

**COMMITTEE REPORT OF THE PORTFOLIO COMMITTEE ON PREMIERS' OFFICE;
FINANCE; ECONOMIC DEVELOPMENT AND TOURISM IN RELATION TO THE ANNUAL
REPORT FOR 2014/15 FINANCIAL YEAR – DEPARTMENT OF ECONOMIC
DEVELOPMENT AND TOURISM**

1. INTRODUCTION

The Portfolio Committee on Premier's Office, Finance, Economic Development and Tourism (the Committee) has a Constitutional mandate, in terms of Section 114(2) (b) of the Constitution of the Republic of South Africa read with Rule 124(b) and Rule 131 of the Mpumalanga Provincial Legislature to oversee the performance of the Department of Economic Development and Tourism (the department) and hold it accountable through various measures.

Section 133(b) of the Constitution requires the Member of the Executive Council (MEC) to provide the Legislature with full and regular reports concerning matters under their control. Thus the tabling of the 2014/15 Annual Report of the Department of Economic Development and Tourism was in compliance with section 65(a) of the Public Finance Management Act (Act 1 of 1999) (PFMA).

The consideration and scrutiny of the 2014/15 Annual Report of the department was for the Committee to satisfy itself that the department's performance was in line with its approved 2014/15 Annual Performance Plan (APP); and the budget that was appropriated for the financial year under review. The Annual Report oversight exercise is a mechanism of the Committee to ensure that public funds allocated to the department in the year under review, are used economically, efficiently, equitably and effectively. There should ultimately be value for money in any activity undertaken by the department. Thus, the Executive Authority was held to account for the department's performance in the 2014/15 financial year.

2. METHOD OF WORK

The MEC tabled the 2014/15 Annual Report in accordance with Section 65(a) of the PFMA and the Speaker subsequently applied rule 201(1) of the Rules and Orders of the Mpumalanga Provincial Legislature by referring the report to the Committee for consideration and report back to the House.

On 28 October 2015, the Committee considered a detailed analysis of the 2014/15 Annual Report and raised key observations and questions that were sent to the department for written responses.

Thereafter, on 10 November 2014, the Committee interacted with the MEC, the HOD and the Senior Management team of the department on the 2014/15 Annual Report. The Committee met again on 18 November 2015 to consider and adopt its draft report.

3. BRIEF OUTLINE ON STRATEGIC GOALS AND OBJECTIVES

The Department is directly linked to two outcomes (4) in terms of its Strategic Plan and Annual Performance Plan (APP), namely:

Outcome 4: Decent Employment through inclusive growth

- OUTPUT 1** : Faster and sustainable inclusive growth
- OUTPUT 2** : More labour absorbing growth
- OUTPUT 3** : Improved support to small business and cooperatives
- OUTPUT 4** : Multi-pronged strategy to reduce youth unemployment
- OUTPUT 5** : Increased competitiveness, to raise net exports, grow trade as a share of world trade and improve its composition
- OUTPUT 6** : Improved cost structure in the economy.

DEPARTMENTS STRATEGIC GOALS

Goal 1 - Sustained Economic Development: Sustained Economic Development that increases employment, alleviates poverty and addresses inequality among the citizenry

Goal 2 – Increased Tourism in the Province: Flourishing domestic and foreign tourism and increased inclusivity of all stakeholders in the sector

4. MEC'S OVERVIEW AND COMMITTEE DELIBERATION ON THE OVERVIEW

In his overview, the Executive Authority (MEC) highlighted that the department's is faced with the stubborn triple challenges of poverty, unemployment and inequality which the department have dealt with decisively

The Executive Authority further affirmed that the department has started with the process of re-organising the Department and this will see some function being shifted to MEGA and MTPA in particular, and other back to the department from the entities.

In light of the challenges the Department has achieved 148 out of a total 190 targets, and it translates to 78% achievement. The Executive Authority acknowledged that the department could have done more and better to achieve 100% of its targets. The department regret the under-performance, hence they plea for the Committee's lenience in this regards and re-commit to performing even better in the current financial year and beyond.

The Executive Authority reminded the Committee that the Department was re-configured from Economic Development, Environment and Tourism to Economic Development and Tourism. This meant that the Mandate of Environment was shifted from the Department back to the Department of Agriculture, Rural Development, Land and Environmental Affairs (DARDLEA).

Public Entities reporting to the Department

As at the end of March, the Department had three (3) Public Entities reporting to it, namely:

- **Mpumalanga Gambling Board (MGB).**
- **Mpumalanga Economic and Growth Agency (MEGA).**
- **Mpumalanga Tourism and Parks Agency (MTPA).**

He further highlighted that the department was also in the process of establishing the fourth Public Entity to be known as **Mpumalanga Liquor Authority (MLA)**. The MEC also announced that the Minister of Finance has subsequently approved MLA as a Public Entity with effect from 1 April 2015; and is now listed in the schedule of public entities in the PFMA. To this end, the department has appointed a full Board of the MLA which is functioning very well. An Organogram of the Entity has been approved and the CEO will be appointed once the organogram has been graded and costed.

