REPORT OF THE PORTFOLIO COMMITTEE ON EDUCATION; CULTURE, SPORT AND RECREATION IN RELATION TO THE 2015/16 ANNUAL REPORT

MPUMALANGA REGIONAL TRAINING TRUST (MRTT) – MEETING HELD ON 25 OCTOBER 2016

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1. INTRODUCTION

The Mpumalanga Provincial Legislature is empowered by Sections 114(2)(a)(b) and 115 (a)(b) of the Constitution of the Republic of South Africa [Act 108 of 1996] to oversee the performance and expenditure of public resources by provincial organs of state. Section 133 of the Constitution compels provincial organs of state to be accountable to the Legislature for the performance of their functions.

The consideration of the annual report of the Mpumalanga Regional Training Trust (MRTT) was aimed at assessing the entity's performance for the 2015/16 financial year, in line with its Annual Performance Plan (APP) and allocated budget.

2. METHOD OF WORK

The MEC for Education tabled the annual report in the Legislature, in accordance with Section 65(a) of the Public Finance Management Act. Subsequently, the Speaker referred the report to the Committee in terms of Rule 219(4) of the Rules and Orders of the Mpumalanga Provincial Legislature, 2013.

On 18 October 2016 the Committee was briefed by the staff of the Legislature on the detailed analysis of the annual report; as well as progress reports on House Resolutions for 2014/15 annual report and previous SCOPA Resolutions relevant to the department. The Committee interacted with the Hon MEC, the HOD, the CEO and senior management of the entity on 25 October 2016 and then adopted its draft report on 02 November 2016.

3. REMARKS BY THE BOARD CHAIRPERSON

The Board Chairperson, Ms FD Mthembu thanked the Committee for the opportunity to report on the entity's performance through the 2015/16 annual report. She highlighted that the entity's vision is to be recognized as an accredited sustainable skills development agency throughout Southern Africa. In fulfillment of this vision, the MRTT provided quality customized training interventions, practical workplace training, placement and after-care in accordance with market demands for job creation and poverty alleviation.

4. GENERAL OBSERVATIONS

a) The annual report of the entity complied with the National Treasury Guide for preparation of annual reports for the year ended 31 March 2016.

b) The annual report of the entity is aligned to its approved 2015/16 Annual Performance Plan (APP) and its Strategic Objectives.

c) The 2015/16 quarterly performance reports began to yield the fruit of the Committee's 2014/15 recommendation that the entity must meet with its parent Department of Education and the Provincial Treasury to develop an acceptable reporting format that reflected the entity's own revenue generated. Hence there was a clearer picture of the entity's over/ and under expenditure.

d) As per the 2015/16 annual report of the entity, the transfer (government grant) from the Department of Education amounted to R221, 088, 00, which was a substantive increase from the R87 627 000.00 transfer in 2014/15 financial year. This was due to the implementation of the Artisan Development programme at Hydra Arc.

e) For the year under review, the entity had a high vacancy rate (11.4%). The entity was in the process of filling four (4) vacant positions: Human Resources Manager; Supply Chain and Administration Manager; Automotive Repair and Maintenance Practitioner and Head Chef.

f) The entity obtained an unqualified audit opinion with findings for the financial year under review.

g) For two consecutive financial years (2014/15 and 2015/16) the entity did not meet its planned targets in terms of the Strategic Goal "Providing workplace training, coaching and mentoring". However, the entity has secured a number of signed and implemented

Service Level Agreements (SLA's) and potential SLA's, which will have to increase to ensure that training targets are continually met.

h) In terms of marketing services and products, an effective marketing strategy will assist the entity to attract and retain learners, which will strengthen its ability to achieve its planned training targets.

5. STRATEGIC OUTCOME ORIENTED GOALS

MRTT is responsible for Outcome 5 of the Provincial Outcomes (a skilled and capable workforce to support an inclusive growth path).

