



**REPORT 01 OF 2017**  
**SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5<sup>TH</sup> MPUMALANGA PROVINCIAL LEGISLATURE:**  
**MPUMALANGA TOURISM AND PARKS AGENCY (2015/16)**

### **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;

### **3. COMMITTEE PROCEDURES**

The Committee met with the entity on the 09 February 2017 to deliberate on the above reports and considered its draft report on 19 May 2017. The Meeting of the Committee was open sessions 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.

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 2014/15 financial year. The progress per House Resolution is contained in the table below:

#### PROGRESS REPORT ON SCOPA RESOLUTION 2014/15 FINANCIAL YEAR

NO	RESOLUTION	PROGRESS AS ON	Status
1.	The Accounting Authority must prioritise the vacancies in asset management and process them for approval by the Executive Council.	The senior manager position was filled through an internal process	Closed
2. VALUATION OF PROPERTIES AND BUILDINGS	The senior manager position was filled through an internal process mechanism and systems to safeguard and maintain its assets and ensure that it has necessary capacity thereof.	A consultant was hired to help improve the asset register and other processes within the unit. During the following year's audit which is 2015/16, Auditor General did not qualify the entity on the same matter again	Closed
3. REVALUATION RESERVE	The Accounting Authority must ensure that the entity transfers the full evaluation amount from completed work-in-progress to the statement of changes in net assets.	The work-in-progress was completed and allocated to the correct asset categories. During the following year's audit which is 2015/16, Auditor General did not qualify the entity on the same matter again	Closed
4. ACCOUNTS PAYABLE	The Executive Authority must consider taking disciplinary actions against the Accounting Officer for failing to provide supporting evidence that was required by the Auditor General.	This was due to capacity constraints, and has since been corrected, The entity appointed a dedicated official from within for the safeguarding of all the supporting documents relating to accounts payable. This official is also	Closed

		responsible for storage and movement of all documents.	
	The Accounting Authority must develop mechanisms to collect all monies due to the entity and safeguarding of assets	There is a concession register in place and a dedicated official monitors and updates the register accordingly. The finance section is responsible for the timely collection of all outstanding monies.	closed
<b>5 ACCRUALS</b>	The Accounting Authority must develop a strategy that will ensure that accruals are minimised.	Accounts are paid within 30 days and creditor's reconciliation is performed before payments are effected. Exceptions are identified immediately when the reconciliation is reviewed by the Chief Financial Officer and then followed up and resolved.	closed
<b>6. OTHER INCOME</b>	The Accounting Authority must ensure that the entity has a proper records management system not later than the 30 November 2016.	There is a concession register in place and a dedicated official monitors and updates accordingly. The finance section is responsible for the timely collection of all outstanding monies	On-going
<b>7. EMPHASIS OF MATTERS</b>	The Accounting Authority must provide a report on the matter and the end of the case (R740 million lawsuits)	Matter has not been concluded yet. <b>Refer Annexure 4 of document presented to Committee</b>	On-going
<b>8. USEFULNESS OF REPORTED PERFORMANCE INFORMATION</b>	The Accounting Officer must develop a plan that will ensure that the entity achieves all planned targets.	An operations plan is developed to outline the monthly activities required to achieve the planned quarterly targets. Monitoring is done on quarterly basis and corrections are effected immediately. The outcome of the	Closed

		evaluation is discussed at Management and Board Committee meetings.	
	The Accounting Officer must ensure that the entity has a system in place and capacity to monitor the achievement of the planned targets.	Monitoring is done on quarterly basis and corrections are effected immediately .The outcome of the evaluation is discussed at Management and Board Committee meetings.	closed
<b>9.MEASURABILITY OF INDICATORS AND TARGETS</b>	The Accounting Office must ensure that the entity has appropriate systems to collect, collate, verify and store performance information.	The entity has a Board approved Monitoring and Evaluation Framework which is applied to process performance information. Monitoring is done on a quarterly basis and corrections are effected immediately. The portfolio of evidence is analysed, evaluated and centrally stored. .The outcome of the evaluation is discussed at Management and Board Committee meetings.	Closed
<b>10 COMPLIANCE WITH LEGISLATION; ANNUAL FINANCIAL STATEMENTS, PERFORMANCE REPORT AND ANNUAL REPORT</b>	The Accounting Authority must consider taking disciplinary actions against officials who 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 could not take disciplinary action against officials as this was due to instability and incapacity in the Office of the CFO.	closed
<b>11. PROCUREMENT AND CONTRACT MANAGEMENT – TREASURY REGULATION 16A6-3 (C)</b>	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 complicated officials.	The entity appointed an independent auditor to do an investigation to determine accountability and responsibility .The outcome of the independent investigation proved that there was value for money and the entity benefited from those transactions.	Closed
	The Accounting Authority must consider taking disciplinary actions against officials who contravene Treasury Regulations	The entity appointed an independent auditor to do an investigation to determine accountability and responsibility .The outcome of the independent	closed

