to be submitted with the bid documents, screening of received bids, ensuring all other procurement processes are in compliance with SCM regulations and other applicable legislations. SCM officials fairly understand their roles and responsibilities however regular training needs to be provided to them.

The Committee wanted to know why the Accounting Officer failed to ensure internal controls are in place to avoid issues of non-compliance to laws and regulations; furthermore failed to take appropriate steps to prevent irregular expenditure amounting to R 5 409 414 as required by FMPPLA which was caused by noncompliance with competitive bidding processes.

### **Recommendations**

The Committee recommended that;

- (i) The Accounting Officer must take action against officials who contravened with key legislation of SCM and incurred irregular expenditure amounting R5 409 414.00.
- (ii) The Accounting Officer must ensure that internal controls are in place to avoid issues of non-compliance to laws and regulations.

### **5. FRUITLESS AND WASTEFUL EXPENDITURE**

The Committee noted that the Auditor General has found that in the 2016/17 financial year the Legislature disclosed an amount of R 8 790 on fruitless and wasteful expenditure as a closing balance. The balance of R 8 790 relating to 2016/17 still awaiting for condonation by the Legislature. Again in the 2017/18 financial year, the Legislature incurred fruitless and wasteful expenditure to an amount of R 102 456 which could have been avoided. Out of the balance of R 102 456 which were incurred as follows:

- An amount of R 85 923 was expenditure incurred for service not rendered
- An amount of R 16 533 was for no show on accommodations for 2017/18

Regarding the Auditor General's report, the Accounting Officer was required to provide a detailed report to the Committee regarding the fruitless and wasteful expenditure amounting to R 8 790 incurred during 2016/17 financial year which could have been prevented and the R 16 533 incurred due to no shows on accommodations. Furthermore, the steps taken by the Accounting Officer against the Service Provider who received payment for service not rendered.

Responding to the question posed, the Accounting Officer mentioned to the Committee that processes of recovering and/or condoning the incurred fruitless and wasteful expenditure is in progress as well as the recovering the amount paid to the Service Provider.

## **Recommendations**

The Committee recommend that;

- (i) The Executive Authority must take action against the Accounting Officer for incurring fruitless and wasteful expenditure
- (ii) The Accounting Officer must provide the Committee with a progress report on the recovering and/or condoning process.

## **6. INTERNAL CONTROLS**

### **• Financial and Performance Management**

The Committee has noted that on page 130 paragraphs 32-33, the Auditor General reported that Management of the Legislature did not ensure that compliance with applicable laws and regulations were adequately monitored due to internal control weaknesses in SCM.

Based on the report of the Auditor General, the Committee sought clarity on why the Accounting Officer failed to ensure that management of the Legislature monitor compliance with applicable laws in an appropriate level; and which actions were taken against the implicated officials.

In response, the Accounting Officer mentioned to the Committee that, the Legislature monitors the applicable laws, however the reasons which resulted to the expenditure were based on the application and interpretation of regulations (and not an indication non-monitoring of laws and regulations) something missing. The Hon Speaker also reported that she has instituted her own investigations on the Irregular Expenditure incurred.

## **Recommendations**

The Committee recommended that;

- (i) The Accounting Officer must take disciplinary actions against officials who failed to monitor compliance with the applicable laws.
- (ii) Executive Authority must provide the Committee with a progress report on the instituted investigations.



## 6. CONCLUSION

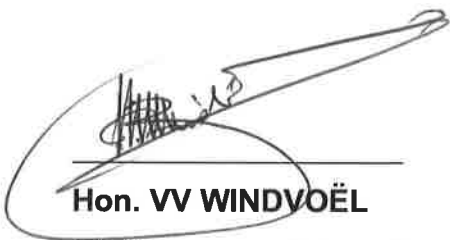
The Committee has satisfied the requirements of the Mpumalanga Provincial Legislature Rules and Orders of conducting oversight over the financial statements of the Department of Health. The Chairperson would like to express his heartfelt gratitude Honourable Members of the Committee, MEC, HOD and Senior Management for availing themselves to deliberate on matters pertaining to the Department.

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

**Unless specified differently, progress on all resolutions must be submitted to the Legislature by the 26 June 2019 and on a quarterly basis afterwards.**

## 9. ADOPTION

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



Hon. VV WINDVOËL

**Chairperson: Select Committee on Public Accounts  
Mpumalanga Provincial Legislature**

02/04/2019  
Date