**08 July 2019**

**Standing Committee on Public Accounts 5th Parliament outstanding matters**

1. **Brief overview of SCOPA group 1**

SCOPA group 1 is responsible for 14 National Government departments and all the Public Entities reporting to the respective departments. As at the end of the 5th Parliament, there were some outstanding issues which were not concluded during this term for departments and entities belonging to this group. The National Departments belonging to this group are;

**Department of Basic Education,**

**Department of Defence and Military Veterans,**

**Department of Economic Development,**

**Department of Employment and Labour,**

**Department of Environmental Affairs, Forestry and Fisheries,**

**Department of Health,**

**Department of Higher Education and Training,**

**Department of International Relations and Corporations,**

**National Treasury,**

**Department of Public Works and Infrastructure,**

**Department of Rural Development and Land Reform,**

**Department of Science and Technology,**

**Department of Trade and Industry, and**

**Department of Transport.**

1. **Department or Entities with outstanding issues during the 5th Parliament**

* **Department of Public Works and Infrastructure,**
* **National Treasury,**
* **South African Airways SOC (Ltd),**
* **Transnet SOC (Ltd)**
* **ESKOM SOC (Ltd)**
* **National Student Financial Aid Scheme**

1. **Identified outstanding issues per department or entity**
   1. **Department of Public Work and Infrastructure**

During the 5th parliament, the Standing Committee on Public Accounts initiated an investigation on the employment of Mr Mokgoro at the Department of Public Works. SCOPA mandated the Public Services Commission to investigate the matter. A report was presented to SCOPA; however, the matter was not discussed further on the findings and recommendations of the Public Services Commission. The PSC investigated the secondment of Mr Mokgoro from the IDT to the DPW from 2012 to 2015 and the secondment was found to be irregular since the approval by the Executive Authority occurred on a date after the secondment and Mr Mokgoro was not an employee of the IDT (PSC reported to the Minister of Public Works). During that period, Mr Mokgoro’s salary increased from R1.8 million to R2.2 million per annum, at an annual average of 7%.

**Mr Mokgoro’s payments to Honey Cloud Enterprises (Pty) Ltd was irregular based on the following:**

1. No justification existed for awarding a higher 7% cost-of-living adjustment to Mr Mokgoro than that determined by the MPSA for members of the SMS in 2013/15.
2. The fact that Mr Mokgoro is/was remunerated at a higher scale than that applicable to members of the SMS is in contravention of the following prescripts:

**Section 7(3)(b) of the PSA, stipulating that a HoD shall be responsible for the efficient management and administration of his/her department, including the proper use and care of State property.**

**Chapters 1/V/A & 4/IV/A of the PSR, 2001, specifying that the principles of compensation include equal pay for work of equal value.**

**Chapter 1/V/C.9 of the PSR, 2001, stipulating that an EA shall set the salary of a part-time or temporary employee proportional to the salary of an equally graded full-time employee.**

**Chapter 3/7 of the SMS Handbook, stipulating that the remuneration of a person on contract will be equal the remuneration package of an equivalent permanent worker.**

**Par 5.1 of PSCBC Resolution 3 of 1999, stipulating that the remuneration of a worker on contract shall equal the remuneration of an equivalent permanent worker.**

**Part A, paragraph 6.4(a)(i) of the National Secondment Policy, specifies that an employee shall be seconded with retention of his/her salary. However, the newly established Honey Cloud Enterprises (Pty) Ltd never paid a single salary to Mr Mokgoro. As a result, the PSC is not sure what was used as a baseline by the DPW in determining the remuneration paid to Mr Mokgoro.**

**Honey Cloud Enterprises (Pty) Ltd was purchased by Mr Mokgoro as a shelf company with the sole purpose of acting as a vehicle through which he could be seconded to the DPW at the salary scale of R2.4 million per annum. This can be regarded as a deliberate and intentional circumvention of the regulatory framework.**

**Compensating Mr Mokgoro at a high salary scale applicable to Chief Director / Deputy Director-General level, with due regard to his qualifications, expertise and experience, does not comply with the following CVPs enshrined in section 195(1) of the Constitution:**

* **A high standard of professional ethics must be promoted and maintained.**
* **Efficient, economy and effective use of resources must be promoted.**
* **Public administration must be accountable.**
  1. **National Treasury**

In 2003, Cabinet took a decision to replace the legacy financial system of government (Bas, Persal, and Logis). The IFMS project has so far costed over R1.7 billion in government paid expenses. The Committee has engaged National Treasury over this project and no conclusions have been made even after the forensic report on commissioned by National Treasury on IFMS.

