



Committee on Public Accounts on its activities undertaken during the 4th Parliament (May 2009 – March 2014)

1. Introduction

The Standing Committee on Public Accounts (SCOPA) is a committee dealing specifically with audited financial statements, through which the National Assembly exercises oversight over the expenditure of public money, which is appropriated annually to the executive organs of state in the national sphere of government. Parliament has to be able to provide assurance to the public that those public monies allocated and assets procured by state are being managed properly and that public sector institutions in their spending of public funds are receiving value for money. If Parliament, through the Standing committee on Public Accounts can provide this assurance, the confidence of the general public in the political institutions will be strengthened.

2. Department/s and Entities overseen by the Committee

Academy of Science of South Africa
Agrément South Africa (ASA)
Air Services Licensing Council (IASC)
Autopax Asset Service (Pty) Limited
Blind SA
Business and Arts South Africa
Compensation Commissioner for
Occupational Diseases in Mines and Works
Central Drug Authority
Centre for Public Service Innovation
Commission on Restitution of Land Rights
Corporation for Public Deposits

Council for Debt Collectors
Criminal Assets Recovery Account
Driving Licence Card Trading Account
Electoral Commission (IEC) on the Public
Funding of Represented Political Parties
Fund
Engineering Council of South Africa (ECSA)
Government Employees Medical Scheme
(GEMS)
Government Employees Pension Fund
(GEPF)
Government Pensions Administration Agency
Government Printing Works

Internal Air Services Council (IASC)
 Intersite Asset Investment (Pty) Limited
 Judicial Inspectorate for Correctional
 Services
 Mine Health and Safety Inspectorate
 Monies in Trust kept in the Guardian's Fund
 National Advisory Council on Innovation
 National Conventional Arms Control
 Committee (NCACC)
 National House of Traditional Leaders
 (NHTL)
 National Prosecuting Authority (NPA)
 Office of the Technical Assistance Unit
 President's Fund
 Project Development Facility for Auditors
 Railway Safety Regulator on the State of
 Railway Safety in South Africa
 Reconstruction and Development
 Programme Fund (RDP)
 South African Council for Natural Scientific
 Professions
 South African Council for the Architectural
 Profession (SACAP)
 South African Council for the Non-
 Proliferation of Weapons of Mass Destruction
 South African Council for the Property
 Valuers Profession
 South African Council for the Quantity
 Surveying Profession
 South African Micro-finance Apex Fund
 South African National Energy Research
 Institute (Pty) Limited
 South African Reserve Bank
 South African Search and Rescue
 Organisation
 South African Veterinary Council
 Special Defence Account

Technology Innovation Agency Group
 Support Programme for Industrial Innovation
 (SPII)
 Technology and Human Resources for
 Industry Programme

- 1 Auditor-General of South Africa (AGSA)
- 1 Commission for the Promotion and Protection of the Rights
of Cultural, Religious and Linguistic Communities
- 1 Commission on Gender Equality (CGE)
- 1 Financial and Fiscal Commission (FFC)
- 1 Independent Communications Authority of South Africa
(ICASA)
- 1 Independent Electoral Commission (IEC)
- 1 Municipal Demarcation Board (MDB)
- 1 Pan South African Language Board
- 1 Public Protector of South Africa
- 1 South African Human Rights Commission (SAHRC)

Vote

26 AGRICULTURE, FORESTRY AND FISHERIES

- 3A Agricultural Research Council (ARC)
- 3A National Agricultural Marketing Council (NAMC)
- 3B Ncera Farms (Pty) Limited
- 3B Onderstepoort Biological Products Limited
- 3A Perishable Products Export Control Board (PPECB)

Vote

14 ARTS AND CULTURE

- 3A Artscape
- 3A Castle Control Board
- 3A Die Afrikaanse Taalmuseum
- 3A Ditsong: Museums of South Africa
- 3A Freedom Park Trust
- 3A Iziko Museums of Cape Town
- 3A Kwazulu-Natal Museum

3A Luthuli Museum
 3A Market Theatre Foundation
 3A Msunduzi/Voortrekker Museum and Ncome Museum
 3A National Arts Council of South Africa
 3A National Film and Video Foundation of South Africa
 3A National Heritage Council of South Africa
 3A National Library of South Africa
 3A National Museum, Bloemfontein
 3A Nelson Mandela National Museum
 3A Performing Arts Centre of the Free State
 3A Robben Island Museum
 3A South African Heritage Resources Agency (SAHRA)
 3A South African Library for the Blind
 3A The National English Literary Museum
 3A The Playhouse Company
 3A The South African State Theatre
 3A War Museum of the Boer Republics
 3A William Humphreys Art Gallery
 3A Windybrow Theatre

**Vote
15**

BASIC EDUCATION

3A Education Labour Relations Council
 3A South African Council for Educators
 3A uMalusi Council for Quality Assurance in General and Further Education and Training

**Vote
27**

COMMUNICATIONS

3A National Electronic Media Institute of South Africa (NEMISA)
 3B Sentech Limited
 2 South African Broadcasting Corporation Limited (SABC)

2 South African Post Office Limited
 2 Telkom SA Limited
 3A Universal Services and Access Agency of South Africa (USAASA)
 3A Universal Services and Access Fund

**Vote
3** ***COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS***

3A Municipal Infrastructure Investment Unit
 3A South African Local Government Association (SALGA)