The MGB continues to be the shining star of the department. It has achieved all its targets but one, which is, the issuing of the forth Casino License. The entity continues with its clean audit spree, which is a result of good governance practices and adherence to sound financial discipline. MEGA during the year under review, the Board of MEGA was disbanded, an Interim Board was subsequently appointed followed by a permanent board and a CEO. MEGA achieved only 43% of its planned targets, and also improved in the collection of debt; improvement of cash flow; filling of a number of critical vacant positions; the development of a new Corporate Strategy and Implementation plan. Through the work of MTPA, the Province is now ranked fourth at the national level, and also in terms of domestic visits, it is coincidentally ranked fourth as well as in terms of international arrival. In this financial year, the Board was disbanded and an interim was appointed. The entity also parted way with the CEO during the period under review, and has already appointed two (2) Acting CEO'S thus far. MTPA received a qualified audit opinion. It is however the department's resolution to stabilise the Entity as a matter of urgency by appointing a Board and a CEO, in order to turn things around at the MTPA.

5. ANALYSIS OF THE DEPARTMENTAL 2013/14 ANNUAL REPORT

5.1 OVERVIEW OF DEPARTMENTAL PERFORMANCE

1.1. Financial Performance

1.1.1. Two Year Expenditure Pattern

	2013/14	2014/15	% Increase
	R'000	R'000	R'000
Main Appropriation	821 567	861 772	4.9%
Adjusted Appropriation	832 109	764 293	-8.1%
Actual Spent	831 040	761 035	-8.4%
Over/Under Expenditure	1 069	3 258	204.8%
%	99.9%	99.6%	

The Committee noted that the department has spent R761 035 000 which translates to 99.6% of its adjusted budget for the 2014/15 financial year. This is a slight regression from the 2013/14 outcome of 99.9% of which it had spent R831 040 000 against the adjusted annual budget of R832 109 000. This shows that the Department has almost spent its entire budget for the 2014/15 financial year. There was only R3 200 000 remaining from the 2014/15 budget of the Department versus the previous year's remaining budget of R11 000 000. To note, was the movement of the Environmental Affairs component of the department to the Department of Agriculture; which shifted along with its budget. This is seen from the change of the budget during the adjustment process from R861 772 000 to R764 293 000.

1.1.2. Audit Opinion

2013/14	2014/15
Unqualified with matters of emphasis	Unqualified with matters of emphasis

The Department has obtained an "Unqualified Audit Opinion" for the financial years documented above. It failed in an attempt to obtain a clean audit for the 2014/15 financial

year, however it has managed to minimise the number of matters raised by the AG. The department will have to continue to work hard in order to achieve a clean audit for the 2015/16 financial year. The AG notably raised the following as matters which have been plaguing the department even in previous financial years:

- The Financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, financial statements were subsequently corrected hence the unqualified opinion. The Committee requested the department to indicate which steps had been taken to prevent the above from occurring and why did it failed. The department reported that the department took the following steps to prevent recurrence of the above:
 - ✓ Officials involved in the preparation of financial statements were sent for a training workshop organised by the Provincial Treasury.
 - ✓ Annual financial statement review processes were instituted. This included executive management reviews as well as independent reviews by the internal audit unit and the Provincial Treasury.
 - ✓ The established controls could not pick up the material misstatements on the annual financial statement relating to mainly two areas:
 - Unspent funds to be surrendered to the Treasury. This could not be picked up by the review process since it related to previous financial years. The guideline for the preparation of financial statement was not clear on the accounting treatment of unauthorised expenditure emanating from an overspending on a programme and not of the vote. The accounting treatment of this transaction had to be agreed to amongst the Auditor General, Provincial Treasury and the Department. Hence the annual financial statements had to be adjusted.
 - Related party transactions incorrectly disclosed in the annual financial statements. Transactions with National Departments were incorrectly disclosed as related party transactions. This was an oversight that was picked up by the Auditor General financial statements were adjusted accordingly.

The Committee further asked what the department will do to improve the quality of its annual financial statements. The department reported that it has established a financial statement preparation committee that is responsible for the preparation and review of quarterly and annual financial statements. The preparation of quarterly financial statements will assist the department to finalise annual financial statements timeously to allow sufficient time for the review by management and other independent bodies (internal audit and the Provincial Treasury).

Officials involved in the preparation of financial statements will be sent to the financial statements preparation training workshop organised by the Provincial Treasury.

