



**REPORT 4 OF 2014**  
**SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5<sup>TH</sup> MPUMALANGA PROVINCIAL LEGISLATURE:**  
**DEPARTMENT OF SOCIAL DEVELOPMENT (2012/13)**

## **1. INTRODUCTION**

The Select Committee on Public Accounts (SCOPA) hereinafter referred to as a Committee, examined the annual report of the Department of Social Development; 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 reports of the Department.

## **2. COMMITTEE PROCEDURES**

The Committee met on 08 July 2014 to deliberate on the above reports and considered the report on 02 September 2014. Meetings of the Committee are 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.

## **4. COMMITTEE FINDINGS AND RECOMMENDATIONS**

### **4.1 IMPLEMENTATION OF THE 2012/13 AUDIT ACTION PLAN**

The Committee required the Accounting Officer to provide the progress report on the implementation of the 2012/13 Audit Action Plan. In response, the Accounting Officer indicated that there were six (6) meetings and two (2) meetings were held with the MEC and the Committee was referred to Annexure C & D of the Audit Committee Year Plan. The Committee

was satisfied that the internal audit committee had meetings to assess the work of the department and consequently made recommendations to the accounting officer.

#### **4.2.1 Recommendations**

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must implement all recommendations of the Audit Committee and internal audit unit.

#### **4.2 ANNUAL REPORT AUDIT FINDINGS 2012/13**

The Committee noted that the Auditor General reported that the department had 171 planned targets and only achieved 128 for the year under review. The Committee noted with concern that the Department could not reach 43 targets amounting to 25% due to the fact that they were not suitably developed during the strategic planning process. The Accounting Officer was required to give an explanation why and where was the budget for the targets not achieved used. In response, the Accounting Officer indicated that the budget was operational budget, e.g. training of Child and Youth Care workers. She further indicated that indicators were dependent on clients being referred to service points.

The Committee wanted to know why the department failed to achieve all targets as planned while it had utilized 99.3% of its budget. The Accounting Officer indicated that there are a number of contributing factors to this challenge which are:

- Budget reprioritization in especially on awareness campaigns and transfers to non-profit organizations.
- The fact that after having reprioritized the budget the Framework for development of strategic plan and APP does not provide for the in-year adjustment of the plan.
- The monitoring and evaluation system used by the department expect all managers to submit all quarterly reports supported by credible and quality means of verification, should any sub-district, manager or sub-programme submit contradicting or non-agreed upon information, that information is turned back and not accepted.
- A number of our indicators or targets were dependent on clients being referred to our centers.

The Committee was interested in knowing how did the department failure to meet the outstanding 43 planned targets impact on Service delivery in the province. The Accounting

Officer indicated that evaluation on the impact has not been done yet, however if the targets and indicators relating to referrals are considered the service delivery impact would not be negative but rather positive because it meant that the less clients received the better with regards' to social ills.

The Committee wanted the Accounting Officer to explain whether the department has a monitoring and evaluation unit/section. The Department also reported that it has the monitoring and evaluation section but it is located at the provincial office with only 3 officials. It was also mentioned that the role of monitoring performance per indicator also lies with each line function Manager and the Department has realizes that there is a need to focus on programme performance. The Committee was also noted with appreciation that a decision has been taken by management during the 2014/15 APP review session to have more monitoring and evaluation officials at the district level to assist with monitoring programme performance and analysis.

The Committee noted that the Auditor General wanted to know measures have been put in place to ensure that planned targets are measurable and suitable developed within the department. The Accounting Officer reported that the department adopted the pre-planning system which requires that planning start at district level and buildup to the province. This approach has led the department to an improved targeting and quality reporting compared to previous years, hence non adversarial finding on performance information regarding validity and accuracy.