	16A6.3.	investigation proved that there was value for money and the entity benefited from those transactions.	
	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.	The entity appointed an independent auditor to do an investigation to determine accountability and responsibility .The outcome of the independent investigation proved that there was value for money and the entity benefited from those transactions.	closed
<b>12. EXPENDITURE MANAGEMENT</b>	The Accounting Authority must consider taking disciplinary actions against officials who failed to prevent irregular expenditure as well as fruitless and wasteful expenditure	The entity appointed an independent auditor to do an investigation on irregular expenditure to determine accountability and responsibility .The outcome of the independent investigation proved that there was value for money and the entity benefited from those transactions. The entity is in the process of the investigation on fruitless and wasteful expenditure. Once report is finalised the entity will act on the recommendations	Ongoing
	The Accounting Authority must consider taking disciplinary actions against officials who failed to submit proof that the irregular expenditure was reported to Provincial Treasury.	The entity could not take disciplinary action against officials as this was due to instability and incapacity in the Office of the CFO, however, the irregular expenditure has since been reported to the Provincial Treasury. The entity has since complied with the Treasury instruction to report any irregular expenditure incurred on a quarterly basis and has applied for condonation on irregular expenditure incurred to date	Ongoing
<b>13. REVENUE MANAGEMENT</b>	The Accounting Authority must consider taking disciplinary actions against officials who failed to take effective and appropriate steps to collect all monies due as required by section	Due to Land disputes on most of the reserves the entity was not able to finalise all the concessions contracts in time. Progress has since been made on the matter and the entity has a credible concessions register in place.	Closed

	51(1) (a) (1) of PFMA and Treasury Regulation 31.2(a) and (e).		
<b>14. INTERNAL CONTROLS</b>	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.	The inability to implement effective human resources management was due to budget constraints within the entity, in view of these and now lately the moratorium on filling of vacant positions the entity is capacitating the existing personnel to effectively and sufficiently utilise the existing human resources.	On-going
<b>15. ANNUAL REPORT POLICIES AND PROCEDURES</b>	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.	The entity could not take disciplinary actions against officials as this was due to human resources capacity constraints in the Corporate Services Programme, either to review, develop policies or either implement policies reviewed.	On-going
<b>16. INVESTIGATIONS</b>	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.	The entity is informed by the State Prosecutor that she has provisionally withdrawn the case due counter allegations made by the suspects against the investigating officer. She promised to reinstate the case once the allegations have been cleared. She did not want to risk losing the rhino horn case because of counter allegations.	On-going

## **AUDIT ACTION PLAN FINDINGS 2015/16**

### **5. VALUATION OF HERITAGE ASSETS**

The Committee noted that the Auditor General's reported that the entity hired expert to value these properties could not finish his work on time due to neaith challenges. The Committee wanted to know what has the entity done to ensure that nature reserves are

evaluated according to the GRAP 103. The Committee was informed by the entity that the evaluation report has now been completed and is now under consideration by AG. The Committee enquired on what are the steps taken by the entity in capacitating assets officials. The Committee was informed that skills have been transferred by the consultant who was appointed in the asset management unit, also have additional capacity assistance from Provincial Treasury.

The Committee wanted to know why did the Accounting Authority failed to ensure that the entity has adequate controls in safeguarding and monitoring of assets. The indicated that controls for safeguarding and monitoring of assets are in place however the process of valuation of assets was not completed on time because the service provider (evaluator) experienced health challenges that delayed the completion of the valuation.

#### **5.1 RECOMMENDATIONS**

The Committee recommend the House to resolve that:

- i. The Accounting Authority must put measures in place to ensure evaluates its nature reserve according to the GRAP 103.
- ii. The Accounting Authority must ensure that the process of valuation of assets is completed by the service provider not later than the 30 June 2017.