- The Employees were appointed without properly verifying their claims, hence violating the public service regulation 1/VII/D.8. The Department reported that it has resolved from August 2015 that, no appointment will be made prior to the verification of the applicant's claims, which are recommended for appointment. The Committee further asked why the department continue to validate claims made in candidate's applications before their appointment.
- ✓ The Department indicated that in December 2014, there was a pressure on the Department to close down taverns that are close to schools and to ensure that it is responsive to the Provincial challenge; thus, the Department had to appoint liquor inspectors speedily in January who were appointed without the prior verification. All those who were appointed have however been verified and had positive clearance.

1.1.1. Transfer to Public Entities and Business Enterprises

Entity	Projected Transfers R'000 2013/14	Actual Transfers R'000 2013/14	Over/Under Expenditure
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MEGA	R171 605	R171 605	-
MTPA	R310 941	R310 941	-
MGB	R54 500	R54 500	-
Zithabiseni Resort	R19 000	R19 000	-
Total	R556 046	R556 046	-

The Department transferred a total of R556 046 000 to its Public Entities in the 2014/15 financial year. MEGA, MGB and MTPA together received an amount of R537 046 000 while Zithabiseni Resort receiving R19 000 000 for the 2014/15 financial year.

6. PROGRAMME ANALYSIS

Programme 1: Administration

The purpose of the programme is to provide administrative support for the implementation of the Departmental mandate. The programme consists of six (6) sub-programmes of which one (1) is divided further. The sub-programmes within the programme are, namely, Office of the MEC, Office of the HOD, Internal Audit, Financial Management, Risk Management and Corporate Services.

The Committee noted that the programme achieved 41 of its 44 targets. This translates to 93% of targets achieved for the 2014/15 financial year. The Office of the MEC sub-programme failed to attend MinMEC meetings (6 out of 16 attended) and Economic Cluster committees meetings (13 out of 22) due to the fact that there were no meetings scheduled by DEDT and DTI as well as the Office of the Premier. In the Office of the HOD, only nine (9) out of 16 Min Tech Meeting were attended. This was attributed to only nine (9) being coordinated nationally.

Expenditure Report

Expenditure Report

Economic Classification	Final	Actual	Over/under	%
	R'000	R'000	R'000	R'000
Office of the MEC	5 266	6 238	(972)	18.5%
Senior Management	5 008	6 112	(1 104)	22%
Financial Management	43 019	43 649	(630)	1.5%
Corporate Services	31 365	28 649	2 706	8.6%
Statutory Appropriation	3 199	1 771	1 428	44.6%
Total	87 847	86 419	1 428	1.6%

The Committee noted that the Programme has under spent on its budget by 1.6%. This translates to an amount of R1 428 000. The sub-programme with the largest over expenditure was Senior Management over spending by R1.1 million which translates to 22%. The item which the programme has over-spent the most on is Compensation of Employees at 3% by R1.4 million. It has under-spent on Goods and Services by 2.6% which is R899 000 in monetary terms. The Committee asked the department to explain what led to the over-expenditure of 22% in the Senior Management sub-programme. It was reported that the over-expenditure was a result of the following:

- Advertisement - This was mainly to advertise on the filling of the vacant posts and to recruit the Audit Committee members.
- Catering for departmental activities - The Department had to provide catering for the meetings which were discussing the collaboration between the two Provinces, namely: MP and KZN. The collaboration was initiated by the Honourable Premiers of the two Provinces.
- Accommodation - This was mainly paid for accommodation to deal with inter-provincial collaboration as more meetings were attended to by the officials.

Programme 2: Integrated Economic Development

The programme is responsible for facilitating the emergence of economic empowerment opportunities. It also focuses on promoting local economic development by providing support principally to SMMEs and Cooperatives. The programme has 6 sub-programmes, namely, Enterprise Development, Economic Empowerment, Regional and Local Economic Development, Ehlanzeni Regional Services, Gert Sibande Regional services and Nkangala Regional services.

The Committee noted that the programme has achieved 42 of its 66 targets for the 2014/15 financial year. This translates to 64% of targets achieved. The programme had challenges executing its mandate in the three (3) respective regions, Nkangala, Gert Sibande and Ehlanzeni. These challenges were related to capacitating, support and training of cooperatives and SMMEs. The training component of the programme was eventually later in the financial year transferred to the Office of the Premier. There were also cases where targets related to the registration of new cooperatives were not met. In other cases such as on page 49 registrations were exceeded significantly.

The department has stated that it supported one (1) economic development project at local level in Ehlanzeni Region but has not provided any details as to which sector the project is belonging to. The Department reported that the project is not yet a success story as it is not yet completed. Once completed, it will create 20 permanent jobs. The project is regarded as a nucleus for regional economic and communal development in the rural area of Mangweni. The library and computers will improve the knowledge and skills of the local communities. The project will be owned by the community, and the proceeds will be used for further development. Community ownership will be enhanced and inequality will be reduced in the rural area.