#### **4.2.1 Recommendations**

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must ensure that all targets contained in the APP are achieved.
- (ii) The Accounting Officer must convene a quarterly Performance Review session

## **4.3 COMPLIANCE WITH LAWS AND REGULATIONS**

### **4.3.1 Expenditure Management**

The Committee noted that the Auditor General reported that contractual obligations and money owed by the department were not settled within 30 days or on agreed upon period, as required by section 38(1)(f) of the PFMA and Treasury Regulations. The Committee wanted to know why did the Accounting Officer fail to honor these contractual obligations within the stipulated time as per section 38(1) (f) of the PFMA. In response, the Accounting Officer indicated that the reasons were mainly caused by a process of ensuring that Non Profit Organizations (NPO's) comply with all funding requirements before payment is processed, in other instances invoice amount was more than the committed amount, there were also cases of investigation by the Department of Community Safety, Security and Liaison for security invoices.

The Committee further questioned the Accounting Officer that there any plans or measures put in place to ensure that the reported finding does not recur in the next financial years. The Accounting Officer reported that there are measures and systems have been put in place by the Department to manage this environment. It was also mentioned that measures and systems implemented are, invoices and payment registers compiled every month by the Department. The Committee was further informed that the Department has registers are submitted to the Provincial Treasury on monthly basis, accruals and commitments reports are also compiled every month. All invoices received from service providers are date stamped for the purpose of appropriate follow up and management.

#### **4.3.1.1 Recommendations**

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must timeously consider taking disciplinary action against any officials for failure to pay invoices received within 30 days as prescribed by section 38(1) of the PFMA.
- (ii) The Accounting Officer must develop a system that will assist NPO's to fully comply with funding requirements.

#### **4.4 HUMAN RESOURCE MANAGEMENT**

The Committee noted that the Auditor General's report indicated that the Accounting Officer did not ensure that all leave taken by employees were recorded accurately and in full, as per the Public Service Regulation 1/V/F(b). The Committee wanted to know why did the Accounting Officer did not make sure that all leave taken by employees are recorded accurately and in full as per the Public Service Regulation 1/V/F(b). The Accounting Officer indicated that measures are in place on leave management, though there is still room for improvement. The Committee was not pleased with the respond of the Accounting Officer and requested her to put measures in place that will ensure that all employees comply. The Department indicated that there are measures in place and they have been issuing circulars to employees so that they should follow correct procedures. It was further reported that the department also checks the attendance register whether employees are at work or not.

The Committee established whether there are measures put in place to ensure that the same findings of do not occur in the next financial year. The Accounting Officer indicated that an attempt to comply with the provisions of the leave determination and in order to ensure that the same issues are not picked up by the Auditor General; Management took the following decisions that all leave taken without prior approval and without valid reasons will be regarded as leave without pay, any leave related information captured on PERSAL should link with the information on the time book or attendance register and HR does leave monthly reconciliations of leave taken and captured as part of monitoring compliance.

The Committee noted that the Auditor General reported that persons in charge at pay points did not always certify on the date of payment that the employees receiving payment were entitled thereto, as required by the Treasury Regulations The Accounting Officer was required to give clarity on why she failed to ensure that employees receiving payments on the date of payment were entitled to, as per the Treasury Regulations. In her response, she indicated that this is attributed to the time taken to sort, distribute and return back certified pay roll certificates from all the offices of the Department namely district offices, sub-district and local offices. She further indicated that the districts themselves were collecting the payroll certificates every month from

the Provincial Office and in other months certificates were collected after the collection due date.

The Committee wanted to know whether the Accounting Officer took corrective measures to the persons in charge at pay points in violating the above mentioned regulation. In response, the Accounting Officer indicated that this is a multifactorial matter ranging from the printing of pay slips in Pretoria and payroll certificates by the Provincial Treasury, collection, and sorting, distributing and returning back certified certificates to the Chief Financial Officer (CFO) within ten days. She further reported that corrective measures such as the development of a tracking tool, distribution of payroll certificates to the districts by an official from the Provincial Office to reduce the turnaround time are some of the corrective measures the Accounting Officer took to ensure compliance to the regulation.