**Vote
21** ***CORRECTIONAL SERVICES DEFENCE AND MILITARY VETERANS***

**Vote
22**

2 Armaments Corporation of South Africa Limited (ARMSCOR)

**Vote
28** ***ECONOMIC DEVELOPMENT***

3A Competition Commission
 3A Competition Tribunal
 2 Industrial Development Corporation of South Africa (IDC)
 3A International Trade Administration Commission of South Africa (ITAC)
 3B Khula Enterprise Finance Limited

**Vote
29** ***ENERGY***

2 Central Energy Fund Group of Companies (CEF)
 3A Electricity Distribution Industrial Holdings (Pty) Ltd
 3A National Energy Regulator of South Africa (NERSA)
 3A National Nuclear Regulator

- 3A South African National Energy Development Institute (SANEDI)
- 2 South African Nuclear Energy Corporation Limited (NECSA)
- The National Radioactive Waste Disposal Institute

Vote

30 ENVIRONMENTAL AFFAIRS

- 3A iSimangalio Wetland Park Authority
- 3A Marine Living Resources Fund
- 3A South African National Biodiversity Institute (SANBI)
- 3A South African National Parks (SANParks)
- 3A South African Weather Service

Vote 9 GOVERNMENT COMMUNICATION AND INFORMATION SYSTEM (GCIS)

- 3A International Marketing Council / Branding South Africa
- Media Development and Diversity Agency (MDDA)

Vote

16 HEALTH

- 3A Council for Medical Schemes
- 3A Medical Research Council of South Africa (MRC)
- 3A National Health Laboratory Service (NHLS)

Vote

17 HIGHER EDUCATION AND TRAINING

- 3A Agriculture SETA
- 3A Banking SETA
- 3A Chemical Industries SETA
- 3A Construction Education and Training Authority (CETA)
- 3A Council on Higher Education (CHE)
- 3A Culture, Arts, Tourism, Hospitality and Sport SETA

- 3A Education, Training and Development Practices SETA
- 3A Energy SETA
- 3A Fibre Processing Manufacturing SETA
- 3A Financial and Accounting Services SETA
- 3A Food and Beverages Manufacturing Industry SETA
- 3A Health and Welfare SETA
- 3A Insurance SETA
- 3A Local Government SETA
- 3A Manufacturing, Engineering and Related Services SETA
- 3A Media, Information and Communication Technologies SETA
- 3A Mining Qualifications Authority (MQA)
- 3A National Student Financial Aid Scheme
- 3A Public Service SETA
- 3A Quality Council for Trades and Occupations
- 3A Safety and Security SETA
- 3A Services SETA
- 3A South African Qualifications Authority (SAQA)
- 3A Tourism, Hospitality and Sport SETA
- 3A Transport SETA
- 3A Wholesale and Retail SETA

Vote

4 HOME AFFAIRS

- 3A Film and Publication Board

Vote

31 HUMAN SETTLEMENTS

- 3A Housing Development Agency
- 3A National Home Builders Registration Council (NHBRC)
- 3A National Housing Finance Corporation Limited (NHFC)
- 3A National Urban Reconstruction and Housing Agency

(NURCHA)
 3A Rural Housing Loan Fund (RHLF)
 3A Servcon Housing Solutions (Proprietary) Limited
 3A Social Housing Foundation (SHF)
 3A Social Housing Regulatory Authority
 3A Thubelisha Homes

Vote 23 **INDEPENDENT COMPLAINTS DIRECTORATE**
 (ICD)

Vote 5 **INTERNATIONAL RELATIONS AND COOPERATION**
 3A African Renaissance and International Co-operation Fund

Vote 24 **JUSTICE AND CONSTITUTIONAL DEVELOPMENT**
 3A Legal Aid South Africa
 3A Special Investigating Unit (SIU)

Vote 18 **LABOUR**
 3A Commission for Conciliation, Mediation and Arbitration (CCMA)
 3A Compensation Fund, including Reserve Fund
 3A Mining Qualifications Authority (MQA)
 3A National Economic, Development and Labour Council (NEDLAC)
 3A Productivity SA
 3A Unemployment Insurance Fund (UIF)

Vote 32 **MINERAL RESOURCES**
 3A Council for Geoscience
 3B Council for Mineral Technology (Mintek)

3A Mine Health and Safety Council (MHSC)
 3A South African Diamond and Precious Metals Regulator
 3B State Diamond Trader

Vote 10 **NATIONAL TREASURY (Finance)**
 3A Accounting Standards Board
 2 Development Bank of Southern Africa (DBSA)
 3A Co-operative Banks Development Agency
 3A Financial Intelligence Centre
 3A Financial Services Board
 3A Independent Regulatory Board for Auditors
 2 Land and Agricultural Development Bank of South Africa (Landbank)
 3A Office of the Ombud for financial Services Providers
 3A Office of the Pension Funds Adjudicator
 3B Public Investment Corporation Limited
 3B Sasria Limited
 3A South African Revenue Services (SARS)

Vote 2 **PARLIAMENT**

Vote 6 **PERFORMANCE MONITORING AND EVALUATION**
 3A National Youth Development Agency (NYDA)

Vote 25 **POLICE**
 3A Private Security Industry Regulatory Authority

Vote 1 **PRESIDENCY PUBLIC ENTERPRISES**

Vote**11**

- 2 Alexkor Limited
- 2 Broadband Infraco (Pty) Limited
- 2 DENEL (Pty) Limited
- 2 ESKOM
- 2 South African Airways (SAA)
- 2 South African Express Airways (SAX)
- 2 South African Forestry Company Limited
- 2 Transnet Limited