The department coordinated the implementation of programmes by National Departments in the municipalities to promote integration. A programme on "Integrated Energy Centre" (IEC) in collaboration with Department of Energy (DoE), Nkomazi Municipality, DEDT, and SASOL was identified in Mangweni. The department coordinated the support of the municipality and resolution was taken to provide land, infrastructure and initial funding of the staff. A sort turning was done on the 10 April 2014 in Mangweni. SASOL submitted some plans and committed an amount of R14 000 000.00. The project was then handed over to SASOL for

construction. The project is however not yet completed as there was a delay in the establishment of a trust which will own the facility.

Expenditure Report

Economic Classification	Final	Actual	Over/under	%
	R'000	R'000	R'000	R'000
Office Support	2 199	3 209	(1 010)	46%
Enterprise Development	180 338	181 137	(799)	0.4%
Local Economic Empowerment	6 427	5 869	558	9%
Economic Empowerment	4 981	4 457	524	11%
Regional Director	37 169	36 442	727	2%
Total	231 114	231 114	-	-

The Programme has spent its entire budget for the 2014/15 financial year. This translates to an amount of R231 114 000. The sub-programme with the largest over expenditure was Office Support, over spending by R1 million which translates to 46%. The economic classification item which the programme has over spent the most is compensation of employees at 2.3% by R484 000. It has under spent on Goods and Services by 1.4% which is R505 000 in monetary terms.

The department reported that the over expenditure was as a result of the purchase of the vehicle for the Executive Authority. It was necessary to buy the vehicle as there was no any other reliable vehicle to be used by the MEC.

Programme 3: Trade and Sector Development

The programme supports the development of industry within the key economic sectors of the Province, and creates a conducive environment for trade and investment. The programme has three (3) sub-programmes, namely, Trade and Investment Promotion, Strategic Initiatives and Sector Development.

The Committee noted that the programme has achieved 17 of its 23 targets. This translates to 74% of targets achieved for the 2014/15 financial year. The Sector Development sub-programme failed support the Bushbuckridge Agro-Processing Hub and the one at Dr Pixley Ka Seme Municipality. The Fly Ash Project was not implemented due to a delay in appointing service providers. A concept document for the revitalisation of the Pilgrim's Rest town was not developed. The Committee requested clarity on the challenges that led to the failure to expedite the projects. The department indicated that the role of the department is mainly to coordinate, facilitate and attract private sector investment for implementation. In addition these high impact projects are multiyear in nature and therefore they will take longer to come into full operation. The department continue to prioritise certain activities annually which accumulatively must ultimately deliver the project which is unfolding.

Expenditure Report

Economic Classification	Final	Actual	Over/under	%
	R'000	R'000	R'000	R'000
Office Support	1 111	798	313	28.2%
Trade & Investment Promotion	3 230	3 074	156	4.8%
Sector Development	8 985	9 556	(571)	6.4%
Strategic Initiatives	1 660	1 485	175	10.5%
Total	14 986	14 912	73	99.5%

The Programme has under-spent on its budget by 0.5%. This translates to an amount of R73 000. The sub-programme with the largest over-expenditure was Sector Development, over spending by R571 000 which translates to 6.4%. The item which the programme has over spent the most is compensation of employees at 4.9% by R446 000. It has under spent on Goods and Services by 9.8% which is R567 000 in monetary terms.

Programme 4: Business Regulations and Governance

The programme exists to ensure an equitable, socially responsible business environment that allows fair and the protection of consumer rights. The programme has two (2) sub-programmes, namely, Consumer Protection and Business Regulation.

The Committee noted that the programme achieved five (5) of its eight (8) targets for the 2014/15 financial year. This translates to 63% of targets achieved. The programme has for the third year running failed to once again align the Mpumalanga Consumer Affairs Act with the Consumer Protection Act. The Department reported from 2013/2014 the National Consumer Commission (NCC) which is mandated to ensure that all provincial consumer legislations are aligned with the National Consumer Legislation, directed that all provincial drafts must be scrutinised by a task team established nationally and the process was only concluded in the 2nd Quarter of 2015/2016 financial year. The NCC has concurred with the final draft and it is ready for submission to EXCO. After EXCO approval to publish for public inputs, the amendment bill shall be tabled in the legislature during the 2016/2017 financial year.

The Committee sort clarity on the large under expenditure on the Goods and Services for the programme. The department indicated that the under-expenditure of R1 130 000 was due to the non-payment of the service provider that did not complete the work they were supposed to do. The service provider was awarded a tender to install an IT liquor system at MLA but could not deliver according to the service level agreement hence no payment was effected.

