MPUMALANGA
PROVINCIAL LEGISLATURE

REPORT 03 OF 2017

SELECT COMMITTEE ON PUBLIC ACCOUNTS OF THE 5TH MPUMALANGA PROVINCIAL LEGISLATURE; MPUMALANGA REGIONAL TRAINING TRUST (2015/16)

1. INTRODUCTION

The Select Committee on Public Accounts (SCOPA) examined the annual report of the Mpumalanga Regional Training Trust (MRTT), which includes the financial statements, report of the Auditor-General, report of the Accounting authority and performance information for the financial year 2015/16.

The Committee sent preliminary questions to the entity and received responses which were subsequently presented during a hearing.

This transparent process of engagement is 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 report of the department.

2. COMMITTEE PROCEDURE

The Committee met on 28 March 2017 to deliberate on the above reports considered its draft report on 19 May 2017. Meetings of the Committee were open sessions 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, Act No. 108 of 1996.

The Accounting Authority of the Entity and the delegation responded to various questions posed by the Committee during the hearing.

3. COMMITTEE FINDINGS AND RECOMMENDATIONS

PROGRESS REPORT ON SCOPA RESOLUTIONS 2014/15 FINANCIAL YEAR

	RESOLUTION	PROGRESS	STATUS
3.1.1	(i) The Accounting authority must provide a progress report to source funding to subsidise learners	The Accounting authority has sourced the following subsidies to assist learners: Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) - Assistant Chef – R180 000 (20 learners for skills course) - Professional Cookery – R1 000 000 (20 Learners for a Learnership, including a stipend of R2 500 per month) - Food and Beverage – R1 000 000 (20 Learners for a Learnership, Including a Stipend of R2 500 per month) MRTT is in addition to SETA funding allocating own generated income to subsidise learners who cannot afford to pay for tuition by offering financial assistance.	Closed
3.1.1	(ii) The Accounting authority must ensure implementation of MRTT Debt Management Policy.	- The MRTT Debt Management Policy is in place and been implemented, that is, learners are required to pay deposit of the learners tuition fees and pay in instalments over the duration of the course the remainder of the learner tuition fees. Outstanding learners are followed up by the 7th of every month. Furthermore, the Accounting authority has also filled the vacant position of the Debtors clerk and the collection of debtors has significantly improved.	Closed
3.2.1	(i) The Accounting authority must ensure that all planned targets as contained in the Annual Performance Plan are achieved.	- The entity will fully utilise all the training centres including Kabokweni and Ekandustria during the third quarter to make up for the shortfall and improve access to training. - Material will also be procured a month before the commencement of training to avoid delays. - Placement Officers will be allocated targets for placements of learners and will submit monthly reports which will include achievements, challenges and mitigations, more support is also given maximum output. - Departments of Education and Human Settlements will be approached to request them to award infrastructure projects to MRTT that will assist the entity with income	Closed

		generation and also to provide workplace opportunity for learners.	
3.2.1	(ii) The Accounting authority must ensure that realistic and achievable targets are set and consider taking actions against individuals who have bridged their contract with the entity.	- The entity will in future ensure that targets are set taking into consideration available resources and previous performance trends. - The entity is looking at ways of ensuring that learner dropout is minimised or totally eliminated as this is the main challenge faced by the entity, for instance, the entity targeted to train 720 learners in the CRDP Municipalities and managed to recruit and register all the 720 learners however there was a huge dropout due to various personal reasons which the entity did not have control over. The entity can further not over enrol to eliminate not achieving the target as there is costs involved in PPE's., manuals and training materials when a learner commences with a programme. The entity is offering a constant support to learners not to drop out of the programmes through the Client Support Officer. - The entity has a Disciplinary Code and Code of Conduct in place that has been approved by the Board of Directors. The entity is implementing consequence management through our Senior Management Committee members according to the mentioned codes and provides feedback on progress on consequence management to the entities Finance and Remuneration committee and Technical Committee as sub-committees of the Board of directors.	Closed
3.3.1	(i) The Accounting authority must take action against the officials who failed to update the database on quarterly basis as required by paragraph 5.2 of practice note n0.8 of 2007/08.	- The Accounting has duly taken appropriate action against the officials who failed to update the database on quarterly basis as required by paragraph 5.2 of the practice note no. 8 of 2007/08 by instituting disciplinary action against the Supply Chain Manager. The disciplinary enquiry has been completed and still waiting outcome form Presiding Officer furthermore two more other officials (Buyer and Procurement Officer) are on suspension.	Closed
3.4.1	(i) The Board must take	- The Board has duly taken disciplinary action	Closed