Vote**12****PUBLIC SERVICE AND ADMINISTRATION**

- 3A Public Administration Leadership and Management Academy (PALAMA)
- 3A Public Service Commission (PSC)
- 3A State Information Technology Agency (SITA)

Vote**7****PUBLIC WORKS**

- 3A Construction Industry Development Board (CIDB)
- 3A Council for the Built Environment (CBE)
- 2 Independent Development Trust (IDT)

Vote**33****RURAL DEVELOPMENT AND LAND REFORM**

- 3B Inala Farms (Pty) Limited
- 3A Ingonyama Trust Board

Vote**34****SCIENCE AND TECHNOLOGY**

- 3A Africa Institute of South Africa
- 3B Council for Scientific and Industrial Research (CSIR)
- 3A Human Sciences Research Council (HSRC)

- 3A National Research Foundation (NRF)
- 3A South African National Space Agency (SANSA)
- 3A Technology Innovation Agency

Vote**19****SOCIAL DEVELOPMENT**

- 3A National Development Agency (NDA)
- 3A South African Social Security Agency (SASSA)

Vote**20****SPORT AND RECREATION SOUTH AFRICA**

- 3A Boxing South Africa
- 3A South African Institute for Drug-free Sport

Vote**13****STATISTICS SOUTH AFRICA****Vote****35****TOURISM**

- 3A South African Tourism (SAT)

Vote**36****TRADE AND INDUSTRY**

- 3A Companies and Intellectual Property Commission (CIPRC)
- 3A Companies Tribunal
- 3A Estate Agency Affairs Board
- 3B Export Credit Insurance Corporation of South Africa Limited
- 3A National Consumer Commission
- 3A National Consumer Tribunal
- 3A National Empowerment Fund
- 3A National Credit Regulator (NCR)
- 3A National Gambling Board (NGB)
- 3A National Lotteries Board
- 3A National Metrology Institute of South Africa

- 3A National Regulator for Compulsory Specifications (NRCS)
- 3A Small Enterprise Development Agency
- 3B South African Bureau of Standards (SABS)
- 3A South African National Accreditation System (SANAS)

Vote

37 TRANSPORT

- 2 Airports Company of South Africa Limited (ACSA)
- 2 Air Traffic and Navigation Services Company Limited (ATNS)
- 3A Cross-Border Road Transport Agency (C-BRTA)
- 3B Passenger Rail Agency of South Africa (PRASA)
- 3A Ports Regulator of South Africa
- 3A Road Accident Fund (RAF)
- 3A Road Traffic Infringement Agency (RTIA)
- 3A Railway Safety Regulator (RSR)
- 3A Road Traffic Management Corporation (RTMC)
- 3A South Africa Civil Aviation Authority (SACAA)
- 3A South Africa Maritime Safety Authority (SAMSA)
- 3A South Africa National Roads Agency Limited (SANRAL)
- 3A Urban Transport Fund

Vote

38 WATER AFFAIRS

- 3B Amatola Water Board
- 3B Bloem Water Board
- 3B Botshelo Water
- 3A Breede River Catchment Management Agency
- 3B Bushbuckridge Water Board
- 3A Inkomati Catchment Management Agency (ICMA)
- 3B Lepelle Northern Water
- 3B Magalies Water
- 3B Mhlathuze Water
- 3B Namaqwa Water Board
- 3B Overberg Water Board
- 3B Pelladrift Water Board
- 2 Trans-Caledon Tunnel Authority (TCTA)
- 3B Rand Water Board
- 3B Sedibeng Water Board
- 3B Umgeni Water Board
- 3A Water Research Commission

Vote

8 WOMEN, CHILDREN AND PEOPLE WITH DISABILITIES

2.1 Mandate and functions of the committee:

In terms of the Public Finance Management Act (Act No 1 of 1999), the Executive (each department) must submit its annual report to Parliament by the 30 September each year. The reports are submitted to Parliament through the office of the Speaker, which, in turn, refers them to SCOPA.

SCOPA is guided by Rule 206 of the National Assembly, which states that SCOPA must consider:

- i. The financial statements of all Executive Organs of State and constitutional institutions when those statements are submitted to Parliament;
- ii. Any audit reports issued on those statements;
- iii. Any reports issued by the Auditor-General on the affairs of any executive organ of state, constitutional institution or other public body; and
- iv. Any other financial statements or reports referred to the Committee in terms of these Rules;

SCOPA may:

- i. Report on any of those financial statements or reports to the National Assembly;
- ii. May initiate any investigation in its area of competence; and
- iii. Perform any other functions, tasks or duties assigned to it in terms of the Constitution, legislation, Rules of Parliament or resolutions of the National Assembly, including functions, tasks and duties concerning parliamentary financial oversight or supervision of executive organs of state, constitutional institutions, or public bodies.”

2.2 Method of work of the committee

Due to the volume of work, SCOPA adopted a *modus operandi* to consider all reports that need attention.

The Committee consists of 12 full members and four alternate members. The Committee follows a common Westminster practice of electing a chairperson from among the opposition parties.

Due to limited time and resources available to members, it is not possible for the whole Committee, known as the plenary, to give the necessary attention to all Auditor-General reports. The main committee (SCOPA) divides the reports for the two groups. The groups consist of six members each. The groups consider the annual reports and prepare a report on each annual report referred to it for the main committee.

The main Committee (SCOPA) meets to consider reports from the two Groups and then make recommendations to the National Assembly. When the Committee meets, the meeting is called “plenary”. The approximate number of

reports that are referred to SCOPA every year is 300. The Committee works very closely with the office of the Auditor-General.