**The following matters were included, as part of the forensic investigation on IFMS and SCOPA has not concluded on these matters;**

* Investigating all payments including approvals and compliance to the contract terms relating to the IFMS project since
* Inception of IFMS 2 to date and investigation and determination if appropriate processes were followed in the termination of all IFMS 1 related contractual obligation and also assess the reasonableness of the settlement amounts
* Investigation and review all the Supply Chain Processes followed during the award and contract negotiations processes followed during the IFMS Original Software Manufacturer awarding of contract to ORACLE and assess the reasonableness of the payments made to date and identify any risks or areas of non-compliances in the contract with ORACLE
* Investigate if NT received and is receiving value for money for all payments made to date by NT or any other entity or unit to the PMO
* Investigate if NT received value for money for the IFMS 1 settlement negotiations and payments made in line with the IFMS OSM contract
* Confirm compliance with SCM, TR, PFMA and other relevant regulations in the appointment of service providers since November 2013 to date and confirm compliance to contract management principles
* Determine the relationships and conflicts, if any, between the NT employees with NT’s IFMS 1 and 2 Service Providers registered on the approved IFMS panel of service providers’ database, their staff, as well as entities who may have been subcontracted by an appointed service provider
* Identify any irregular, unauthorised, fruitless and wasteful expenditure
* Establish the identities of the parties involved, past and current IFMS and their respective roles to identify the areas of non-compliance to serve as the basis for disciplinary of further action if required

Even though a forensic report has been concluded, National Treasury has not concluded on the recommendations of the forensic report and no report has been forwarded to SCOPA.

* 1. **South African Airways SOC Limited.**

Subsequent to the oversight visit embarked by the Standing Committee on Public Accounts (SCOPA) on August 23, 2017 to the South African Airways SOC Limited, the committee engaged the South African Airways leadership, the Board and other employees of the entity. Different units/section within the entity like SAA Technical, Supply Cain Management, Finance, Risk Management, SAA Crew Members and the Pilots sections were visited. The primary purpose of the visit were to verify and gather information about the state of operations in the entity as well as thorough engagement with the staff personnel about the daily operations of the company, how it is managed and get an in-depth understand on what’s the staff view about daily running and operations of the company. To date, the entity has over R21 billion in government guarantees.

**The following matters were not concluded between SCOPA and SAA**

* **The details of evergreen contracts when did they start and when are they expiring;**
* **Investigation reports for the last three years (draft reports were submitted and never deliberated on)**
* **The list of offices and lounges SAA owned or leased outside South Africa including the lease arrangements;**
* **Minutes of EXCO for 2015/16 financial year which made critical decisions on routes,**
* **Steps taken on the recommendations that were suggested by internal audit;**
* **SAA technical and the turnaround strategy.**
  1. **Transnet SOC limited**

SCOPA conducted an oversight visit to Transnet SOC limited in Gauteng and after a thorough conversation with the Board, Senior Management and employees from different sections of the company, SCOPA requested information relating to appointment of contractors and investigations, which were subsequently not deliberated, by the Board and SCOPA.

* 1. **ESKOM and IMTT**

The standing Committee on Public Accounts engaged ESKOM on municipal electricity bill and the Department of Corporative Government and Traditional Affairs reported to SCOPA on engagements with municipalities owing ESKOM and an agreement was made that quarterly report will be made to SCOPA on progress made on the payments of ESKOM electricity bill by municipalities.

* 1. **National Student Financial Aid Scheme**

Due to financial irregularities and the total rand value of the free higher education funding being managed by NSFAS and NSFAS being currently under administration, SCOPA made a commitment to look at NSFAS closely in order to ensure that funds are spent in accordance with applicable legislations.

1. **Government institutions who usually do not table their annual reports**

* **SA Express SOC Ltd,**
* **SA Airways SOC Ltd,**
* **DENEL,**
* **South African Forestry SOC Ltd (SAFCOL),**
* **Air Traffic and Navigation Services Company (ATNS), and**
* **South African Bureau of Standards (SABS)**