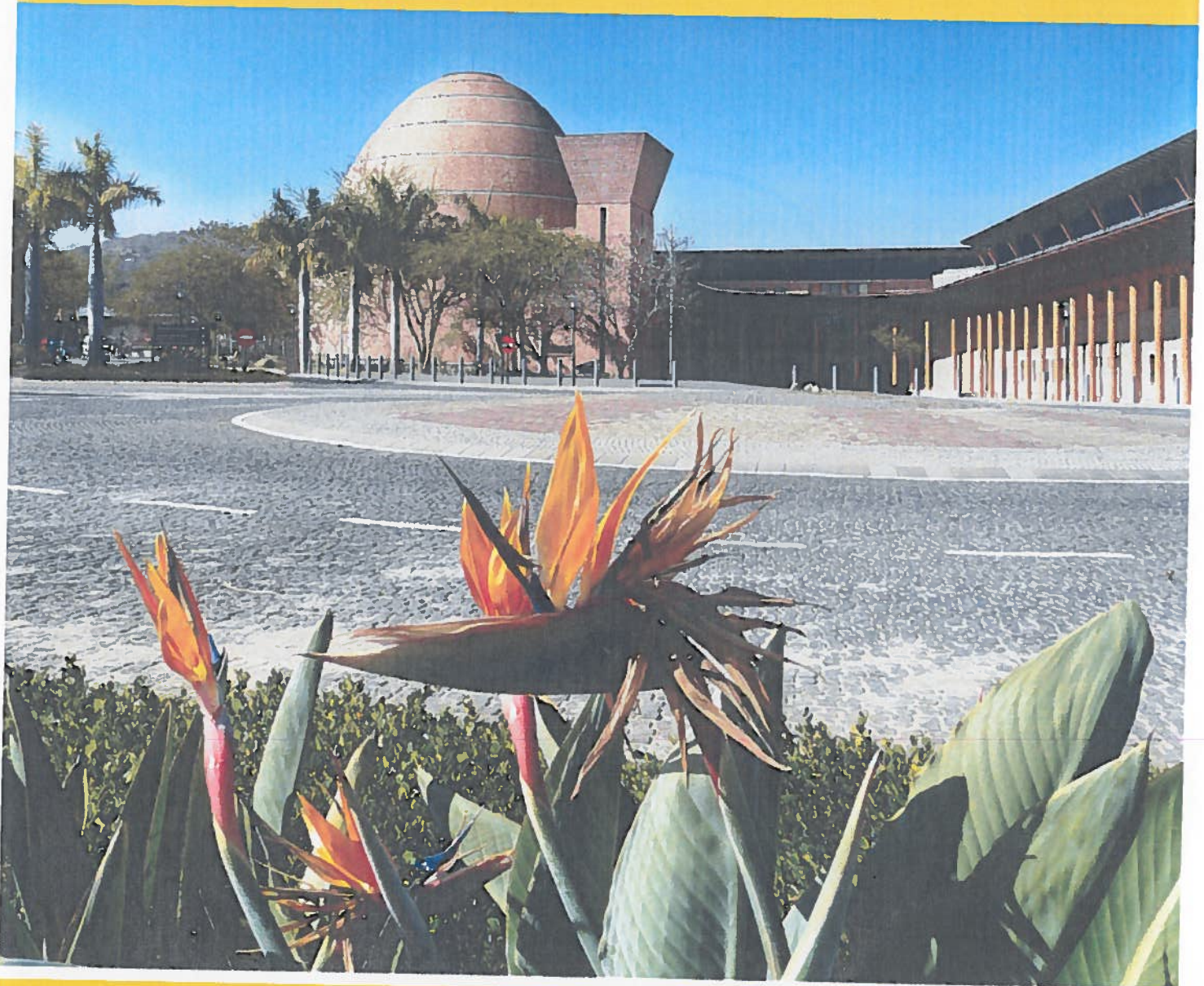




Report

REPORT OF THE PORTFOLIO COMMITTEE ON
PREMIER'S OFFICE, FINANCE,
ECONOMIC DEVELOPMENT AND TOURISM



**Annual Report Of The Office Of The Premier
2015/16**

CHAIRPERSON

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MEMBERS

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REPORT OF THE PORTFOLIO COMMITTEE ON PREMIER'S OFFICE; FINANCE; ECONOMIC DEVELOPMENT AND TOURISM

2015/16 ANNUAL REPORT OF THE OFFICE OF THE PREMIER

1. INTRODUCTION

The **Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism** (the Committee) has a mandate as per Section 114(2) (b) of the Constitution of the Republic of South Africa (Act. 108 of 1996), read with rule 131 (b)(c)(d) of the Rules and Orders of the Mpumalanga Provincial Legislature (the Rules), to oversee the performance of the Office of the Premier.