The A-G's office briefs the Committee on all Category A reports and informs it of their findings in each report. This assist SCOPA to have a broader view of the Category A reports before it starts its work.

The reports referred to SCOPA are divided into three categories:

Category A - These are reports that have disclaimer, adverse or qualified audit opinion by the office of the Auditor-General. These are the reports prioritised by the committee for public hearings. Special reports also form part of Category A reports.

Category B – These are annual reports with ‘emphasis of matter’ whereby questions are posed to an Accounting Officer for written response.

Category C – These are clean audit opinion reports

The Committee may also initiate its own investigation on any matter.

How Groups operate

The reports are divided amongst the Members in the Groups, who read and categorise them. The information is put together to prepare a report of the group for the “plenary”, a Committee meeting.

How “Plenary” (committee meeting) operates

The Committee discusses the reports emanating from the groups and make recommendations to the National Assembly.

Support to the Committee

Each group has its own resources i.e. one secretary and one researcher enabling it to function effectively. Groups have convenors who act as chairpersons during group meetings. The third secretary is responsible for plenary for the main Committee to discuss group work.

2.3 Synopsis of issues reported by the Auditor-General

The Auditor-General noted with concern that over the period under review, certain critical gaps continued to exist in the accountability processes of departments. The table below provides a synopsis of these observations.

The A-G raised the following issues from 2009/10 to 2012/13 financial year:

2008/09.

a) Capital assets

- Capital assets, weakness on information systems, Human Resource Management, Readiness of departments to disclose inventory balances;
- Inadequate fixed asset registers;
- Lack of supporting documentations to support asset values; and
- Inaccurate recording of capital asset values

b) Human Resource Management

- Non-compliance with the requirements of written contracts;
- Poor leave administration;
- Mismanagement of overtime claims;
- Inadequate payroll certification;
- Prolonged acting by officials in higher posts;
- Continuous use of consultants;
- Prolonged suspension periods; and
- Monthly payroll reports not certified

c) Information Systems deficiencies

- Lack of clear and concise policies, procedures, guidance, support and oversight from various IT role players, authorities and custodians within government;
- Lack of clear ownership, roles and responsibilities of technical components and their respective controls;
- Lack of competent officials and or sufficient capacity to perform the IT related duties; and
- Lack of independent monitoring of activities at departments to ensure compliance with prescribed controls.

d) Readiness of departments to disclose inventory balances

- Lack of reliable and integrated systems to record;
- Inadequate physical control over inventory due to a lack of security and segregation of duties in inventory stores;
- Inventory and assets are not separated on the existing accounting systems;
- Both manual and computerised systems are in use; and
- Lack of documentation and control over distribution from inventory stores.

e) Expenditure management

- Increase in fruitless and wasteful expenditure; and
- Increase of irregular expenditure as well as unauthorised expenditure.

f) Non-compliance with laws and regulations

There was non-compliance with the following legislations:-

- PFMA;
- Treasury Regulations;
- Supply Chain Management ; and
- Public Service Act.

2009/10

a) Capital assets

- Inadequate maintenance of asset register.

b) Weaknesses in Internal controls

- Audit committee;
- Internal audit units;
- Leadership; and
- Financial and performance management.

c) Expenditure management

- Unauthorised, irregular, fruitless and wasteful expenditure

d) Material losses

- Fraudulent activities; and
- Impairment of assets.

e) Material misstatement on financial statements

- Inadequate financial statements submitted for audit; and
- Reliance on auditors to identify errors in the financial statements.

f) Predetermined objectives

- Non-compliance with regulatory requirements relating to performance management;
- Usefulness of information on performance against predetermined objectives;
- Reported information on performance against predetermined objectives not reliable; and
- Performance indicators not aligned to SMART principles.

g) Non-compliance with laws and regulations

- Transactions prohibited by legislation; and
- Lack of controls and monitoring to prevent non-compliance with laws and regulations.

h) Information technology systems

- IT governance not developed in all departments;
- Lack of security management;
- User access controls; and
- IT service continuity.

i) Human Resource Management and compensation

- Lack of Human Resource Plan;
- Positions vacant for more than 12 months (especially for senior managers and finance division);
- High vacancy rates;
- Incorrect leave credits;
- No payroll certification at pay points; and
- Payroll reports not returned to the finance division within 10 days as required.

j) Supply Chain Management

- Three price quotations not invited;

- Deviation from competitive bidding – without approval;
- Competitive bidding deviation not justified;
- Preference point system not applied;
- Contracts awarded to suppliers who did not score highest points;
- Prospective supplier list not maintained; and
- Awards to suppliers who failed to provide valid tax clearance certificates.

2010/11

a) Material misstatements in financial statements submitted for auditing

- Financial statements of poor quality have been submitted, which had to be materially adjusted during the audit;
- Significant deficiencies in the design and implementation of internal controls on respect of financial reporting;
- Monthly reconciliations not done;
- Inadequate controls over financial management;
- Finance staff do not have the necessary skills and expertise to process financial information; and
- Lack of monitoring controls to ensure that information is processed accurately.

b) Predetermined objectives

- Usefulness of the reported information;
- Reliability of the reported information;
- Presentation of performance information;
- Non-compliance with laws and regulations – strategic planning and performance information; and
- Lack of effective, efficient and transparent systems of control.

c) Compliance with laws and regulations

- Annual financial statements, performance report and annual report (not prepared in accordance prescribed generally recognised accounting practices);
- Asset management;

