



REPORT 12 of 2018
THE SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA
PROVINCIAL LEGISLATURE: DEPARTMENT OF COMMUNITY SAFETY, SECURITY AND
LIAISON (DCSSL) 2017/18 AUDIT FINDINGS

1. INTRODUCTION

The Select Committee on Public Accounts (SCOPA) hereinafter referred to as 'the Committee', examined the annual report of the Department of Community Safety, Security and Liaison (DCSSL); 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 financial reports of the department.

2. COMMITTEE PROCEDURES

The Committee met on 05 February 2019 to deliberate on the 2017/18 Auditor-General's audit outcomes. The meeting of the Committee was opened 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. The Committee met on 26 March 2019 to consider the draft Committee Report

The MEC, Hon P Ngomane, the Accounting Officer and his delegation appeared before the Committee for accountability.

3. PROGRESS REPORT ON THE 2016/17 HOUSE RESOLUTIONS

The Department presented the progress report on the implementation of the 2016/17 House resolutions. After the presentation the Committee raised some concerns and responses were given.

NO	RESOLUTIONS	PROGRESS REPORTED BY THE DEPARTMENT	STATUS
3.1	The Accounting Officer must develop a turnaround strategy for revenue management in the department	The revenue strategy has been reviewed and submitted to work study for job evaluation of the posts, licensing function has been taken over from six municipalities. Policies and Standard Operating Procedure have been developed and monthly reconciliation are performed.	Ongoing
3.4	The AO must collect all money due to the Department as required by Section 38(1) (C) of the PFMA and Treasury Regulation 11.2.1.15.10.1.2(a) and 15.10.1.2 (e)	The Department is collecting all the revenue from all the municipalities it has taken over the licensing function, however there are challenges where the function has not been taken over. The Department would like to take over the functions from the other municipalities only if it can be financially supported.	Ongoing
3.5.	The Executive Authority must take steps against the Accounting Officer for contravening Section 38(i) (C) (ii) of the PFMA and Treasury Regulation 9.1	The Executive Authority has cautioned the AO in ensuring that future procurement should be clear on the specification and criteria to be evaluated notice for his decision by the MEC.	Ongoing

3.6.	The AO must ensure that the Preferential Procurement Regulation 9 (1) is adhered to.	The Accounting Officer will ensure that the Preferential Procurement Regulation 9 (1) is adhered to	Ongoing
3.7.	The Executive Authority must take steps against the Accounting Officer for failing to ensure that the Department has effective, efficient and transparent systems of financial risk management and internal control as required by Section 38 (a) of the PFMA.	The reasons for the Accounting Officer failing to maintain the effective, efficient and transparent systems of financial risk management and internal control was of the shortage of personnel and the non- availability of electronic system; in some areas there are situations where segregation of duties in terms of the financial prescripts could not be implemented due to this problem, where one official can receive, record and deposit money or revenue.	Ongoing

4. COMMITTEE FINDINGS AND RCOMMENDATIONS ON 2017/18 AUDIT OUTCOMES

4.1 BASIS FOR QUALIFICATION FOR 2017/18

The Committee noted that Auditor General reported that, the Department received a qualified audit opinion with findings during the year under review; as well as 2016/17 and 2015/16 financial years. The Committee requested the Accounting Officer to share with the Committee the contributing factors which led to the qualification opinion by the Auditor-General. This has been noted as a recurring qualified audit opinion since the regress after 2012/13 financial year.

In response, the Accounting Officer mentioned that the contributing factor for the qualifications for the previous years were based on revenue management issues, especially tax revenue and traffic fines.

The basis of qualification for 2017/18 was on completeness and accuracy of traffic fines and accrued traffic fine revenue. The Accounting Officer further mentioned that the challenge was shortage of staff in Revenue Management and Cost Centres in Law Enforcement to reconcile account of all summonses issued.

Recommendation

The Committee recommended that:

- (i) The Accounting Officer must ensure that the critical vacant positions are filled.

