

ELECTORAL COMMISSION

Submission to the Portfolio Committee: Home Affairs on the Report of the Auditor-General on the Financial Statements and Performance Information of the Electoral Commission for the Financial year Ended 31 March 2009

1. The Auditor General expressed an unqualified opinion on the Commission's financial statements. Under a number of different headings and without qualifying his opinion the Auditor General, however, drew attention to certain problematic matters. To assist members of the Committee in preparing for the meeting of 3 November 2009, the following comment on those matters is submitted herewith.
2. Paragraph 8 of the Report:
 - 2.1 Three matters are raised in this paragraph under the heading "irregular expenditure". It needs to be emphasized that in none of the first two cases funds had been spent irregularly in the sense that due processes had not been followed or that irregular payments had been made. As will be seen from the following paragraphs it was more a question of ancillary administrative prescriptions that had not been followed.
 - 2.2 Most of the amount of R184 085 was in respect of petty cash replenishments with individual cheques exceeding the prescribed maximum of R2 000 per cheque as a result of the high turnaround/activities that go with conducting an election. The same problem was reported in the Auditor-General's Report for the Financial Year ended 31 March 2008 which was received in July 2008. As a corrective measure the Electoral Commission (EC), since 15 October 2008, programmed its financial management system not to release payments by cheque that was in excess of the R2 000 limit. The issuing of cheques for more than R2000 was thus restricted to the earlier part of the financial year, did not occur in the latter part after the Auditor-General's previous report, and can not in future repeat itself in view of the programmatic restriction. The EC will discontinue the general use of cheques from 1 December 2009 and funds, will now be transferred electronically.
 - 2.3 In March 1998 the Accountant-General (AG) in terms of the then applicable Treasury Regulations approved that the EC's implementation of its own computerised financial (accrual) and administrative system since its staff could not be remunerated on the public service operated PERSAL system and the Treasury prefers an accrual system of accounting as opposed to the cash based one of the Public Service. During the period 2006/2007 the EC's software support for its computerised financial and administrative systems was withdrawn from the RSA by the provider and the EC had no alternative but to immediately change its systems. The EC regrets overlooking the amended Treasury Regulations published in March 2005 which

required a new Treasury approval; that is for the specific software we now utilize. When the matter was reported by the AG in his Report for the Financial Year ended 31 March 2008, National Treasury was approached for condonation but it was refused by Treasury on 6 June 2008 and it thus remained an unresolved matter – it is still being pursued with the National Treasury.

- 2.4 This is a simple case of fraud or theft which the EC detected and the employee has since been dismissed. The amount of R2 403 will be recovered from the employee's leave pay.

3. Paragraph 11 of the Report

The daily reconciliation of the bank accounts that the EC operates to service its national, provincial and municipal offices was also reported in the AG's previous Report for the Financial Year ended 31 March 2008 which was received in July 2008. Due to the introduction of a new financial system at the beginning of the financial year 2008/2009 it was difficult for the EC to comply with the relevant Treasury Regulation. At year-end monthly reconciliations had been done and approved. Although a work-around has since been configured to do monthly bank reconciliations the EC is currently negotiating a host-to-host banking system with its bankers to facilitate daily and monthly bank reconciliations (following the example of SARS). This is not a simple matter but there is every intention to resolve this problem and to comply with prescripts.

4. Paragraph 12 of the Report

The issuing of inappropriately crossed cheques (which a Trader/Dealer could cash) stems from the lack of banking facilities in rural areas. This renders appropriately crossed cheques "worthless" to casual staff living in such areas. They often have to spend more than the value of the cheques travelling to and from towns with banking facilities to have it cashed. The practice has been terminated by recalling all cheques not appropriately crossed and placing a ban on the issuing of any cheques with effect from 1 December 2009. The revised arrangements would resolve the audit issue in itself. It, however, does not resolve the fundamental problem of travel costs in rural areas where there are no banks and the matter will thus be taken up with the Treasury in an effort to find a sustainable solution.

5. Paragraph 13 of the Report

The EC generally settles accounts promptly, even during election periods with high volumes of transactions. The EC is, however, currently reviewing and

implementing control measures in its nine provincial and 254 municipal offices to further improve and ensure that all qualifying suppliers are paid within 30 days. All late payments are and will be identified and where appropriate disciplinary steps have and will be taken.

6. Paragraph 14 of the Report

These transactions relate in the main to sole providers of particular services such as the SABC, HSRC and the like. The EC agrees that the deviations were not reported as required within the stipulated timeframes. A report on these deviations has in the interim been prepared and submitted to the AG and National Treasury as required.

7. Paragraph 15 of the Report

The EC will ensure that in future bids will be advertised in the Government Tender Bulletin for at least the prescribed 21 days. This will, however, be difficult, if not impossible, during election periods where unplanned and unforeseen requirements and events often require that tenders be run for shorter periods and a speedy resolution in order to ensure the credibility of an election.

8. Paragraph 16 of the Report

The EC will ensure that tenders awarded are published as soon as possible after the adjudication processes have been concluded.

9. Paragraph 17 of the Report

The cellular provider who rendered SMS services has since been invoiced and policy and procedure changes will be made to ensure better control in future.

10. Paragraph 18 of the Report

Although the revenue from the sales of maps to political parties did not have a material influence on the revenue yield the tariff structure will be disclosed in future.

11. Paragraph 21.1 of the Report

Documentation was made available although in some instances not in a timely manner as some had to be obtained from provincial and local offices in the midst of conducting an election and dealing with subsequent roll back activities. In future the EC will ensure that information requested by the AG will be made available in a timely manner to prevent a recurrence.

12. Paragraph 21.2 of the Report

The EC noted the errors and all efforts will be made to prevent a recurrence. This will include advanced training of the appropriate staff members.

13. Paragraph 21.4 of the Report

The EC conducted the national and provincial elections on 22 April 2009 and due to the enormity and importance of the task could/did not focus sufficiently on the preparation of the financial statements. To a large degree the implementation of a new computerized financial and administrative system also complicated the matter. These factors contributed largely to the delay in the submission of the financial statements to the Auditor-General. The EC will enhance its internal control and governance environment during the current financial year, which is not an election year, in anticipation and preparation of 2011 which would be the next election year.

14. Paragraph 21.5 of the Report

The EC's policy of not allowing key officials to go on leave before elections but after an election (which is the period in question) is being reviewed within the context of applicable labour legislation to ensure the prevention of a recurrence of the problem.

15. Paragraph 21.8 of the Report

The design and implementation of internal controls in respect of financial and risk management are being reviewed to ensure no significant deficiencies – and will be reviewed regularly.

16. Paragraph 21.9 of the Report

The design and implementation of internal controls in respect of compliance with applicable laws and regulations are currently being reviewed for implementation latest 1 December 2009 to address significant deficiencies.

17. Paragraph 21.15 of the Report

The adequacy of control processes and procedures are currently being reviewed to ensure that they are designed and implemented to ensure the accuracy and completeness of reported performance information.

18. Paragraph 28 of the Report

The EC is currently reviewing its processes of performance planning, monitoring, measurement, performance review and reporting to ensure that it will meet requirements.

19. Paragraph 29 of the Report

In future the EC will endeavour to describe and define performance indicators and targets more clearly.