- Audit committees (no audit committees in place; no review of internal controls, risk areas of the institution's operations, internal audit function);
- Budgets and budgetary processes;
- Expenditure management (Irregular, fruitless and wasteful expenditure nor prevented; creditors not paid within 30 days of receipt of invoice);
- Financial misconduct;
- Internal audit;
- Revenue management;
- Strategic planning and performance management (lack of effective, efficient and transparent systems and internal controls);
- Transfer of funds and conditional grants;
- Procurement and contract management (Three written quotations not invited; no deviation approved; procurement from suppliers without SARS tax clearance certificates); and
- HR management and compensation (senior managers did not sign performance agreements; HR plan based on strategic plan not in place).

d) Unauthorised, irregular, fruitless and wasteful expenditure

- Irregular, fruitless and wasteful expenditure not detected and prevented;
- Fruitless and wasteful expenditure would have been avoided had reasonable care been exercised;
- Policies and procedures not always updated to prevent irregular, fruitless and wasteful expenditure;
- Lack of monitoring;
- No actions taken where breaches identified;
- No responsibility taken for accounting and holding people accountable for irregular expenditure;
- Non-compliance with laws and regulations; and
- Non-compliance with SCM policies and procedures.

e) Findings arising from SCM

- There were limitations of scope due to unavailability of audit evidence;
- There were conflict of interest resulting in unfair awarding of contracts and acceptance of unfavourable price;

- The procurement process was uncompetitive and unfair for competitive bids and quotations;
- Contract performance measures and monitoring of contracts were inadequate; and
- Controls were not implemented for SCM officials to disclose their business interests or that of close family members in any award made.

2011/12

a) Financial statements

The majority of departments and entities submitted on time. However, several misstatements were identified especially by departments. The following issues were identified for departments that had modified findings to be rectified in financial statements:-

- Completeness and existence of property, infrastructure and equipment;
- Inadequate documents to support recorded receivables and revenue;
- Completeness and accuracy of amounts disclosed as contingent liabilities and commitments; and
- Completeness of disclosure of irregular expenditure resulting from non-compliance with SCM.

b) Supply Chain management (SCM)

A substantial number of departments had findings on SCM. The findings included the following:-

- The scope was limited due to unavailability of supporting documents;
- Lack of financial interest to address declarations made by employees and suppliers including remunerative work not approved;
- Findings on uncompetitive or unfair procurement processes showed an increase from the period prior;
- Inadequate contract management results in delays, fruitless and wasteful expenditure impacting negatively on service delivery;
- A substantial amount of SCM transactions results in irregular expenditure which must be avoided according to the PFMA;
- Inadequate supply chain management controls; and
- Effective management of consultants.

c) Human resources management

An audit of an assessment of human resources management revealed that:-

- There are challenges with regards to attracting and attaining qualified and skilled personnel;
- High turnover of senior management;
- Sound performance management systems to monitor performance not in place; and
- Lack of consequences for transgressions

The A-G identified a number of cross cutting issues that must be rectified to improve audit outcomes. Amongst others are the following:-

- Audit committees and audit units must be strengthened;
- Proper oversight and monitoring must be carried out at all levels to ensure that proper procedures are followed;

2012/13

In the 2012/13 financial year, the A-G raised the following concerns regarding audit outcomes:-

a) Financial statements

The quality of financial statements submitted for audit was poor. Several misstatements were identified. The following issues were identified for departments that had modified findings to be rectified in financial statements:-

- Property, infrastructure and equipment;
- Commitments and irregular expenditure; and
- Revenue and expenditure

b) Supply Chain management (SCM)

A substantial number of departments had findings on SCM. The findings included the following:-

- The scope was limited due to unavailability of supporting documents;

- Lack of financial interest to address declarations made by employees and suppliers;
- Repeat findings on uncompetitive or unfair procurement processes;
- Inadequate contract management;
- Inadequate supply chain management controls; and
- Effective management of consultants.

c) Human resources management

An audit of an assessment of human resources management revealed that:-

- There are challenges with regards to attracting and attaining qualified and skilled personnel;
- High turnover of senior management;
- Sound performance management systems to monitor performance not in place; and
- Lack of consequences for transgressions.

d) Information Technology (IT)

IT technology controls ensure confidentiality, integrity and availability of state information. However, the following deficiencies were identified:-

- IT governance frameworks not developed properly;
- Security management controls must be in place;
- Use access must be managed accordingly; and
- IT service continuity.

Over the period under review, the Auditor-General continued to highlight areas of concern relating to the state of governance and expressed his opinion on the financial statements of National Departments and Public entities. The Table Below Summarised the Audit opinions expressed by the AG over the five year period.

Table 2: Department/Entities that attended hearings

Department/Entity	2009/10	2010/11	2011/12	2012/13
	Department of Water Affairs ICASA NASFAS PSETA CCOOD Energy Seta	Department of Water Affairs Department of Social Development and SASSA Department of Correctional Services Department of Justice and Constitutional Development Commission for Gender Equality Boxing SA Dept of Arts and Culture	Department of Water Affairs Department of Home Affairs SABC ICASA Department of Correctional Services Department of Rural Development and Land Reform Department of Public works	
A-G Infrastructure Report		National and provincial Department of Health National and provincial Department of Education National and provincial Department of Public Works		
A-G audit on use of consultants			Department of Environmental Affairs Police Department of Defence Department of Water Affairs Department of Tourism Department of Correctional Services Department of Health Department of Transport	

3. Key statistics

The table below provides an overview of the number of meetings held; the number of oversight trips and study tours undertaken by the committee, as well as any statutory appointments the committee made, during the 4th Parliament:

Activity	2009/10	2010/11	2011/12	2012/13	2013/14	Total
Meetings held	9	50	28	36	15	138
Reports processed	3	52	32	26		
Oversight trips undertaken			3	2	2	7
Study tours undertaken			1			1

4. Stakeholders:

a) Office of the Auditor General:

The Office of the Auditor General briefs the Committee before the hearings of any departments or entities to give inside information on its findings during the audit.

b) National Treasury:

They assist during the hearings in terms of regulation that are prescribed to verify whether departments/entities comply.