4.2. REVENUE COLLECTIONS ON THE LICENSING FUNCTION OF THE SIX (6) MUNICIPALITIES

The Committee noted that the Auditor General reported that the piloting study on the Licensing function of the six (6) municipalities namely: Emakhazeni, Thaba Chweu, Chief Albert Luthuli, Goven Mbeki, Lekwa and Mkhondo; especially in terms of the takeover of the licensing function in the municipalities. The Department outlined the challenge of budgetary constraints; and enquired from whom the financial assistance was expected and if this exercise was not included in the adopted Annual Performance Plan.

The Committee further enquired on the outcome of the research undertaken in this regard and the plan of action in place, if any. The Department reported that as per their research outcome, it was noted that 23% of collected revenue is used for salaries and consumables among other things and the rest is then given to Provincial Treasury.

The Accounting Officer further mentioned that the Department does not have much challenges with the six municipalities taken over in terms of the licensing function, however, there are noted challenges with the outstanding ten municipalities. The committee further enquired about the position of the Department Cooperative Governance and Traditional Affairs on the takeover of the licensing function from the 10 municipalities. The department reported that they are in constant communication with the Department of COGTA in this regard and they indicated that they are available to assist where necessary.

Recommendation

The Committee recommended that:

- (i) The Accounting Officer must submit a list of the 10 municipalities that must be taken over by the Department, amounts as well as remedial actions that have been put in place.

4.3. APPOINTMENT OF 17 SECURITY SERVICES

The Committee noted that the Auditor General reported that Accounting Officer appointed 17 service providers instead of one (01) as planned, for security services. The Department was asked about the strategy in place, if any, on the security challenges noted; and also wanted to know the criteria used in the appointment of the 17 security service providers.

The Accounting Officer mentioned to the Committee that there is an Integrated Security System in place to address most of the security challenges noted, including the issue of accruals in this regard. The system is meant to be used by all government departments for improved safety and security, however there are still challenges with its implementation.

Recommendation

The Committee recommended that:

- (i) The Accounting Officer must monitor the implementation of the Integrated Security System and submit a progress report to the Committee.

4.4 TRAFFIC CAMERAS

The Committee noted that the Auditor General reported that Accounting Officer failed to recognise the revenue as required by the MCS Chapter 7, which led to financial statements being misstated as disclosed in note 2.

The Accounting Officer reported that, payments made by court were manually captured in the traffic fine system and mistakenly uploaded again from the Department of Justice and Constitutional Development system, hence there were duplicate payments recorded. There were also traffic fines that were recorded as outstanding whilst in terms of National Road Traffic Act, they were supposed to

have been taken off by the Traffic Fine System because they could not be printed out from the traffic cameras within 30 days. Tickets could not be printed within 30 days due to technical faults in the cameras. There were also ticket numbers that did not appear in the Traffic Fine System (sequence test indicating missing notices numbers) due to cancellation.

The Committee further enquired about the traffic system used by the Department. The Department reported that the traffic system in place is by the service provider, which has proven to be not user-friendly and lacking in information.

The Committee noted that the service provider has been in contract from 2013/14, however, not clear as to when the contract expires.

Furthermore the Committee wanted to know whom the traffic cameras belong to, the operators and the duration/period of the contract with SYNTEL

The Accounting Officer mentioned that, cameras are owned and operated by the service provider - SYNTEL contracted by the Department. Technicians were appointed to attend to the faulty cameras and discovered that camera discs were corrupted. However there is a new Traffic Fine Policy in place, and envisages for it to address most of the traffic issues henceforth.

Recommendations

The Committee recommended that:

- (i) The Accounting Officer must submit a comprehensive report with regard to the traffic system inclusive of the department's motivation of the standing and remedial actions in place.
- (ii) The Accounting Officer must monitor the implementation of the Traffic Fine Policy that is in place and submit the progress report copy to the Committee.

5. EMPHASIS OF MATTER

5.1. ACCRUALS AND PAYABLES

The Committee noted that the Auditor General reported that accruals and payables are not recognised; as disclosed in note 18 to the financial statements, payables that exceeded the payment term of 30 days as required in the Treasury Regulations (TR) 8.2.3 amounted to R14 231 000. This amount in turn, exceeded the voted funds to be surrendered of R12 374 000 as per the statement of the financial performance by R1 857 000. The amount of R1 857 000 would therefore have constituted unauthorised expenditure had the amounts due been paid in a timely manner.