The Committee further asked the Accounting Officer on measures put in place to ensure that the same findings do not occur in the next financial year. The Accounting Officer reported that a tracking tool with all departmental pay points has been developed to track the returning back of certified payroll certificates. Instead of districts collecting pay slips and payroll certificates themselves from the Provincial Office, the department is also having official from the Provincial Office assigned with the distribution of the certificates to the district offices. The matter of payroll certification is also a standing item in the operational management meeting.

#### **4.4.1 Recommendations**

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must consider taking disciplinary actions against officials who failed to ensure that the leave forms are recorded accordingly.
- (ii) The Accounting Officer must consider taking disciplinary action against employees who failed to collect or certify payroll certificates on time.

### **4.5 INTERNAL CONTROLS**

#### **4.5.1 Leadership**

The Committee noted that the Auditor General report reported that an oversight responsibility was not exercised regarding compliance as well as related internal controls. The Committee also noted that this is recurring finding by the AG and asked the Accounting Officer to indicate why it is a challenge for the department to exercise the necessary leadership role to tighten compliance and internal controls as expected. The Accounting Officer indicated that measures and systems have been strengthened by the Department to manage this environment, invoices and payment registers compiled every month. These registers are submitted to the Provincial Treasury on monthly basis. She further indicated that accruals and commitments reports are also compiled every month; all invoices received from service providers are date stamped for the purpose of appropriate follow up and management.

#### **4.5.1 Recommendations**

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must hold quarterly meetings to review financial performance information and compliance with legislation

#### **4.6 FINANCIAL AND PERFORMANCE MANAGEMENT**

The Committee noted that the Auditor General report indicated that management at appropriate level did not ensure that compliance with applicable laws and regulations was adequately reviewed and monitored throughout the year. The Committee needed an explanation on why did the Accounting Officer fail to ensure that there was adequate review and monitoring of adherence to compliance with applicable laws and regulations by management. The Accounting Officer indicated that alignment between individual plans and compliance with applicable laws and regulations was a challenge in the Department. In an effort to address this weakness, there is having dedicated staff to deal with the matters raised. The Committee further asked the Accounting Officer on measures/systems has been put in place to ensure that the reported matter is prevented from recurring in future. The Accounting Officer indicated that measures have been developed to deal with expenditure management, human resource, leave management and Payroll certification.

#### **4.6.1 Recommendations**

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must on quarterly basis review progress made with regards to compliance of laws and regulations.

#### **4.7 REPORT OF THE ACCOUNTING OFFICER**

The Committee noted that Auditor General reported that under capacity constraints, the Accounting Officer Indicates inadequate financial and human capital at all levels. There is an under spending of R1, 770 million under Compensation of Employees. The Committee wanted to know why the Accounting Officer underspends on Compensation of Employees. In her response, she indicated that under-spending is due to vacant funded posts not filled in the financial year under review, the posts could only be advertised in December 2012 due to provincial processes to moderate the filling of vacant posts to avoid inflating the budget and expenditure for employee costs.

The Committee wanted to know measures did the Accounting Officer put in place to ensure that the department operates with necessary human capacity to discharge its core mandate. The Accounting Officer reported that some functions were performed in an official acting capacity to discharge the core mandate. The Committee further questioned that how many positions have the Accounting Officer since filled and how many are outstanding. The Accounting Officer indicated that the total number of appointments made during the period April to December 2013 is 193, which is broken down as follows:-

- Transfers – in                   =       93
- Promotions                       =       31
- Appointments                   =       69

The Accounting Officer further indicated that 48 posts have since been advertised and are being filled and that it should be noted that posts are filled as vacated.

##### **4.7.1 Recommendations**

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must fill all vacant critical funded before the end of the current financial year 2014/15 and provide the progress thereof to the Committee not later than 30 November 2014.