Section 133(b) of the Constitution requires the Member of the Executive Council to provide the Legislature with full and regular reports concerning matters under their control. Thus the tabling of the 2015/16 Annual Report of the Office of the Premier was in compliance with section 65(a) of the Public Finance Management Act (Act 1 of 1999) (PFMA).

The consideration and scrutiny of the 2015/16 Annual Report of the Office of the Premier was for the Committee to satisfy itself that the Office of the Premier's performance was in line with its approved 2015/16 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 Office of the Premier 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 Office of the Premier. Thus, the Executive Authority was held to account for the Office of the Premier's performance in the 2015/16 financial year.

2. METHOD OF WORK

The Honourable Premier tabled the 2015/16 Annual Report in accordance with Section 65(a) of the PFMA and the Hon Speaker subsequently applied rule 219(3) 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 18 October 2016, the Committee considered a detailed analysis of the 2015/16 Annual Report and raised key observations and questions that were sent to the Office of the Premier for written responses.

Thereafter, on 25 October 2016, the Committee interacted with the Director-General and the Senior Management team of the Office of the Premier on the 2015/16 Annual Report. The Committee met again on 02 November 2016 to consider its draft report.

3. BRIEF OUTLINE OF THE OFFICE OF THE PREMIER'S PRIORITIES AND GOALS IN THE PERIOD UNDER REVIEW

3.1. Outcome Oriented Goals

The OTP is directly responsible for the implementation of outcomes 11 and 12 and the table below indicates how the Office of the Premier is addressing the two outcomes within the programmes.

Outcomes	Sub-outcomes	Key Activities
Outcome 11: creating a better South Africa and contributing to a better and safer Africa in a better world	A sustainable ,developed and economically integrated Africa	<ul style="list-style-type: none"> ✓ International partnership monitored in line with Provincial priorities
Outcome 12: efficient, effective and development oriented public service and an empowered fair and inclusive citizenship	A stable political-administrative interface	<ul style="list-style-type: none"> ✓ Finalise all disciplinary processes within 90 days ✓ Co-ordinate the recruitment process for vacant HOD positions in all Departments ✓ Mainstream target groups into Government programme and projects
	Increased responsiveness of public servants and accountability to citizens	<ul style="list-style-type: none"> ✓ Co-ordinate the development and review of Service standards in all departments and municipalities ✓ Monitor the implementation of site improvement plans at 16

		<p>frontline delivery sites</p> <ul style="list-style-type: none"> ✓ Visit and asses 12 frontline service delivery sites and facilitate the development of improvement plans ✓ Roll- out MPAT cycle 1.4 with 10 Provincial Departments and the Office of the Premier and facilitate the development of improvement plans
	Improved inter-departmental co-ordination	<ul style="list-style-type: none"> ✓ Provide technical support and advice on macro policies to cluster committees
	Improved mechanisms to promote ethical behaviour in the public service	<ul style="list-style-type: none"> ✓ 100% financial disclosures for HODs and SMS electronically submitted within the prescribed period ✓ Anti – corruption Awareness Campaigns on Anti- Corruption Strategy and National whistleblowing Policy conducted in 4 Department and to citizens in 3 District Municipalities ✓ 100% of all received and reported cases of alleged fraud and corruption concluded ✓ Vetting of officials in prioritized offices

4. OBSERVATIONS AND COMMENTS

The Director-General (DG) and his management team made a presentation to the Committee on the Office of the Premier's 2015/16 Annual Report.

5. PART A: GENERAL INFORMATION

5.1. Compliance to the National Treasury Guide on the Preparation of the Annual Report

The Office of the Premier's Annual Report has adhered to the National Treasury guide for the preparation of the annual report for the year ended 31 March 2016.