STRATEGIC OUTCOME ORIENTED GOALS	ACHIEVEMENT FOR 2015/16
Providing access to skills development	243 Learners trained in Hospitality and Tourism studies;
Providing an effective support system	Ensured compliance with internal training policies and SETA set criteria.
Marketing of products and services	20 School visits 5 learner recruitment adverts 6 MRTT Corporate Adverts placed in relevant print and electronic media
Proving workplace training, coaching and mentoring	Continued to form partnerships with government departments, municipalities and industry for the placement of learners in workplace training, coaching and mentoring

In terms of providing an effective support system, the entity reported that:

- It had purchased a new server with windows server 2012 operating system and 32 gigabyte RAM memory and a 4 terabyte hard disk during the 2015/16 financial year.
- A service provider was appointed to provide virtual private network which allows private connection between the three sites (Head Office, Emalahleni Training Centre and Hotel and Tourism Academy in Mbombela). The network also allows daily cloud back up and internet access. The entity also introduced the full implementation of the procurement system (Pastel and Remote Net) to enhance effective support.

In terms of providing workplace training, coaching and mentoring it was noted that the entity has not met its planned targets for two consecutive financial years (2014/15 and 2015/16). The entity reported that a strategy was implemented to improve the achievement on this strategic goal. As a result, Memoranda of Agreement (MOA) were signed with the following municipalities, institutions and companies:

- Partnerships with ESKOM and SASOL;
- Renovating schools projects and sanitation projects for Department of Education;
- Approved by Construction SETA (CETA) as a host employer.

6. ANALYSIS OF THE BUDGET EXPENDITURE

6.1. Own revenue generated

In the 2013/14 and 2014/15 financial years the Committee had deliberated at length with the entity on the problematic issue of declaring its own revenue generated in an acceptable format when reporting to the Legislature.

The House resolution to this effect instructed the entity to meet with the Provincial Treasury and the Department of Education to come up with an acceptable reporting format that was reader friendly. The Committee appreciated that in the progress report on the 2014/15 annual report House Resolutions, this matter was attended to.

The 2015/16 quarterly performance reports began to yield the fruit of the Committee's recommendation in that the entity began reflecting the own revenue generated. Hence there was a clearer picture of the entity's over/ and under expenditure.

The following progress was noted regarding the entity's improved reporting:

In March and April 2015 the entity consulted with the Department of Education and the Provincial Treasury respectively to work on a new reporting format for quarterly reports. The Committee appreciated that the entity has started to account separately for projects secured during the financial year, thereby eliminating over expenditure resulting from unbudgeted expenses from the projects.

The Select Committee on Public Accounts (SCOPA) had also advised the entity to use the previous year's outputs as a baseline for planning for the next financial year, which the entity has adopted and it was reported that this will be reflected in the entity's 2016/17 Annual Performance Plan.

The table below indicates the revenue generation of the entity over two financial years:

Source of revenue	2015/16			2014/15		
	Estimate	Actual amount collected	(over)/under collection	Estimate	Actual amount collected	(over)/under collection
	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000
Exchange Transactions	43 900	49 734	5 834	13 529	21 441	7 912
Non-exchange Transactions	92 734	92 734	-	86 650	86 650	-
Total	**136 634**	**142 468**	**5 834**	**100 179**	**108 091**	**13 529**

There was an increase in revenue generation of the entity from the previous financial year. The entity generated R23 552 000.00 of own revenue from its operations (projects implemented for clients throughout the year) and reported that it managed to implement its planned activities for 2015/16 within its budget.

The total budget of the entity is made up of the transfer from the Department of Education and the own revenue generated by the entity. For the year under review, the total budget reported on was **R263, 255, 000.** The total expenditure reported at the end of the financial year was **R188, 992, 000 (71.8%)** with an amount of R74, 263, 000 unspent, equating to **28, 2% underspending.**

As per the 2015/16 annual report of the entity, the transfer (government grant) from the Department of Education amounted to R221, 088, 000 which was a substantive increase from the R87, 627, 000 transfer for the 2014/14 financial year. This was due to the implementation of the Artisan Development programme at Hydra Arc.