Expenditure Report

Economic Classification	Final	Actual	Over/under	%
	R'000	R'000	R'000	R'000
Office Support	1 370	1 278	92	6.7%
Consumer Protection	11 945	12 438	(493)	4.1%
Regulation Services	69 814	68 684	1 130	1.6%
Total	83 129	82 400	729	0.9%

The Programme has under spent on its budget by 0.9%. This translates to an amount of R729 000. The sub-programme with the largest over expenditure was Consumer Protection over spending by R493 000 which translates to 4.1%. The item which the programme has over-spent the most on, is the Compensation of Employees at 2% by R366 000. It has under-spent on Goods and Services by 10.3% which is R947 000 in monetary terms.

Programme 5: Economic Planning

The programme provides economic policy direction and strategies in addition to conducting research on the provincial economy to inform strategy development. The programme has four (4) sub-programmes, namely, Policy and Planning, Research and Development, Knowledge Management and Monitoring and Evaluation.

The Committee noted that the programme has achieved 13 of its 18 Targets. This translates to 72% targets achieved for the 2014/15 financial year. The programme is tasked to mostly produce research reports and papers. The Policy and Planning sub-programme achieved two (2) of its four (4) targets. It failed to develop the ICT Master Plan because it transferred this function to the Office of the Premier. It was noted that a particular target was transferred with the attached.

The department indicated that it was to enhance the overall coordination of ICT planning and implementation, a policy decision was taken at the EXCO level for the ICT Master Plan work and interventions design to be led by the Office of the Premier. The department is still expected to participate at the level of providing technical expertise. The Department also indicated that there was no budget allocated specifically to the target, it was going to be undertaken in collaboration with the Department of Telecommunications and Postal Service and Council for Scientific and Industrial Research.

The Committee further noted that the Knowledge Management sub-programme has failed to produce three (3) provincial economic intelligence sector profile reports instead one (1) was produced. This was attributed to capacity constraints in the form of vacant posts of statistician and DD for Information Services. In the previous financial year, the department failed to produce two (2) economic sector profiles on industry. This had also been attributed to a shortage of human resources.

The department reported that they were in the process of filling the position of Deputy Director: Information Services as one of the steps taken to address these vacancies in the previous years. Short-listing was conducted in March 2013. The recruitment process was subsequently halted in order to prioritise other critical posts at the time within the context of fiscal constraints that were facing the Province at the time.

Expenditure Report

Economic Classification	Final	Actual	Over/under	%
	R'000	R'000	R'000	R'000
Office Support	1 251	1 336	(85)	6.8%
Economic Policy & Planning	3 155	2 880	275	8.7%
Research & Development	1 348	1 141	207	15.4%
Knowledge Management	3 013	2 976	37	1.2%
Monitoring & Evaluation	5 622	5 029	593	10.5%
Total	14 389	13 362	1 027	7.1%

The Programme has under spent on its budget by 7.1%. This translates to an amount of R1 027 000. The sub-programme with the largest over expenditure was Office Support over spending by R85 000 which translates to 6.8%. The economic classification item which the programme has under spent the most is Compensation of Employees at 12% by R967 000. It has also under spent on Goods and Services by 3.5% which is R219 000 in monetary terms.

The department indicated that the under-spending on Compensation of Employees within programme 5 was due to the posts which were not filled and that the moratorium was placed in the department on the filling of posts in order to allow the finalisation of the organisational development program.

Programme 6: Tourism

The purpose of this programme is to ensure development, promotion and regulation of tourism in the Province that will contribute to a sustainable tourism sector. The Programme has three (3) sub-programmes, namely, Tourism Planning, Tourism Regulations and compliance and

Tourism Sector Transformation. The Programme achieved 71% or 27 of its 38 targets for the 2014/15 financial year. Programme 6 has had the biggest challenge in achieving its targets for the year. Challenges were experienced in the Pollution and Waste Management sub-programme where six (6) targets were not achieved out of a possible eight (8).

The Programme achieved five (5) of its eight (8) targets for the 2014/15 financial year. This translates to 63% of targets achieved. The Tourism Planning sub-programme failed to develop one (1) Tourism Strategy. It is stated that the NTSS is currently under review and will inform the MTGS in 2015/16 as a deviation.

The Tourism Regulations and Compliance sub-programme failed on the target to conduct four (4) inspections in the Province to support compliance with tourism guiding legislation and regulation, only three (3) were conducted. This was attributed to none availability of key stakeholders.

The department indicated that planning was properly done, but was not able to secure the participation of key agencies that are part of the inspection process. The department did its utmost best to develop an inspection programme, including proposals on dates for the inspection process.

The Committee also noted that the Tourism Sector Transformation sub-programme achieved three (3) of its four (4) targets. It failed to achieve 22% ownership in the Tourism Industry by HDIs and SMMEs. This was attributed to the National Tourism Sector Codes not being finalised. The department indicated that the Tourism BEE Sector Codes is an instrument that is used to guide the transformation of the tourism sector. The tourism sector specific codes have specific targets to be achieved in terms of tourism business ownership and other key transformation targets in the tourism sector

Expenditure Report

Economic Classification	Final	Actual	Over/under	%
	R'000	R'000	R'000	R'000
Office Support	332 828	332 828	-	-
Total	332 828	332 828	-	-

The Programme has spent its entire budget for the 2014/15 financial year. The programme over spent on compensation of employees by 1.4%. It under spent on goods and services by 7.5%.