#### **6. CLEAN AUDIT**

The Committee verified with the entity on any measures in place ensures that it is moving away from the current status of qualified audit opinion to an unqualified one. The Committee was informed that the audit improvement plan seeks to improve on the current status; progress is monitored regularly to ensure that the findings do not recur.

#### **6.1 RECOMMENDATIONS**

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must develop a plan that will ensure that the entity obtains clean audit.

## **7. OTHER INCOME**

The Committee further established as to why did the entity failed to ensure that there is a proper record management system as per the previous year Committee Resolution. The entity indicated that this has to do with agreements that were not signed due to disputes, most of the disputes have since been resolved and proper agreements were signed.

The Committee wanted to know on what are the steps taken against the official who was assigned to manage the process. The entity Steps could not be taken as the disputes did not arise as a result of an official, therefore the official could not be held responsible.

The Committee needed clarity on why the entity failed to develop mechanisms and systems in order to effectively and efficiently collect and account for concession revenue. The entity indicated that mechanisms and systems are in place however due to disputes, collections could not be effected.

The Committee wanted to know what steps have been taken by the Accounting Authority to ensure that the reported finding does not recur in the next financial years. The Committee was informed that a number of disputes have been resolved and agreements signed.

### **7.1 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 July 2017.
- (ii) The Accounting Authority must consider taking disciplinary actions against officials that failed to ensure that agreements are signed on time.

## **8. SIGNIFICANCE OF UNCERTAINTIES**



The Committee wanted to know what the prospects of success are in this case. The Committee was informed that the entity has been advised that the prospects of success are good hence the continued defence to the action. The Committee also enquired on the status quo of the case and requested the entity to provide proof. The Committee was informed that the matter is still in the pleading stage with interlocutory applications launched, namely the Amendment to the issued summons and Application for Exception to the issued summons.

The Committee was further informed that this matter as directed by the Executive Council has been transferred to the Office of the Premier to be attended to.

The Committee enquired on how the entity's budget is affected by this case. The entity indicated that the impact is huge as the long outstanding legal fees are part of the accruals in the financials of the entity, and the entity has an obligation to defray the incurred legal fees. It was further reported that an arrangement for the standing monthly payments towards the outstanding legal fees has been entered into with the Department of Justice in order to better manage this issue.

The Committee noted with concern and needed clarity on how much is the entity paying in defending this matter. The entity indicated that the Office of the State Attorney in Pretoria and two senior counsels from Pretoria bar are part of the team defending the matter. The Committee was also informed that it has paid fees thus far of **R 4.2 million** and the outstanding legal fees are in the sum of **R 2 million** which the entity continues to pay monthly through an arrangement.

## **8.1 RECOMMENDATIONS**

The Committee recommend the House to resolve that:

- i. The Accounting Authority must ensure that the case of Grand Valley Estate and others is finalised and provide the progress thereof to the Committee on quarterly basis.

## **9. RELIABILITY OF REPORTED PERFORMANCE INFORMATION**

The Committee wanted to know why the Accounting Authority presented non-reliable performance report to Auditor General . The entity indicated that the performance information was found unreliable by the AG because the entity could not verify all the data presented as portfolio of evidence because of how it was packaged.

The Committee enquired on how the entity will monitor the achievement of planned targets to ensure that the reported finding does not recur. The Committee was informed that the entity has since put controls in place where the portfolio of evidence is verified on a quarterly and annual basis, corrections are made before submission to the AG.

### **9.1 RECOMMENDATIONS**

The Committee recommend the House to resolve that:

- i. The Accounting Authority must put measures in place that will ensure that performance information reliable and verify all the data presented as portfolio of evidence.
- ii. The Accounting Authority must develop a strategy that will ensure that the entity achieves planned targets and portfolio of evidence is verified quarterly.

## **10. BUDGET**

The Committee noted with concern and needed clarity on why the entity continuously contravened Section 53(4) of the PFMA. The entity indicated that it had not budgeted for settlement of the previous CEO claim and overtime payments to employees at the nature reserves.