5.2. Service Delivery Environment

The core deliverables of the Office of the Premier include executing the following programmes:

- Integrated Planning
- Monitoring and Evaluation
- Institutional Transformation
- Strengthening the Coordination of prioritised provincial programmes

6. PART B: OVERVIEW OF DEPARTMENTAL PERFORMANCE

6.1. FINANCIAL PERFORMANCE

The overall budget performance for the two financial years is as follows:

Table 1: Budget performance for the department

Financial year	2014/2015	2015/2016
final Appropriation	216 820	267 649
Actual Amount Spent	211 586	262 393
(Over) / Under Expenditure	5 234	5 256
Percentage Expenditure	97.6%	98%

Table 2: Spending per Economic Classification

2015/16 financial year	Final appropriation	Actual expenditure	variance	%
Compensation of employees	1 22 795	122 680	115	99.9
Goods and service	1 21 039	115 947	5 092	95.8
Transfers and subsidies	10 711	10 691	20	99.8
Payments of capital assets	12 401	12 372	29	99.8
Total	2 66 958	2 61 702	5 256	98%

The department reported the following on Financial Performance:

- i. The under expenditure of 4.2% on the Goods and Services was due to the delay in the appointment of the service provider for the construction of the Operation Vuka Sisebente command centre. The unspent amount of **R5 002 000** was requested to be rolled over and will be utilized in the 2016/17 financial year.

6.2. AUDIT OPINION

The Audit Opinion of the department for the two financial years is as follows:

Table 3: Audit Opinion for the two financial years

2014/15	2015/16
unqualified audit opinion with matters	Unqualified audit opinion with matters

The Auditor General's report indicated that the financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting frame-work and supported by full and proper records as required by section 40(1) (a) and (b) of the PFMA. Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, resulting in the statements receiving an unqualified audit opinion. OTP has been Stagnant in the same audit outcome for the past 4 years with almost the same audit findings.

The Committee enquired on what measures have the department put in place in the current year to improve its audit outcome. The department reported that internal controls measures within the Supply Chain Management Section have been introduced as follows:

- i. Supply Chain Compliance check list that is designed according to the requirements of all the procurement processes as contained in the relevant prescripts namely PFMA, Treasury Regulations and Supply Chain Management Policy in order to avoid the occurrence of irregular expenditure which often leads to the adjustment of the Annual Financial Statements.
- ii. The OTP has established a Finance Committee which is chaired by the CFO.
- iii. The Annual Financial Statements are also reviewed by Internal Audit Unit before submission to the Office of the Accountant General.
- iv. The Office of the Premier has established an AFS committee to review the AFS before submission to the Auditor General.

- v. The Office of the Premier is currently in a process of reviewing all the Service Level Agreements that were previously entered into, with the aim to amend where there are gaps.

6.3. PROGRAMME 1: ADMINISTRATION

The Programme is responsible to perform proper and effective coordinating and monitoring functions in respect of administrative and strategic matters, both within the Office of the Premier and the Provincial Government.

a) Programme Expenditure

Table 4 below outlines the spending of the Programme

Table 4: Spending for Programme 4:

Sub-programme	Financial Appropriation R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000	% Outcome
Premier Support	17 591	17 553	38	99.7
Executive Council Secretariat	5 860	5 816	44	99.2
Director-General Support	69 875	69 731	144	99.7
Financial Management	30 958	30 943	15	99.9
Total	124 284	124 043	241	99.8

The programme has an under expenditure of R241 000 which is 0.2% budget which is an acceptable variance.

b) Programme Performance

The Programme achieved 79.3% (23 out of 29) planned targets during the period under review.

i. Finalization of cases

The OTP reported the following on finalization of cases referred to the OTP:

- There were 712 cases that were investigated and 218 have been concluded.
- 494 cases are still being investigated;
- All outstanding cases that are being investigated will be concluded by the end of the 2016/17 financial year.

- On average, a simple case takes up to 12 days and a complicated case can take up to 81 days;
- The Office of the Premier will not appoint additional service providers but will utilise the current service providers and recruit additional personnel through secondment within the Provincial Administration. The recruitment process is already underway;
- Due to the current moratorium in place, the Office of the Premier is not in a position to fill the vacant post of the Chief Director. However, a submission to the Executive Council will be made to motivate for the appointment of the Chief Director: Integrity Management.

ii. Compliance with key legislation

The Committee noted that financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework in terms of Section 40(1)(b) of the PFMA. The Committee enquired on why the Accounting Officer failed to strictly adhere to Section 40(1) (b) of the PFMA. The department reported that the Accounting Officer has identified weaknesses in the Finance Section with regard to supply chain management processes. The Office of the Premier is addressing these weaknesses through the establishment of Finance Committee; Annual Financial Statements (AFS) Committee, Specification and Bid Evaluation Committees. Furthermore, the department reported that the Annual Financial Statements will be submitted to the following structures for validation:

- AFS Committee in order to allow deliberation against prescribed financial reporting framework.
- Internal Audit Unit to review the AFS before submission to the Office of the Accountant General,
- Audit Committee to review the AFS before submission to the Office of the Auditor General.

iii. Supply Chain Management

The Committee noted that the department procured goods above the threshold of **R 500 000.00** without inviting competitive bids and that invitations for competitive bidding were not always advertised in the Government Bulletin and the Construction Industry Development Board. Furthermore, the Committee noted that the preference point system was not applied in all procurement of goods and services above **R 30 000.00**. The department reported that the Office of the Premier did not intentionally fail to comply with procurement and bidding process in terms

of Regulation 16.A6.1. All goods and services above the threshold of R500 000 were procured through the bidding processes except in one instance where goods and services above the threshold were procured through a deviation in line with the provisions of the Treasury Regulations. In addition, the department reported that No steps were taken yet, because the amount in question was declared as Irregular Expenditure. The Internal Audit Unit is investigating the Irregular Expenditure and the outcome will determine the steps to be taken.

6.4. PROGRAMME 2: INSTITUTIONAL DEVELOPMENT

This programme is responsible to provide institutional development services, advice, strategic support, coordination and development of policies to ensure operational efficiency, alignment and corporate compliance with a view to improve the capacity of the Mpumalanga Provincial Government to deliver effective and efficient services.

a) Programme Expenditure

Table 5 below outlines the spending of the Programme:

Table 5: Programme Expenditure

Sub-programme	Financial Appropriation R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000	% Outcome
Strategic Human Resource	38 716	38 347	369	99%
Information Communication Technology	9 865	9 817	48	99.5%
Legal Services	3 392	3 378	14	99.5%
Communication Services	31 161	31 108	53	99.8
Programme Support	2 324	2 318	6	99.7
Total	85 458	84 968	490	99.4

b) Programme Performance

The Programme achieved 30 out of 39 planned targets.

i. SMS summit

The Committee noted that the Programme failed to co-ordinate the Provincial Senior Management Service Summit. The department reported that the SMS summit was not coordinated due to reprioritization of targets as a result of budgetary constraints. Furthermore,

the department reported that the purpose of the event was to benchmark and share best practices among senior managers. Alternative existing provincial forums are currently being utilised to serve the same purpose. These include *Batho Pele* Forum, Human Resources Forum; Chief Financial Officers' Forum; Planners and Monitoring & Evaluations Practitioners' Forum; amongst others.

6.5. PROGRAMME 3: POLICY AND GOVERNANCE

This programme is responsible to provide effective macro policy advice, coordination and monitoring on the following key focus areas: Provincial planning; Implementation of Provincial Programmes; Mainstreaming of gender, youth and older persons issues; Regional and international cooperation; Research and information management; Advisory services to the Premier, EXCO committees, EXCO and MPAC; Monitoring and evaluation.

a) Programme Expenditure

Table 6 below outlines the spending of the Programme:

Table 6: Programme Expenditure

Sub-programme	Financial Appropriation R'000	Actual Expenditure R'000	(Over) / Under Expenditure R'000	% Outcome
Special Programmes	8 972	8 894	78	99.1
Inter-governmental Relations	6 017	5 995	22	99.6
Provincial Policy Management	39 673	35 415	4 258	89.2
Programme Support	2 554	2 387	167	93.4
Total	57 216	52 691	4 525	92%

b) Programme Performance

The Programme achieved 28 out of 41 planned targets.

i. Monitoring report on the impact of the international partnerships

The Committee noted that the programme was supposed to facilitate the approval of the Mpumalanga International Relations Framework and capacitate the Office of the Premier, 11 provincial Departments and parastatals and the 3 District Municipalities on the implementation of the framework but the coordination was not done and the OTP reported that this was due to lack of personnel to perform the International Relation function. The Committee enquired

whether during planning period the Section had personnel that allowed the OTP to introduce new targets. The OTP reported that the section did not have personnel. However, the targets were planned with the intention to recruit through the rationalization process. The recruitment process took longer than it was anticipated. Currently, there are two officials dedicated to International Relations Unit.

ii. ZAZI workshop campaigns

The Committee noted that the department was supposed to conduct 4 ZAZI Campaigns during the period under review. The department reported that all ZAZI workshop/campaigns were not conducted due to non-availability of a suitable bidder. The Committee requested the department to provide a progress report in this regard. The OTP reported that the Service Provider for the ZAZI Campaign was appointed on the 13th of September 2016 for a period of three years. The programme has already started with the training of ambassadors as part of rolling out the ZAZI campaign in the Province.