5. The following issues were not finalised by the Committee

a. Unauthorised expenditures for the following Departments:

- Sports and Recreation;
- Transport;
- Women and Children and People with Disabilities;
- Presidency;

- Trade and Industry;
- Defence; and
- Home Affairs

There are additional matters that the Committee attended to as a result of performance audits carried out by the Office of the Auditor-General.

b. Kimberly Mental Hospital

The hospital was identified from the A-G's performance audit on infrastructure¹. According to DOH, Northern Cape, the hospital must be finished in December 2014. The initial completion date was 14 December 2007. An oversight visit took place in 2012. A follow-up visit was also undertaken in 2013 to monitor progress. Although there was some progress noted on the second visit, it was not satisfactory. It is not clear currently whether the proposed completion date will be met.

The Department of Health requested additional funding from the National Treasury to finish the project. It is not clear whether the request was granted. The Committee urged senior management to fast track the investigation of suspected fraud and corruption in the project. The Committee also directed the national Department of Health to take over the project and see it to its completion.

c. The Compensation Fund

The Committee undertook an oversight visit in July 2013. The Fund received disclaimers for a number of years. The following matters were identified:-

- Control environment – Management philosophy and operating style does not promote an effective control over financial reporting and internal controls in relation to operations
- Failure to conclude audit action plans
- Integrity and reliability of financial information
- Revenue and debt collection challenges

¹ Report of the Auditor-General of SA on a performance audit of the infrastructure delivery process at the provincial department of Health and Education. 2011.

- Leadership and capacity within Finance and Project Management office
- Revenue Management and assessment of debtors
- Lack of achievement on planned targets
- Increased fraud and corruption
- Poor procurement environment
- Poor performance management
- Poor document management
- IT related concerns
- Handling of the transition phase from the old claims and Axis One to the new SAP system
- Disjuncture between CF and DOL as the strategy custodian
- Reliance on consultants

The Committee directed the Department of Labour to expedite the implementation of its own turn-around strategy, which promised to deal with the core challenges stated above, amongst other things.

6. Legislation

Not Applicable

7. Oversight trips undertaken

The following oversight trips were undertaken:

Date	Area Visited	Objective	Recommendations	Responses to Recommendations	Follow-up Issues	Status of Report
28-30 March 2011	Umlazi Magistrate Court in Durban, Mdantsane Magistrate Court (East London), Thulamashe	The Magistrates' Courts around the country administer Third Party Funds (TPF),	The two delegations expressed some dissatisfaction with the systems employed by the Department to	The Committee met with the leadership of the courts in the various areas. Although there were commitments made, and indeed	The Third Party Funds continue to be the biggest contributor to the Department's (undesirable) audit outcomes.	Adopted

	<p>Magistrate Court (Mpumalanga) and Tubatse Magistrate Court (Limpopo).</p>	<p>which is managed by the Department of Justice and Constitutional Development. Following undesirable audit opinions on the fund over the last four financial years, the Committee saw it fit to visit some of the courts that administer the fund to witness the daily operations and systems employed by the Department for this purpose.</p> <p>The Committee had also previously visited these areas (2002), and wished to assess the progress made, if any, since</p>	<p>administer this important fund. In KwaZulu Natal, the delegation was satisfied with the efforts of the officials at the Regional level of the Departmental operations, taking into account the challenges under which they work.</p>	<p>some levels of improvements under difficult circumstances, the Fund continues to experience long-standing challenges.</p>	<p>The Committee that will be in place in the new Parliament would do well to follow up on this issue.</p>	
--	--	---	---	--	--	--

		then.				
25-29 July 2011	Mangaung, Kutama Sinthumule and New Kimberley Correctional Centres	The purpose of the visit to the Correctional Centres was to review the operations of current PPP correctional centres and conduct comparisons with state-owned facilities in terms of financial efficiency; as well as the outcome of the feasibility study performed for the four new PPP centres.	<p>The Department, in conjunction with National Treasury should undertake a comprehensive cost comparison between new generation and PPP prisons to properly inform future decision-making on the building of prisons.</p> <p>The DCS should explore all avenues to provide accommodation to female offenders so that they can also benefit from similar state of the art rehabilitation services.</p>	Written responses were received from the Department on the feasibility study for the new centres.	The Committee should follow-up with other site visits to ensure that the recommendations in this report are implemented as a matter of urgency.	Adopted
11-12 August and 06-09 September 2011	South African Social Services Agency in the provinces of the Eastern Cape and North West	The visits followed reports by the Auditor-General that raised some concerns on the operations of SASSA. Amongst these were; leadership,	The Committee's adopted recommendations included the following: The need for the improvement of infrastructure across the board. More staff needed to be employed and	The leadership of the agency met with the Committee in both provinces after the visits. Each one of the matters raised was addressed in the meetings, and the Committee would continue to monitor	The Executive Authority submits a progress report on the implementation of the above recommendations to the National Assembly within 60 days after the adoption of this	Adopted