The Committee noted that the Annual Report of the Department, it has managed to successfully achieve 123. This implies that the Department has achieved 74% of its targets for the 2014/15 financial year while managing to under spend on its 2014/15 budget by 0.4%.

7. PART C

GOVERNANCE

Risk management

The department has reported on page 78 of the Annual Report that it has an approved Risk Management Policy and Strategy in place. It further stated that Risk assessment is conducted regularly to identify new and emerging risks. During the financial year under review, the Department reported that a strategic, operational, fraud, ICT and project Risk assessment were conducted and monitored quarterly during the year.

Fraud and Corruption

The department has reported on page 79 of the annual report that it has an approved Fraud Prevention Strategy in place. It reported that under the year in review, a corruption/fraud risk assessment was performed and corruption risks identified were monitored.

The Committee requested the department to share the effectiveness of the Fraud Prevention Plan Strategy during the financial year under review and whether there were any serious cases reported. The Department indicated that they believe that the Strategy is effective in that there were no new cases reported during the year under review.

Portfolio Committee Attendance

The Committee noted that the department reported on page 88 of the annual report that it attended three (3) Portfolio committee meetings held at the Mpumalanga Provincial Legislature. These were to consider the Budget of the Department 2013/14, consideration of the Department's 1st quarter report and the consideration of the Department's 2012/13 annual report.

8. PART D

HUMAN RESOURCE MANAGEMENT

Organisational Structure

The department reported that it had to develop a turnaround strategy after the new administration came into effect. This therefore required the department to develop a new organisational structure which could respond to the role it needs to play in the provincial economy. A moratorium on filling vacant vacancies was put in place to conclude this process. This implied that there were employees whom were in acting positions during this process which meant that they were assuming more than one role at one time.

With regard to the update on the submission of the organisational structure to the Provincial Executive and the DPSA, the department indicated that the Executive Council is currently engaged in a process of evaluating DEDT organisational structure including the financial implications linked to the implementation of the new structure. The department is still awaiting feedback from the Executive Council on the proposed organisational structure that has been submitted for consideration

Human Resource Oversight

The department has comprehensively provided commentary on matters related to its functions of the Human Resource Management. It has reported on the priorities for the year as well as outlining the challenges that were faced. In the year under review, four (4) HR policies were approved. Seven (7) promotions were made (inclusive of interns). On the Annual Report, the department also reported that 100% of SMS members signed performance agreements and also 100% from level 1 – 12.

Human Resources Oversight Statistics

The department reports that it has an approved number of posts of 274, and yet only 249 posts were filled at the end of the 2014/15 financial year. This implies that the Department is understaffed by 25 personnel. The vacancy rate is currently at 9.1. On page 100 of the AR it reflects that the number of SMS members as a percentage is at 84.3%, implying that the Department has only filled 27 posts out of 32 for SMS members. Due to the current moratorium and the organisational design taking place within the Department, these other SMS positions could take a while to be filled.

On the Annual Report, it shows that 228 employees left the department during the 2014/15 financial year. 175 of them were transferred to other Public Service Departments, nine (9) resigned, six (6) retired, there were 34 contracts that expired and one (1) death. There were 36 employees who joined the Department over the course of the year.

In stating the reasons why nine (9) employees resigned from the department during the 2014/15 financial year; it was noted that from the exit interviews that were conducted, the employees who resigned intended to pursue opportunities in the private sector and other business interests.

9. FINDINGS

The following findings were made by the Committee:

- 9.1. The Department has obtained an unqualified audit opinion with matters of emphasis for the 2014/15 Financial Year.
- 9.2. The department underspent on the Compensation of Employees by 12% in Programme 5 due to the posts which were not filled and the moratorium that was placed on filling of vacant funded positions.
Furthermore, the Knowledge Management sub-programme failed to produce three (3) Provincial Economic Intelligence Sector Profile Reports due to capacity constraints in the form of vacant positions.

- 9.3. The Department has challenges with regard to capacitating, supporting and training the Cooperatives and SMMEs.
- 9.4. The department failed to support the Agro-Processing Hubs Bushbuckridge and Dr Pixley ka Isaka Seme Municipalities.
- 9.5. The Department failed to align the Mpumalanga Consumer Affairs Act with the National Consumer Protection Act; this is occurring the third year in succession.
- 9.6. With Regard Mpumalanga Liquor Authority (MLA):
- i. The Minister of Finance has approved the Mpumalanga Liquor Authority as a Public Entity with effect from 1 April 2015 and further, the entity will be delinked from the department with effect from April 2016.
 - ii. The Department will only appoint the CEO of the entity once the organogram of the entity is approved and costed.
- 9.7. With Regard to Mpumalanga Tourism Parks Agency (MTPA):
- i. Critical vacant and funded positions in the entity are occupied by officials on an acting capacity over a long period.