## **4.8 PROGRESS TOWARDS ACHIEVING CLEAN AUDIT**

The Committee wanted to know measures will the department put in place to ensure that it achieves a clean audit by 2014. The Accounting Officer indicated that the Department has implemented the following measures to achieve a clean audit:

- Developed policies which serve as guidelines for the day to day management of the business affairs of the Department,
- Maintain registers to record receipt of invoices, payment of invoices, accruals, commitments,
- Compile monthly in year monitoring budget and expenditure reports,
- Perform quarterly asset verifications including vehicles and inventory,
- Conduct risk assessments,
- Conduct quarterly performance assessment and verification of portfolio of evidence,
- Developed checklist for NPO claims and creditors payment

The Committee wanted to know how will the department deal with the 6 high risk areas (Supply Chain Management, Quality of Performance Reports, Human Resource Management, Quality of submitted Financial Statement, Information Technology Controls and Financial Health) identified by Auditor General. In response, the Accounting Officer indicated that the Department will continue to annually review the composition of supply chain management committees namely; bid specification committee, bid evaluation committee and bid adjudication committee, committees; of assets disposal, cellphone, transport will be maintained. Quarterly verification of assets including vehicle will continue to be conducted in a team approach at district level and provincial level. Assets registers will be updated and reconciled every month to avoid discrepancies at the end of the year.

### **4.8.1 Quality of Performance Reports**

The Accounting Officer further indicated that data is verified and validated at District level through district reviews in line with the approved Data Flow Guidelines and Flow Chart. Further validation processes are conducted at Provincial Level by Programme Managers and M&E. These processes have been finalized for the first, second and third quarter information. The same validation processes will be followed for the fourth quarter information.

#### **4.8.2 Quality of submitted Financial Statement**

The Accounting Officer indicated that the department will continue to compile quarterly financial statements together with all the supporting documents. This will enable the Department to submit quality annual financial statements without material misstatements to the Auditor General.

#### **4.8.3 Information Technology Controls**

The Accounting office indicated that IT Audit conducted and an action plan developed to address the findings. To further strengthen this area, an IT Audit specialist has been appointed.

#### **4.8.4 Financial Health**

The Accounting Officer reported that the department will continue to use monthly in year monitoring reports on budget and expenditure, monthly reports on commitments and accruals, cost curtailment measures to make certain that the Department spending is always within the appropriated budget. Finance circulars will also be issued as when necessary to address matters which required further attention and management.

### **4.9 COMMITMENT TOWARDS CLEAN AUDIT**

The Committee wanted know challenges does the department envisage that might hamper the achievement of a clean audit in 2013/14 financial year. The Accounting Officer indicated that all the measures are put in place all the years, clean audit is achievable, however staff turnover without institutional memory might hamper the achievement of a clean audit.

The Committee asked the department on what commitment does it make to the Legislature in achieving a clean audit by 2014 and sustaining of such outcome beyond 2014. The Accounting Officer indicated that the Department commits to achieve and sustain a clean audit outcome,

considering the measures and systems been put in place and constant monitoring of the following:

- Policies and guidelines developed, implemented and monitored
- Institutionalized validation process of reported information on predetermined objectives through sessions to verify reported information in relation to source documents,
- Payroll certification tracking tool is developed,
- Registers to record receipt of invoices, paid invoices and, accruals and commitment registers are compiled monthly of which assist in appropriate follow-up of exceptions,
- Asset verifications are conducted quarterly,
- Reconciliation of assets purchased and asset register is performed monthly,
- Budget and expenditure outcomes will be monitored monthly through In-Year Monitoring Report (IYM)
- Conducting of risks assessment and developing mitigating strategies,
- Use of Internal Audit Reports to correct identified weaknesses.

#### **4.9.1 Recommendations**

The Committee recommends the House to resolve that:

- (i) The Accounting Officer must ensure quality assurance information prior to submission to Auditor General, Treasury and the Legislature.
- (ii) The Accounting Officer implement recommendations of mitigation risk from the audit committee, internal report and risk assessment report.

#### **5. 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 Social Development.

**Unless specified differently, progress on all resolutions must be submitted to the Committee by 30 November 2014 and on a quarterly basis afterwards.**

## **6. 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. SI Malaza**  
**Chairperson**  
**Select Committee on Public Accounts**  
**Mpumalanga Provincial Legislature**

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Date