7. PART C: GOVERNANCE

The Annual Report for 2015/16 reported on Risk Management; Fraud and Corruption; Minimising Conflict of Interest; Code of Conduct; as well as Health Safety and Environmental Issues as required by the National Treasury guide.

According to the Annual Report for 2015/16, the Office of the Premier has an approved **risk management policy** which includes, amongst others, the regular risk assessment which are conducted at a strategic and operational level.

On fraud and corruption it is reported that, as per section 38 of PFMA, 1999, the Office of the Premier has an approved Fraud Prevention Plan to effectively manage the fraud risks to which it is exposed. It was further stated that members from the public can report any corruption through the established Anti-corruption Hotline.

In terms of minimising conflict of interest it is reported that all SMS members disclosed their financial interests in line with Chapter G of the Public Service Regulation 2001, as well as the financial disclosure framework and Chapter 4 of the SMS Handbook.

8. PART D: HUMAN RESOURCE MANAGEMENT (HRD)

The information provided in the Human Resource Management section is compliant with the National Treasury guide. The Office of the Premier indicated that it has an HR Plan which it adheres to. The high level organisational structure has been provided as per the National Treasury guide.

8.1. Employment Equity

The OTP has 3 males (African) out of 3 on top management which 100 % males. The OTP has 24 (11 Africans+1Coloured+3 whites) males out of 28 posts at senior management which is 62.5% and 9 (8 Africans+1white) female which is 37.5% which is below the 50% policy that is outlined in the EEA. The 260 post include 8 people with disabilities which translate to 2% (pg.122) which is equal to the 2% as outlined by the EEA, but is a regress as compared to 3.1% of 2014/15 financial year.

8.2. Resignation, Terminations and ETC

The department has 9 officials who have resigned 5 who retired and 9 transferred to other departments which make it 23 employees who left the department.

9. FINDINGS

The following are the findings of the deliberations with the Office of the Premier:

- 9.1. The department has been stagnant in the same audit outcome for the past 5 years with almost the same audit findings.
- 9.2. The Office of the Premier is in the process of consolidating a detailed report on the performance of departments and the Province in general on the MDGs. The report will be made available by February 2017.
- 9.3. During the deliberations, the department incorrectly reported that the OTP does not have backlog cases investigated meanwhile the Annual Report reported on backlog cases that could not be finalized during the period under review.
- 9.4. No disciplinary actions have been taken yet against officials who have abused supply chain management policies. The department reported that the Internal Audit Unit is investigating the Irregular Expenditure and that the outcome will determine the steps to be taken.

10. RECOMMENDATIONS


After the deliberations, the Committee recommends that the Office of the Premier must:

- 10.1. Address all the findings raised by the Auditor General in the 2016/17 financial year and ensure that the department obtain a clean audit opinion.
- 10.2. Submit the detailed report on the performance of departments and the Province in general on the Millennium Development Goals once it is finalized.
- 10.3. Submit a written report on the progress relative to the backlog of cases from the National Anti-Corruption Hotline, including the PSC – and Presidential Anti-Corruption Hotline within 07 days of the date of tabling of this Committee Report.
- 10.4. Provide the Committee with the report by the Internal Audit Unit and report what steps have been taken against the officials who have abused supply chain management policies.

11. CONCLUSION

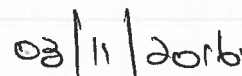
In conclusion, the Chairperson would like to thank the Honourable Members of the Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism, the Director-General and his management team and the support staff of the Legislature for their availability, dedication and commitment shown during the deliberations.

This Committee report on the 2015/16 Annual Report of the Office of the Premier is hereby tabled to the House with a request to adopt the report with its recommendations for implementation by the department and report back by the Hon Premier to the Honourable Speaker of the Legislature by no later than **28 February 2017** and thereafter, on a quarterly basis.



HON FV MLOMBO (MPL)

CHAIRPERSON: PORTFOLIO COMMITTEE
ON PREMIER'S OFFICE; FINANCE;
ECONOMIC DEVELOPMENT AND TOURISM



DATE