10. RECOMMENDATIONS.

After the deliberations, the Committee recommends that the department must:

- 10.1. Develop and implement an improvement plan that will address materials findings raised by the Auditor General; regular progress report must be provided to the Committee by end of February 2016.
- 10.2. The department must fill all critical vacant funded positions as approved in the Organogram as failure to fill vacant funded positions constitute non-compliance with

the approved APP, Organogram and Budget appropriated. A progress report must be submitted to the Committee.

- 10.3. The department must implement and monitor the developed plan that ensures that Cooperatives and SMME's are capacitated, supported and trained as per the mandate of the Department. A quarterly progress report on the implementation must be submitted to the Legislature.
- 10.4. The department must develop an improvement action plan to fast-track the implementation of the Agro-Processing Hubs in the two Municipalities.
- 10.5. The department must table the Mpumalanga Consumer Affairs Amendment Bill not later than 29 February 2016.
- 10.6. The department must develop an implementation plan for the MLA and further fast-track the approval of the entity's organogram and the appointment of the CEO.
- 10.7. The department must ensure that all critical vacant and funded position, including that of the CEO; are filled as a matter of urgency.

11. CONCLUSION

The Chairperson takes this opportunity to thank the Members of the Portfolio Committee for their active participation and constructive contributions during the deliberations on the Department of Economic Development and Tourism's 2014/15 Annual.

In addition, the Chairperson extends a word of thanks to the MEC, senior management officials for availing themselves to deliberate on matters pertaining to the department.

The Chairperson also thanked the support staff for contributing to the work of the Committee.

Unless otherwise stated a report detailing progress in the implementation of all recommendations in this report should be forwarded to the Committee by 30 March 2015 and thereafter on a quarterly basis until the resolution has been closed.



Hon. F Ngomana

**Chairperson: Portfolio Committee on
Premier's Office, Finance,
Economic Development and Tourism**

20 | 11 | 2015
Date

SOURCE	RESOLUTIONS	OCTOBER 2015	STATUS	RECOMMENDATION
Portfolio Committee on Premiers, Finance, Economic Development and Tourism (DEDT)2013/14	(i) Develop a plan aimed at assisting the department to achieve a clean audit opinion in the 2014/15 financial year.	The Department has implemented a plan aimed at achieving a clean audit opinion for the 2014/15 financial year; however, it has not achieved a clean audit opinion. The Department has achieved an unqualified audit opinion with matters of emphasis on material adjustment of the financial statements. (See page 125 of the 2014/15 Annual Report).	Implemented	The Department must address the challenges that causes the department not to achieve a clean audit, a report must be submitted to a committee.
	(ii)(a) Provide a detailed report on how it fared in relation to its commitment to create decent jobs through inclusive economy and eradicate extreme poverty and hunger in the Province.	According to the latest official statistics the provincial economy did not fare very well in relation to job creation. During the first half of 2015 (January to June) the economy created 26 000 jobs (employment increased from 1 154 000 in the first quarter of 2015 to 1 180 000 in the second quarter of 2015). The main factors impacting negatively on the domestic economic growth and employment creation are: <ul style="list-style-type: none"> • Weak global demand resulted in low and volatile exports. • World trade has slowed; 	Not Implemented	The Department must develop and submit a plan on how to the department plans to create decent jobs through inclusive economy.

			<p>hence commodity price fell 37% in two years.</p> <ul style="list-style-type: none"> • Labour disruptions - particularly the mining and manufacturing strikes in 2014. • Shortages in energy intensive economy, curtailing investment (outside electricity sector). • Household consumption still underpins growth forecast, while debt to GDP burdens weigh against further leverage. 		
			<p>As part of the support plans of MEGDP, the department developed the Industrial Development Plan which takes que from the Industrial Policy Action Plan (IPAP), which is advancing progressive proposals on how to industrialise the Provincial economy.</p>	Implemented	Resolution is closed
		(ii)(b) Develop strategies and plans to create decent jobs through inclusive economic growth and eradicate extreme poverty and hunger in the Province.			