Analysis of the Programme expenditure

The entity's expenditure over the past (2) two financial years is reflected below:

	2014/15			2015/16			
	Budget	Actual expenditure	Over/under expenditure	Budget	Actual expenditure	Over/under expenditure	% spent
Programme	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	
Hospitality & Tourism	17 289	19 462	(2 173)	28 355	14 443	13 912	50.9%
Technical Training Services	58 229	67 966	(9 737)	191 594	138 311	53 283	72.2%
Corporate Services	35 661	42 055	(6 394)	43 306	36 238	7 068	83.7%
Total	**111 179**	**129 483**	**(18 304)**	**263 255**	**188 992**	**74 263**	**71.8%**

7. OBSERVATIONS ON THE PERFORMANCE INFORMATION

7.1. Audit opinion

The entity improved from a qualified opinion in 2014/15 financial year to an unqualified opinion with findings in the 2015/16 financial year. The Committee asked the CEO whether there was a plan in place to achieve a clean audit in the next financial year 2016/17. It was noted that the Audit Committee had approved an audit action plan for the 2015/16 financial year in order to achieve a clean audit. The action plan was submitted to the Committee.

7.2. Service delivery environment

The entity's service delivery takes place mostly in deep rural areas in the Province. It was noted in the previous financial year that MRTT had established a mobile sub-programme with an aim to reach out mainly to rural areas of the Province. The implementation of this programme continued into the 2015/16 financial year.

The Hon MEC for Education had indicated in her 2015/16 budget speech that the Department, through MRTT, would endeavor to skill the out of school youth through the provision of scarce and critical skills in technical knowledge, hospitality, tourism and entrepreneurial and life skills training. The contribution of the provincial Department of Education would also be towards programmes aimed at reducing the unemployment rate in the Province.

In the 2015/16 financial year the entity is accredited with the following SETAs which regulate its operations and training programmes:

- Construction Education and Training Authority (No 6P5112);
- Manufacturing Engineering and related Services SETA MERSETA;
- Energy and Water Sector Education and Training Authority (EWSETA); and
- Culture, Arts, Tourism Hospitality & Sports SETA (CATHSSETA)

8. PROGRESS REPORT ANNUAL REPORT HOUSE RESOLUTIONS

The progress report on the 2014/15 annual report House Resolutions is found at the end of this report as Annexure (A) on pages 24-26. Progress is tracked throughout the quarters through the quarterly performance reports and their recommendations. The Committee noted the entity's implementation of the Committee's recommendations and the submission of progress reports.

9. OBSERVATIONS ON THE PROGRAMME PERFORMANCE

PROGRAMME 1: HOSPITALITY AND TOURISM

The programme is mandated to provide overall capacity building in Hospitality and Tourism as per the Culture, Arts, Tourism and Hospitality SETA (CATHSETA) prescribed standards, and in accordance with sound business principles to attain financial sustainability by 2014.

Below is the budget and expenditure breakdown for programme 1:

Sub-programme	Budget R'000	Actual Expenditure R'000	(over)/under expenditure R'000	% expenditure
Academic	5 465	4 065	1 400	74.4%
Rooms	10 117	6 854	3 263	67.7%
Food and Beverage	12 773	3 524	9 249	27.6%
Total	**28 355**	**14 443**	**13 912**	**50.9%**

The Committee made the following observations on programme 1:

Achievement of planned targets

The programme achieved 15 out of the 16 planned targets (93.8%).

Programme underspending

Programme 1 spent only 50.9% of its budget allocation at the end of the financial year. All three sub-programmes spent below 75%, with Food and Beverage sub-programme spending the lowest at 27.6%. The entity informed the Committee that this was due to:

- Unfilled vacant positons
- Low expenditure on goods and services (food and beverage specifically)
- Reprioritization of capital expenditure for accreditation requirement in Programme 2.

The Committee further requested the CEO to explain what had influenced the low spending on Food and Beverage. The entity reflected that the catering project for Siyabuswa was envisaged to run up to the end of the 2015/16 financial year but ended in November 2015, hence the underspending. Furthermore, the Early Childhood Development (ECD) catering project had planned to cater for 200 learners (breakfast, lunch and dinner) but only 100 learners were actually catered for breakfast and lunch since the classes were only scheduled until 14:00, hence the underspending.

The entity assured the Committee that concerted efforts were made to do joint collective planning with the Departments concerned for catering and other related projects.

Regarding the vacant positions, the entity informed the Committee that the positions will be filled in the approved organogram.

