



REPORT 2 OF 2017
SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE:
DEPARTMENT OF SOCIAL DEVELOPMENT (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 Department of Social Development 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 Department and wish to report as follows;

2. COMMITTEE PROCEDURES

The Committee met on 09 February 2017 to deliberate on the above reports and considered the report on 19 May 2017. Meetings of the Committee are open sessions for the public including the media as required section 118 (1) (b) of the Constitution of the Republic of South Africa, Act No. 108 of 1996 and in line with the Standing Rules and Orders of the Mpumalanga Provincial Legislature, 2013.

3. COMMITTEE FINDINGS AND RECOMMENDATIONS

The department tabled responses to the questions and indicated the following issues respectively.

4. AUDIT ACTION PLAN FINDINGS 2015/16

4.1 ACHIEVEMENTS OF PLANNED TARGETS

The Committee noted that the Department has improved its performance on planned targets and it was at 85.2% showing improvement from the previous financial performance of 72.4%. The Committee wanted to know why did the Accounting Officer failed to achieve on all planned targets as per its approved Annual Performance Plan. The Accounting Officer indicated that measuring methodology of the departmental targets is designed to measure different results. There are negative indicators designed to measure trends and geographical spread of social ills therefore a lesser number achieved against the set target is not viewed as non-achievement but rather a positive spin off.

The Committee further asked the Accounting Officer on steps that the Department have been put in place to ensure that all planned targets are achieved in the next coming year. The Accounting Officer reported that the department has adopted a process of monitoring and evaluating performance for all programmes on a monthly basis not quarterly as previously done. This process has proven to be yielding positive results because it enables programmes to apply corrective measures as an when shortcomings are identified before the end of each quarter.

4.2 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The department must ensure that performance is supported by MOV on all achieved targets when it conducts monthly and quarterly reviews.

5. ADJUSTMENT OF MATERIAL MISSTATEMENTS

The Committee has noted that the Auditor General reported that the identified material misstatements in the Annual Performance report submitted for auditing in Programme 2 to 4 but which were subsequently corrected by the Department.

The Committee asked whether the department has a strategy or plans to turn around the situation. It was indicated that identified gaps were in the main related to human error in calculating means of verification. It was further reported that documents used to be transported from various sub-districts to districts and eventually provincial office; this has led to loss of documents in the process. To rectify the situation information is now stored by each district to avoid challenges relating to misstatements during the auditing process.

The Accounting Officer was required to give details on the internal controls measures put in place to mitigate material misstatement. The Committee was informed that the department has revised its policy on management of performance information and has updated information flow guide for each sub-district. It was also mentioned that the department has also developed a validity certificates per indicator where sub-district managers, district managers and provincial managers are expected to sign off for validity, accuracy and completeness of their reports and evidence before it reach Monitoring & Evaluation for consolidation and confirmation. The department has further put measures in place and quarterly performance reviews are conducted where the MEC interrogates reported information.

The Committee noted the measures put in place and was satisfied that if implemented it will be adequate to rectify the situation. The department is encouraged to diligently conduct quarterly reviews on performance information.

6. IRREGULAR EXPENDITURE

The Committee noted that an Irregular Expenditure amounting R93 239 000 was incurred in 2015/16 financial year. The department indicated that the balance of irregular expenditure reported on in the Annual Report amounting R93, 239 million was made up of irregular expenditure of R34, 818 million incurred 2014/15 and R58, 421million for 2015/16.

The Committee enquired on the measures the Department has been put in place to ensure that financial statements are recorded properly and that evidence was available during the audit period to back up the irregular expenditure. The Accounting Officer indicated that the Department improved its reporting on irregular, unauthorized, fruitless and wasteful expenditures to Provincial Treasury on regular basis. Interim Financial statements are prepared and submitted to Treasury on quarterly basis.

The Accounting Officer was requested to give a progress report on the investigations conducted on irregular expenditure incurred in the 2014/15 financial year. The Accounting Officer indicated investigation on irregular expenditure has been assigned to the Office of the Premier as the non-compliance to proper supply chain processes by RIU affected many departments.

The Committee needed clarity whether the Accounting Officer took any disciplinary actions as required by Treasury Regulation 9.1.3 against officials responsible for irregular expenditure. The Committee was informed that there were no official in the Department found guilty of causing the irregular expenditure and the irregular expenditure has been caused by the Rapid Implementation Unit (RIU), which failed to comply with proper Supply Chain management processes when procuring social Infrastructure on behalf of the Department.

The Committee required the Accounting Officer to explain and give reasons for the accruals of R1 289 00 as incurred by the Department. The Accounting Officer indicated that accruals incurred are for goods and services item amounting to R1 083 000, transfers and subsidies amounting to R206 000.00. The Committee was further informed that accruals relate to transactions which goods and services were received or

consumed but invoices or claims were not received by year end. These accruals are cash backed.

The Accounting Officer was requested to provide proof that measures were put in place to prevent the accruals. The Accounting Officer indicated that accruals are managed monthly through analysis of commitment reports, payment registers and performance of reconciliation of invoices received and paid. The reports, registers and reconciliation are done monthly.

6.1 RECOMMENDATIONS

The Committee recommend the House to resolve that:

- (i) The Accounting Officer must provide a progress report on investigation on irregular expenditure and measures taken to accordingly regulate the expenditure.
- (ii) The Accounting Officer must put systems in place to ensure that service providers are paid within 30 days after receipt of invoice as it is required by the PFMA.

7. PROGRESS TOWARDS ACHIEVING CLEAN AUDIT

The Committee required the department to share its strategies that the Department would put in place to ensure working towards sustaining a clean audit in the next financial year, 2016/17. The Accounting indicated that the Department developed an Audit Action Plan for 2015/16 which is fully monitored and reported on to Treasury on a monthly basis. The Department also identifies areas of weaknesses during its own operations, through its Monitoring & Evaluation Unit, Internal Control Unit and Internal Audit Unit to strengthen such areas.

The Accounting Officer was asked 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 the Auditor General. The Accounting Officer indicated that Department will continue to strengthen all the governance structure and ensure that

they function optimally without fail. The Department will further ensure that corrective actions will continue to be taken as when the need arises without delays. It was also mentioned that the Department will enforce all internal policies and procedures to ensure compliance with all prescripts and maximize quality.

The Committee further wanted to know what challenges the Department envisages that might hamper the achievements of a clean audit in 2016/17 financial year. The Department will strive to maintain a clean Audit outcome, although uncertain about the new Audit methodology.

7.1 RECOMMENDATION

The Committee recommended that the House resolve that;

- (i) The Accounting Officer must ensure that there are plans to deal with prior year audit findings, issues raised by Audit Committee.

8. ADOPTION

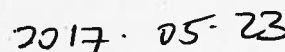
The Committee has satisfied the requirements of the Mpumalanga Provincial Legislature Rules and Orders of conducting oversight over the financial statements of the Department of Social Development.

Unless specified differently, progress on all resolutions must be submitted to the Committee by 30 July 2017 and on a quarterly basis afterwards.

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



Hon. SI Malaza
Chairperson
Select Committee on Public Accounts



Date