The Committee wanted to know the negative impact that would have caused on service delivery should it be paid using the 2018/19 voted funds. The Committee further enquired on the long-term plan of the Department to addressing the challenge of accruals.

The Department reported that, the negative impact for using the 2018/19 voted funds would be on the payment of security invoices which will further increase the accruals.

Recommendations

The Committee recommended that:

- (i) The Accounting Officer must ensure that Treasury Regulation 8.2.3 is adhered to and take disciplinary measures against those implicated officials.
- (ii) The Accounting Officer must submit a long-term plan of addressing the challenge of accruals.

5.2. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The Committee noted that the Auditor General reported that the Irregular, Fruitless and Wasteful Expenditure of R17 627 000 incurred in the previous years was still under investigation in the current year.

Based on the above finding, the Committee wanted to know why the Accounting Officer failed to finalise the investigation as this delays the disciplinary measures to be taken against the implicated official(s) as per section 38 (1)(h)(iii) of the PFMA.

In response, the Accounting Officer reported that, the investigation has been finalised, and submitted the investigation report to the Office of the Premier for further investigation. After noting the process of investigation of the fruitless and wasteful expenditure as outlined by the office of Provincial Treasury, the Committee noted that Provincial Treasury was not involved in the investigation of the R 17 million, although the Department reported that all requested information was submitted to Provincial Treasury for the matter to be finalised.

The Committee then emphasised the need to strengthen internal controls in this regard.

Recommendations

The Committee recommended that:

- (i) The Accounting Officer must take disciplinary actions against officials liable for the Irregular Expenditure of R415 513 000.00.
- (ii) The Accounting Officer must ensure that the investigation process is fast-tracked with the Office of the Premier in order to take disciplinary measures to the implicated official (s) as per Treasury Regulation 8.2.3.

6. EXPENDITURE MANAGEMENT

6.1. IRREGULAR EXPENDITURE

The Committee noted that as disclosed in note 22 to the financial statements, irregular expenditure of R415 513 000 was incurred, as proper tender process has not been followed. The Committee wanted to know when did the Accounting Officer become aware of the irregular expenditure and the failure to prevent it, as required by Section 38(1)(C)(ii) of the PFMA and Treasury Regulation 9.1.1

The Accounting Officer reported that, the irregular expenditure was discovered by the Auditor General in 2017/18 audit. The Department purchased a vehicle by using one quote from BMW which was deemed to be adequate for the procurement of the VIP vehicle. The approval was not accepted by the Auditor General as it did not specify that the Department is deviating from normal supply chain processes, thus failed to prevent the irregular expenditure. However, a written warning was issued.

Recommendation

The Committee recommended that:

- (i) The Accounting Officer must strengthen its monitoring system to prevent the recurrence of the irregular expenditure during the 2018/19 financial year as required by Section 38 (1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.

7. INTERNAL CONTROL

The Committee noted that in the 2016/17 House resolutions, the Committee took the decision that the Executive Authority must take steps against the Accounting Officer for failing to ensure that the Department has effective, efficient and transparent systems of financial risk management and internal control as required by Section 38 (a) of the PFMA. The Committee wanted to know, whether there is any plan in place to unlock the bottlenecks as this finding is recurring. .

The Executive Authority reported that, the reasons for the Accounting Officer failed to maintain the effectiveness, efficient and transparent systems of financial risk management and internal control; was of the shortage of personnel and the non-availability of electronic system; in some areas there are situations where segregation of duties in terms of the financial prescripts could not be implemented due to this problem, where one official can receive, record and deposit money or revenue.

To address the recurrence of this resolution, the Department has developed the action plan that will deal with the findings as identified by the Auditor- General and is monitored on a quarterly basis.

Recommendations

The Committee recommended that:

- (i) The Accounting Officer must ensure that the Department has effective, efficient and transparent systems of financial risk management and internal control as required by Section 38 (a) of the PFMA.
- (i) The Accounting Officer must implement the Audit Action Plan that will be used to deal with the findings as identified by the Auditor- General.

8. 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. The Chairperson would like to express his heartfelt gratitude Honorable 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

02/04/2019
DATE