Regarding reprioritization of capital expenditure, it was reported that capital expenditure allocation for Programme 1 was not reprioritized for Programme 2, since the accreditation requirements in Programme 2 were duly addressed in the previous financial year 2014/15.

Enhanced budget controls and reporting

The entity has corrected an expenditure pattern linked to revenue and self-generated income, therefore expenses increased as self-generated income increased, hence it appeared as overspending. A budget module in Pastel Evolution was acquired and implemented in August 2015, which has enhanced the budget controls compared to the manual system which was previously used.

Room occupancy rate

The planned target to attain 45% room occupancy was not achieved; instead the entity attained 43% room occupancy.

The Committee further noted that the target of 45% was too low and that it was not achieved in the previous financial year as well. There is therefore no growth in this regard and the entity was advised to improve. It was noted in the deliberations that the entity developed and put in place a Marketing Strategy to increase room occupancy during low seasons in order to achieve the annual target. In addition to that, letters were written to all government departments requesting them to support Hospitality and Tourism Academy hotel by utilizing its facilities for conferencing and accommodation.

Sub-programme Academic

The sub-programme continued to put measures in place to address the challenges related to inadequate resources for infrastructure upgrades; not always meeting the quarterly targets to recruit learners for training; revision of the Curriculum and Learning Programmes to meet new challenges in the SETA (Sector Education Training Authority); and learners dropping out when they get more lucrative employment offers.

It was indicated by the entity that the efficiency of the sub-programme can be improved through more funding for infrastructure upgrades; more capacity and resources; and timeous facilitation of learner marketing and recruitment. The Committee urged the entity to strengthen its measures in place to improve in these challenging areas.

PROGRAMME 2: TECHNICAL TRAINING OPERATIONS

The programme is mandated to develop skills in technical and other areas, quality training through mobile units and provide workplace experiential training. The programme has four (4) sub-programmes which are: Training Centres, Mobile Training, Comprehensive Rural Development and Technical Products.

Below is the budget and expenditure breakdown for programme 2:

2015/16				
Sub-programme	Budget	Actual Expenditure	Over)/ Under Expenditure	% Expenditure
	R' 000	R' 000	R' 000	
Training	14 777	15 190	-413	102.8%
Mobile	24 368	18 605	5 763	76.4%
CRDP	21 897	26 875	-4 978	122.7%
Artisan Development	128 354	76 348	52 006	59.5%
Technical Production	2 198	1 293	905	58.8%
Total	**191 594**	**138 311**	**53 283**	**72.2%**

The Committee observed the following on programme 2:

Achievement of planned targets

The programme managed to achieve (7) seven of the nine (9) planned targets at the end of the financial year (77.7%).

Programme underspending

Overall the programme underspent (by 27.8%) but the overspending in the sub-programmes Training and CRDP (was due to high input costs of training) continued from the previous year. The other three sub-programmes underspent their budget allocations, in particular Artisan Development and Technical Production, which resulted in the overall underspending on Programme 2.

The entity indicated that the overspending in sub-programme CRDP was linked to input costs of training and the payment of subsistence and travel claims, as the CRDP sites were spread across the Province. It was indicated that the practitioners had to drive there. Another reason for escalation in spending since last year was the inclusion of Dipaliseng Local Municipality as the 8th CRDP municipality, while the budget had remained the same. Further reasons for overspending was that the CRDP practitioners were employed on a fixed term contract basis and when the contracts were terminated at year end, they were paid out more leave days than anticipated. This caused the compensation of employees budget to escalate, resulting in the sub-programme overspending.

Sub-programme CRDP (Comprehensive Rural Development Programme)

It was noted that sub-programme CRDP failed to ensure that 720 learners receive accredited institutional training in construction, manufacturing and engineering skills. Instead, 614 learners were trained due to abscontions, pregnancies, death and resignations. The Committee further noted that the **sub-programme Training** overspent by 2.8%, yet fewer learners (614) were trained than the envisaged 720 in the CRDP sub-programme. The entity explained that training expenses (training materials, protective clothing, practitioner salaries and subsistence and travel expenses) had already been incurred for the 720 recruited learners, but the learners started absconding after the training commenced. The Committee advised the entity to improve its planning going forward and make budget projections.

