

Prasa placed under administration

Transport Minister Fikile Mbalula has dissolved the Passenger Rail Agency of South Africa (Prasa) interim board and placed the entity under administration with immediate effect.



Col André Kritzing via [Wikimedia Commons](#)

Bongisizwe Mpondo has been appointed as the administrator of Prasa with immediate effect.

"The administrator will run the affairs of Prasa as a de facto Board of Control as envisaged in the Prasa founding law and as an Accounting Authority in terms of the Public Finance Management Act (PFMA)," Mbalula said.

Addressing a media briefing in Johannesburg on Monday, the Minister said the secondment of the acting group CEO, Dr Sishi, is withdrawn with immediate effect.

"The role of the Group CEO will be integrated into the role of the Administrator as an integral part of the intervention. Thank

you Dr Sishi for your contribution and efforts in addressing challenges at Prasa," the Minister said.

This intervention will continue for 12 months, after which a permanent Board will be appointed to run the affairs of Prasa.

"We will ensure that the process to recruit a permanent board is initiated at least six months into the tenure of the administrator to ensure a seamless transition at the end of the intervention.

"Over the last few weeks we have conducted a review on the performance of the Board and of the entity as a whole," the Minister said.

This assessment followed the Government Technical Advisory Centre (GTAC) assessment report, compiled after engagements with a number of managers.

"Based on this report and other considerations, we arrived at a conclusion that PRASA has deep-rooted challenges that require decisive interventions at leadership and management levels. Merely replacing an interim Board with a permanent Board will not address the deep-rooted fault lines at Prasa," the Minister said.

The GTAC report highlights the dysfunctionality of Prasa and records non-compliance with financial prescripts that warrant immediate action and intervention, in addition to the initial intervention of the War Room.

"The Auditor General (AGSA) in its management report for the 2018/19 financial year raised critical issues on governance, which included a finding that Prasa did not take effective and appropriate steps to prevent irregular and fruitless and wasteful expenditure, as required by law.

"The majority of the irregular, fruitless and wasteful expenditure disclosed in the financial statements was caused by non-compliance with supply chain management prescripts, as well as payments made, where the value derived could not be justified," the Minister said

The Auditor General also highlighted in the report that there has been no progress in addressing the significant deficiencies noted over the oversight by the accounting authority and senior management regarding financial and performance reporting, compliance and related internal controls.

"There is no doubt that the Board is responsible for the systems of internal control. These are designed to provide reasonable assurance as to the reliability of the annual financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss," the Minister said.

He said since the interim Board's appointment, the affairs of the entity have not improved but have regressed.

The Minister said Mpondo has the right credentials to tackle the challenge of turning around Prasa, address its operational deficiencies and tackle intractable challenges confronting its divisions and subsidiaries.

"In the coming days, we will be concluding a service level agreement, which will outline in detail the terms of reference for his engagement," the Minister said.

Among the administrator's key priorities are the following:

- Addressing all matters raised in the Auditor General's report and ensure that there are no repeat findings;
- Accelerating interventions aimed at improving operational performance;
- Expedite implementation of the modernisation programme, with priority focus on fencing, signalling, perway and station upgrades;

- Security interventions across all corridors;
- Urgently developing capacity to manage Prasa's capital programme, working with other state entities in the short term;
- Build capacity to support interventions aimed at recovering the system by establishing requisite supplier panels through competitive bidding or other means permissible;
- Attend to issues that require engagement with Transnet in order to unlock blockages that negatively affect operations;
- Ensure effective consequences management and provide support to investigations currently underway by law enforcement authorities; and
- Undertake a review of Prasa's organisational design and business model.

Mpondo is an entrepreneur who has an extensive record in corporate governance and working with public institutions to improve operational efficiencies. He has served on the Boards of many public entities, including the East London Industrial Development Zone (IDZ); South African Express; South African Airways and the Cross-Border Road Transport Agency.

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