	disciplinary action against any officials who caused MRTT to incur R128 135, 00.	against the official(s) who caused MRTT to incur R128 135, 00 and the Board is awaiting the verdict on the matter in due course and the Committee shall receive feedback and update.	
	(ii) The Board must submit a detailed report breaking down the R128 135. 00 per case and statement of account from the attorneys to the Committee.	- A detailed break-down report of the R128 135, 00 per case and statement of account from the Attorneys was submitted to the Committee	Closed

3.1 ANNUAL FINANCIAL STATEMENTS, PERFORMANCE REPORT AND ANNUAL REPORT

The Committee noted that the Auditor General on page 71 on the Annual report that financial statements submitted for auditing were not fully prepared in accordance with the financial reporting framework, as required by section 55 (1) (b) of the PFMA. Material statements of disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, which resulted in the financial statements receiving an unqualified audit opinion.

The Committee asked why the Accounting authority failed to prepare financial statements in accordance with the financial reporting framework. The Accounting authority indicated that the failure to prepare financial statements in accordance with the financial reporting framework was as a result of an oversight and omission of the disclosure in commitment note to the financial statements. The Committee was assured that the oversight will not recur as controls have been put in place to address the misstatements.

Internal Controls were put in place to ensure that all commitment that affect the next financial year will be concluded before 31st March of every financial year to ensure that the matter does not recur.

3.1.1 RECOMMENDATION

The Committee recommended that the House resolve that:

(i) The Accounting Authority must ensure that on quarterly basis financial statements are produced and reviewed accordingly

3.2 INTERNAL CONTROLS

The Committee noted that the Auditor General reported that the Leadership did not always exercise oversight regarding financial management, compliance and control.

The Committee asked the Accounting authority to share the causes of the gross negligence when it comes to exercising oversight on financial management, compliance and internal control. The Accounting authority indicated that the causes of the gross negligence arose due to the commitment note disclosure in the financial statements. The lack of exercise oversight responsibility regarding financial performance reporting and compliance as well as related matter were due to an oversight and omission of disclosure in commitments in the notes to the financial statements. The oversight will not recur as controls have been put in place to address the misstatement.

The Accounting authority further indicated to the Committee that controls have been put in place to ensure that all commitments that affect the next financial year be concluded before 31 March of each financial year and management has reinforced controls by developing a commitment register that is updated continuously throughout the financial year.

The Committee warned the delegation that omission to discharge inherent responsibilities by officials cannot be accepted as oversight. The Accounting Authority's responsibilities must be discharged accordingly as all officials must earn their salaries. The Committee accept the commitment to turnaround the situation and trust that the board will monitor the issue of internal control improvement in the institution.

3.3 FINANCIAL AND PERFOMANCE MANAGEMENT

The Committee noted that the Auditor General on page 77 of the Annual Report reported that the Accounting authority did not in all instances prepare regular, accurate and complete financial statements that were supported and evidenced by reliable information.

The Committee asked the Accounting authority to provide clarity as to why they are failing to prepare regular, accurate and complete financial statements that were supported and evidenced by reliable information. The Accounting authority indicated that the failure to prepare regular, accurate and complete financial and performance reports was due to an oversight and omission of the disclosure in commitments in the notes to the financial statements.

The Committee asked what action did the Accounting authority took against the officials who failed to perform their duties. The Accounting authority indicated that no actions were taken against the responsible manager after due consideration of the circumstances surrounding the financial and performance reporting and compliance as well as related matters.

The Accounting authority further indicated that controls have been put in place and management has reinforced controls by developing a commitment register that is updated.

The Committee accepted the explanation by the entity and commitment to implement consequence management as observed in the progress report on previous resolutions. The Committee has gained trust that the leadership of the entity is committed to act on time where need arise to ensure that risks and recurrence of control weakness is minimized.

4. 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.

The Committee commended the entity for the improvement and indicated that if the sustain the good governance and consequent management it will achieve a clean audit in the near future.

Unless otherwise stated a report detailing progress made in the implementation of all recommendations in this report should be forwarded to the Committee by 18 July 2017 and thereafter on quarterly basis.

5. 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

DATE