		<p>financial and performance management, governance, and oversight mechanisms at the agency.</p> <p>The Committees' terms of reference thus were;</p> <p>Method of work Segregation of duties Staff complement</p> <p>Financial Management System (FMS) Information Systems (IS)</p>	<p>trained to deal with reported backlogs. Provision of computers needed to be made in offices where there was a need.</p> <p>Disciplinary actions had to be taken against staff members that had been found guilty of maladministration.</p> <p>The improvement of the document management systems; and SASSA needed to standardise process at all pay-points.</p>	<p>the implementation through subsequent annual reports as well as reports by the Auditor-General.</p>	<p>report by the House</p>	
<p>19-21 June 2012</p>	<p>Bushbuckridge Water Board (Bushbuckridge, Mpumalanga) and Botshelo Water Board (Mahikeng, North West)</p>	<p>The visits to the two entities followed qualified audit reports (2009/10 financial year) by the Auditor-General on the two Water Boards. The main objective then was to</p>	<p>The Committee's recommendations after visits to the two entities focus mainly on the following areas:</p> <p>Transfer of assets from the Department of Water Affairs to the Water Boards. Debt owed to the</p>	<p>The Committee received written commitments from the Department of Water Affairs on the implementation of its recommendations and related issues.</p>	<p>Follow-up visits/hearings may be necessary. The Committee should continue to monitor progress through reports of the Auditor-General.</p>	<p>Adopted</p>

		conduct oversight on the issues raised in the reports, which ranged from governance and leadership, supply chain management, financial and performance management, amongst many others.	Boards by municipalities. Service Level Agreements with municipalities and other water service providers. Funding of the entities; and Maintenance of infrastructure.			
15-18 October 2012	Eastern Cape (Komani Hospital, Special Youth Care Centre), the Northern Cape (New Mental Health Facility) and Gauteng (Zola Hospital)	The main objective of the visits was to conduct oversight on the infrastructure projects of the said departments as reported on by the Auditor-General in the 2009/10 performance audit of the infrastructure delivery process at the provincial departments of	On Bisho Youth Care Centre, the Committee recommended that there be coordination between the different role-players to ensure that projects are commissioned and utilized at first handover. In addition, it was recommended that processes of communication had to be improved, especially the reporting of defects to the implementing	The Committee was satisfied with the plans by both departments to tackle the reported challenges, and would continue to monitor progress through future performance	The Executive Authority submits a progress report on the implementation of the above recommendations to the National Assembly within 60 days after the adoption of this report by the House	Adopted

		education and health	agent. On Komani Hospital, the main recommendations spoke to the need to coordinate the purchasing of equipment and to align that process with the completion period of the projects to ensure effective use. The recommendations for the Kimberley facility are captured under the follow-up visit and hearings reported.			
23-25 July 2013	Northern Cape (New Mental Health Facility) and Gauteng (Zola Hospital)	These were follow-up visits to the two projects, following similar visits in 2012. The main objective of these visits then was two assess progress made at that stage. The Committee had resolved to	The Committee recommended that, in light of the long-standing challenges with the project, the national Department of Health must take full control of the all aspects related to the project.	The Committee has held follow-up meetings with the stakeholders involved in the life of this project. This included a briefing on the life-cycle costing and building maintenance plan that were designed.	Follow-up activities should focus mainly on the investigations conducted by various public and private investigative agencies, especially the Special Investigations Unit; as well as on the subsequent	Adopted

		focus on these projects, amongst others, and see them to their completion.			<p>funding of the project.</p> <p>On its follow-up visit to the Zola/Jabulani District Hospital, the Committee was satisfied with the progress made, which saw the project near completion. The only outstanding issue would relate to security and maintenance plans by the provincial Department of Health in Gauteng</p>	
29 July – 01 August 2013	Departments of Public Works and Labour (including the compensation Fund and the Sheltered Employment Factories); Pretoria	Following reports by the Auditor-General over the years, the Committee wished to conduct oversight over these two departments and their entities to assess the places of work	<p>Recommendations on the DPW focused mainly on challenges related to:</p> <ul style="list-style-type: none"> Property management; The lack of qualified personnel; The operations at the Property Management and Trading Entity; The need for a 	The Committee held hearings with the leadership of the two departments immediately after the visits. The processes related to such engagements, although recorded, are ongoing.	<p>The Committee recommends continued monitoring of the Department of Public Works, given the recent reports by the A-G which continue to show no improvement.</p> <p>The Committee will report on its</p>	Adopted

		with regard to the challenges that had been reported on, ranging from governance, leadership, financial and performance management, supply chain managements etc	number of disciplinary hearings to take place against staff members found to have been responsible for or involved themselves in activities that go against public financial management prescripts. The Committee's main recommendation on the Department of Labour was on the need for urgent implementation of the turnaround strategy, which would deal with the core challenges in the department and its entities.		follow-up hearing with the Department of Labour, with specific focus on the ICT systems in the department.	
--	--	--	--	--	--	--

a) Challenges emerging
The following challenges emerged during the oversight visit:
Operational challenges
Some departments do not have proper document management systems in place e.g. the Compensation Fund had documents in their

offices which were not filed properly.