			This includes the economic intervention plan at local municipality level.		
	(iii) Fast-track the listing of the Mpumalanga Liquor Authority with the National Treasury		MLA was listed as a public entity in April 2015; currently we are in the process of Operationalizing it	Implemented	Resolution is closed
	(iv) Fast track the process of detachment of Zithabiseni Resort from the Department before the end of the 2014/15 financial year.		Following our Report of 19 February 2015, a presentation was made to the Executive Council on 23 September 2015 and approval for the detachment of the Zithabiseni has been granted by the Executive Council. A process has already been put in motion to ensure that the detachment is finalised within the current financial year.	Implemented	A report on progress made must be submitted to the Committee
	(v) The department and the entities must develop concrete strategies and plans to respond to the triple challenge of poverty, inequality and unemployment.		As part of the support plans of MEGDP, the department developed the Industrial Development Plan which takes que from the Industrial Policy Action Plan (IPAP), which is advancing progressive proposals on how to industrialise the provincial economy. This includes the economic	Implemented	Resolution is closed

	intervention plan at local municipality level		
	<ul style="list-style-type: none"> The profile of licensed liquor outlets that are close to schools was completed with the assistance of the Department of Education. (See Annexure B) 		The Department must request a progress report from MLA on regulating the licensed liquor
	<ul style="list-style-type: none"> The closure of all unlicensed sheebens is an exclusive jurisdiction of the SAPS, the task of the MLA is to regulate the licensed liquor outlets, however, MLA works closer with the SAPS in fulfilling the respective mandates in this area. 		Partially Implemented
	<p>(vi) Profile the taverns and sheebens in the province and develop plans to close all unlicensed taverns and sheebens as well as all taverns and sheebens in the close proximity of churches and schools.</p>		
	<ul style="list-style-type: none"> During the current Renewal process, the authority will focus on the problematic licensed outlets and 		

		<p>consider complaints and compliance notices issued against them during the course of the year including disturbances to schools and churches.</p> <ul style="list-style-type: none"> With regard to the applications the Authority (MLA) applies the National Norms and Standards which requires a minimum of 500 metres radius between prospective licensed liquor outlets and schools/churches 		
	<p>(vii) Ensure that its financial statements are prepared in accordance to the required reporting framework and ensure that there are proper records to support the financial statements.</p>	<p>The Department has established a financial statement preparation Committee to ensure that financial statements are prepared according to the framework and supported by all necessary documents.</p>	<p>implemented on-going</p>	<p>The Department must Monitor compliance of the required reporting framework</p>

	<p>(viii) (a) Take actions against officials who contravened the Public Service Regulation /vii/D.8. by appointing officials without verification of their claims in their applications.</p>	<p>The Department could not take action against the official who contravened the Public Service Regulations viii/D.8 by appointing officials without verification of their claims in their applications as he had resigned.</p>	<p>Not Implemented</p>	
	<p>(b) Ensure that it verify all claims made by applicants before they are appointed in the department in line with the Public Service Regulation /vii/D.8.</p>	<p>The Department will ensure that it verifies all claims made by applicants before they are appointed in the department in line with the Public Service Regulations viii/D.8</p>	<p>On-going</p>	<p>The Department must monitor compliance with Public Service Regulations VI/D.8</p>
	<p>(ix) (a) The department must develop strategies to fill all its funded vacant position before the end of the 2014/15 financial year.</p>	<p>The Department could not fill all the vacant positions before the end of the 2014/15 financial year as a result of the moratorium on employment and the organisational design process that it's undergoing</p>	<p>On going</p>	
	<p>(b) The department must improve its retention strategy to avoid a high staff turn-over.</p>	<p>The Department has an approved retention policy; however, it is reviewing it in the current financial year to avoid a</p>	<p>Implemented on-going</p>	<p>The department must implement the retention policy this current financial year</p>

	high staff turnover.		
	<p>The tabling of the amendments will take longer than anticipated because the initial plan was based solely on the realignment of powers and functions between the Department and its Agencies. However the post - June 2015 administration elected to widen the scope to include a review of other issues pertinent to the amendments, such as:</p> <ul style="list-style-type: none"> • The fact that Department is to be positioned as thought leader and co-ordinator of economic development activities within the province whilst Agencies should focus solely on implementation rather than policymaking; • Re-alignment of the functions e.g. the powers of the Registrar of Tourism entities/products is currently residing at 	<p>(x) Table the amendments to the MEGA Act and MTPA Act before the end of the 2014/15 financial year.</p>	<p>Partially Implemented</p>
			<p>The department must fast-track process and ensure that the Act are tabled before the end of this current financial year.</p>

			<p>MTPA and it may have to relocate to the Department, and</p> <ul style="list-style-type: none"> The O/D process whose final outcome must be reflected in the draft amendments. 		
	(xi) Report in details on how Zithabiseni Resort has spent the R 19 000 000.00 allocated to it	The 19 million allocated to the Zithabiseni Resort was spent on the compensation of employees during the period under review.	The Department must provide a detailed report on the budget spent of Zithabiseni Resort.	Not Implements	
	(xii) Develop plans to achieve the 20% of targets not achieved in the 2013/14 financial year during the 2014/15 financial year.	The under achieved activities were implemented in the 2014/15 financial year and others such as the social labour plans and Mpumalanga consumer act are being implemented on a continuous basis and are part of the 2015/16 APP.	Resolution is closed	Implemented and on-going	