The Committee further raised a concern that the entity overspent on the allocated budget for the year under review yet failed to achieve 29 planned targets. The

Committee was informed that it was mainly due to the delays in appointment of the service providers and conclusion of some of the projects. Some targets like the number of permits are seasonal and depend on the demand received.

The Committee needed clarity on what impact does the non-achievement of targets have on the overall service delivery in the province. The entity reported that targets not achieved are mostly ensuring compliance with environmental policies, for example, administrative enforcement and inspections. The targets are demand driven and have no impact on service delivery in the province.

### **10.1 RECOMMENDATIONS**

The Committee recommend the House to resolve that:

- i. The Accounting Authority must consider taking disciplinary actions against officials who continuously violating Section 53(4) of the PFMA.
- ii. The Accounting Authority must develop a strategy that will ensure that the entity does not overspent on the allocated budget and archives the planned target as required.

### **11. ANNUAL FINANCIAL STATEMENTS, PERFORMANCE REPORT AND ANNUAL REPORTS**

The Committee noted with concern why has the entity failed to prepare financial statements according to the prescribed financial reporting framework as required by section 55(1) (a) and (b) of the PFMA. The Committee was informed that entity has failed because of the instability in the Office of the Chief Financial Officer.

The entity was required to explain why financial statements were not properly reviewed prior to submitting for audit. The Committee was informed that it was as a result of the instability in the Office of the Chief Financial Officer. The Committee was not satisfied with the response of the entity.

The Committee further enquired what measures have been put in place to ensure that financial statements are prepared in accordance to the prescribed financial reporting framework and supported by full and proper records. The entity indicated that half year financial statements are prepared and audited by internal auditors; finance staff is attending workshops on the preparation of Annual Financial Statement.

### **11.1 RECOMMENDATIONS**

The Committee recommend the House to resolve that:

- i. The Accounting Authority must consider taking disciplinary actions against officials who failed to prepare financial statements according to the prescribed financial reporting framework as required by section 55(1) (a) and (b) of the PFMA.
- ii. The Accounting Authority must develop a strategy that financial statements are properly reviewed on quarterly basis and prior to submission for audit.
- iii. The Accounting Authority must put measures in place that will ensure that financial statements are prepared in accordance to the prescribed financial reporting framework and supported by full and proper records

### **12. EXPENDITURE MANAGEMENT**

The Committee asked the Accounting Authority why the entity was allowed to incur an irregular expenditure amounting to R13 843 960. It was mentioned that the irregular expenditure was due to the delays in approval of the security tenders, resulting in month to month extensions. The Committee also asked why did the Accounting Authority failed to implement effective internal controls measures to prevent the irregular expenditure. The entity reported it was because of the negotiations which delayed the final appointment due to budgetary constraints.

The Committee required the Accounting Authority submit proof that the irregular expenditure was reported to Provincial Treasury and a register was kept. The entity

indicated that investigation report was received recently and a submission to be made to the Provincial Treasury. The Committee wanted to know what measures have been put in place to ensure that disciplinary actions are taken on employees who violate the relevant prescripts. The Department indicated that its preliminary report did not recommend any disciplinary action against employees. The Committee does not accept that no action can be taken against persons who caused or permitted irregular expenditure to be incurred.

## **12.1 RECOMMENDATIONS**

The Committee recommend the House to resolve that:

- (i) The Accounting Authority must consider taking disciplinary actions against officials who allowed the entity incur an irregular expenditure amounting to **R13 843 960** as required by Section 38(1) (g) of the PFMA.
- (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.
- (iii) A report on the investigation of the Irregular Expenditure (R 13 843 960)) be submitted to the Committee by 30 July 2017.

## **13. REVENUE MANAGEMENT**

The Committee enquired 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 his has to do with agreements that were not signed due to disputes, it was mentioned that most of the disputes have since been resolved and proper agreements signed.

### **13.1 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).

### **14. INTERNAL CONTROLS**

The Committee wanted to know why the Accounting Authority failed to implement effective internal controls on financial and performance management. The entity indicated that it has failed because of the instability in the entity, lack of capacity in the Office of the Chief Financial Officer and shortage of critical staff.

#### **14.1 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.

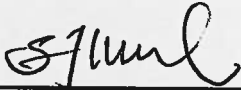
### **15. CONCLUSION**

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 30 July 2017 and thereafter on quarterly basis.**

**16. 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**

2017. 05. 23

**DATE**