Technical challenges

- Lack of monitoring of infrastructure projects undertaken by departments. In Kimberley, the contractor was paid even though the work done was unsatisfactory.
- Lack of skilled personnel e.g. engineers to do monitoring.

b) Issues to follow up

The 5th Parliament should consider following up on the following concerns that arose:

For the Committee, one of the highlights in terms of its oversight was engaging closely the very first performance audit by the Office of the Auditor-General. It proved a useful exercise as it later informed the Committee's own oversight programme. The foremost lesson here was that it is important for public representatives to, from time to time; visit the important infrastructure and similar projects to assess, amongst other things, value for money. Below are some more issues related to oversight visits:

- SCM is a growing concern for most departments and entities. It has been highlighted as a matter of concern consistently;
- Projects must be fast tracked to ensure that they are completed on time as delays lead to cost escalations e.g. Kimberley/Zola;
- When there are deviations from SCM policies, leadership must enforce appropriate sanctions for non compliance;
- Oversight over municipalities must be intensified as municipalities under-spend on capital budgets and conditional grants.

8. Conferences/ Workshop

Date	Theme	Place
24-26 May 2010	APAC Training for members	Birchwood Hotel, Johannesburg
11-14 October 2010	APAC Conference	Durban International Conventional Centre
14-19 November 2010	Conference of the Southern Africa Development Community Association of Public Accounts Committees (SADCOPAC) Conference	Swaziland
03-06 October 2011	Association of Public Accounts Committees (APAC) annual conference	Kimberley
11-12 October 2011	Strategic Planning Session	Gordon's Bay

Date	Theme	Place
13-19 November 2011	Conference of the Southern Africa Development Community Association of Public Accounts Committees (SADCOPAC)	Victoria Falls
09-11 October 2012	Strategic Planning Session	Chapman's Peak hotel(Cape Town)
30 July -02 August 2012	The Committee attended the Association of Public Accounts Committees Members' Training	Johannesburg, Gauteng
02-07 September 2012	Conference of the Southern Africa Development Community Association of Public Accounts Committees (SADCOPAC)	Nelspruit, Mpumalanga
03-06 October 2012	Attendance of the Association of Public Accounts Committees annual conference	Nelspruit, Mpumalanga
05-10 April 2013	Attendance of the Australian Council of Public Accounts Committees	New South Wales Parliament, Sydney; Australia
02-06 September 2013	Conference of the Southern Africa Development Community Association of Public Accounts Committees (SADCOPAC)	Arusha, Republic of Tanzania
30 September to 3 October 2013	Attendance of the Association of Public Accounts Committees annual conference	Port Elizabeth, Eastern Cape

9. Study tours undertaken

The following study tours were undertaken:

Date	Places Visited	Objective	Lessons Learned	Status of Report
29 January 2012 to 3 February 2012.	Denmark	The broad aim in undertaking this study tour is to exchange ideas and experiences with the Committee's counterparts in Denmark on the roles of the Public Accounts Committees, to observe	The PAC, in Denmark has the privilege of having long-term serving Members of Parliament as members of the Committee. The advantage of this is that this allows for continuity and the accumulation of valuable experience.	Adopted

Date	Places Visited	Objective	Lessons Learned	Status of Report
		how the other Committee conduct its business and to learn from them	The Committee expresses no opinion on issues of general policy but it is well within its jurisdiction to point out whether there has been extravagance or waste in carrying out the policy.	

10. International Agreements:

Not applicable

11. Statutory appointments

Not applicable

12. Interventions

Not applicable

13. Petitions

Not applicable

14. Obligations conferred on committee by legislation:

Not applicable

15. Key Highlights

1. Reflection on committee programme per year and on whether the objectives of such programmes were achieved

Committee work is on-going depending on audit outcomes.

The Standing Committee on Public Accounts (SCOPA) is one of the key committees of Parliament representing the face of a people concerned with improving the quality of life of all South Africans. Our mandate, in line with the vision of Parliament, is to promote effective and efficient financial management of, and the accountability for, all matters concerning public finance.

2. Committee's focus areas during the 4th Parliament

- The Committee ensured that instruments such as audit committees were brought to the fore and became part of the accountability process. They were invited to hearings and participated contributed to these when required to do so.
- The Committee also had a keen interest in ensuring that the establishment of such key internal controls as Internal Audit units took place.
- The establishment of asset registers, and their keeping with the law was ensured.
- Oversight visits were intensified, as were the follow- up processes after each.
- The Committee insisted on the attendance of members of the Executive (especially for political accountability) and senior management during engagements with departments and entities to ensure implementation of SCOPA resolutions.

3. Key areas for future work

- A strong focus on compliance with Supply Chain Management prescripts and internal controls.
- Monitor action taken by management against officials who do not comply with legislation such as the PFMA and supply chain prescripts.
- SCOPA should have the capacity to track compliance with its recommendations. This requires a program which allows adequate resources.
- SCOPA should maintain complete records of issues handled, with dates and other detailed information to support a tracking system.
- Unauthorized, irregular, fruitless and wasteful expenditure.
- Over and under-spending of votes.

SCOPA should also conduct relevant research: e.g. on shortcomings in departments, and cross-cutting issues, such as shortcomings existing in national departments related to transfer payments to provinces and the effective utilization of such payments.

4. Key challenges emerging

- Tracking of resolutions and implementation thereof by the office of the Speaker and the leader of government.
- Attendance by Ministers and Deputy Ministers can ensure continuity of implementation of SCOPA resolutions even if the Minister moves.
- There is a need to tighten/create the relationship with the Appropriations Committee.

5. Recommendations

- SCOPA needs to re-look into how it conducts its work to find time for work not covered.
- Friday sessions are necessary to deal with administrative tasks, as well as the tracking and monitoring of resolutions.
- This can create much needed space to deal with important issues such as the reports on Performance Audits.
- SCOPA must seriously consider programmes to render assistance, support and the building of capacity at municipal (MPACSS) and provincial levels where such have been established.
- SCOPA needs to have a session (s) with Standing Committee on Auditor-General.