Artisan Development Programme

The Hon Premier had pronounced in his 2014 State of the Province Address that 5 000 young people would be trained over five years in artisan skills. In response to the pronouncement of the Premier, the Hon MEC for Education in her budget and policy speech for 2014/15 indicated that the Province will train at least 1000 out-of-school youth towards artisanship in the 2014/15 financial year.

The Committee engaged the entity and the Department of Education on the progress in relation to the artisan development programme at Hydra Arc throughout the 2015/16 financial year through the quarterly performance report meetings. In the 2015/16 annual report of the Department, it was reported that 1 173 learners had been trained through Hydra Arc's Artisan Development Academy.

The Committee took note of the entity's ongoing implementation of the Artisan Development Programme on behalf of the MEC for Education. The challenges in the main were related to student affairs, lack of placement to ensure work placing for trained learners and other internal process matters such as turnaround time for printing of certificates.

Sub-programme: Technical Production

The sub-programme failed to generate R1, 684, 432 of revenue from projects and work place training. Instead it generated R14, 710 as the entity did not secure projects for income generation. This was due to delays in finalization and completion of sanitation project at Bohlabela, which the sub-programme was implementing and overseeing. There were also other non-revenue generation projects that also delayed (such as schools and clinics renovations) to enable work placement for learners.

The entity informed the Committee that measures had been put in place to ensure that revenue is generated effectively and efficiently and that engagements with government departments and entities were ongoing, to leverage additional revenue generation.

PROGRAMME 3: CORPORATE SERVICES

The aim of the programme is to provide administrative support, coordination of quality processes, an oversight role over financial functions and sound marketing strategies for the entity. The programme consists of the following sub-programmes: Quality Assurance, Finance, Marketing Administration, Human Resource Management, Corporate Services and Performance Information Division.

Below is the budget and expenditure breakdown for programme 3:

Sub-programme	Budget R'000	Actual Expenditure R'000	(over)/ under expenditure R'000	% expenditure
Quality assurance	4 880	3 399	1 481	69.7%
Finance	8 330	9 603	-1 273	115.3%
Marketing	2 778	2 840	-62	102.2%
Administration	11 858	10 836	1 022	91.4%
Human Resource Management	4 625	2 960	1 665	64.0%
Chief Executive Office	10 835	6 600	4 235	60.8%
Total	**43 306**	**36 238**	**7 068**	**83.7%**

The Committee made the following observations on programme 3:

Achievement of planned targets

The programme planned to achieve 33 targets at the end of the year and managed to achieve 26 targets (88.6%) at the end of the financial year. In terms of percentage, the performance of Programme 3 has remained the same as the previous year.

Sub-programme: Quality Assurance

The planned target 90% overall registered learners to be placed for on-job experiential training and employment opportunities an employment opportunities (HTA, Mobile unit, CRDP) and 80% for Training Centres could not be achieved.

The sub-programme also failed to place 210 learners on workshop and incubation programme; instead 99 learners were placed.

The Committee raised a concern about the poor performance on placement of learners. The entity indicated to the Committee that in order to improve the performance, a provincial committee has been established comprising of MRTT, the Office of the Premier and the Department of Education to visit potential employers with the intention of negotiating placement opportunities in order to curb the challenges related to placement of learners.

It was noted that as at 25 October 2016 the entity had signed Placement Service Level Agreements (SLA) in place with the following employers in order to afford trained learners on-job experiential training and employment opportunities:

- Zamani Engineering Services
- Vukani Maintenance Services
- Bushbuckridge Local Municipality

Companies contracted to Kusile Power Station were also visited by the entity to source workplace opportunities for experiential training.

The entity reported that it was in the process of finalizing the SLA with Sphigerlley, SANDF Mpumalanga and B&T Steel contracted companies on or before 30 November 2016.

A SLA was signed with the Department of Health for placement opportunities and incubation when renovating their infrastructure, including doctor's residential areas.

A total of 25 companies in both Mpumalanga and Gauteng provinces specializing in manufacturing and engineering related services were contacted to offer workplace training to the trained learners.

Sub-programme Marketing

The sub-programme could not achieve two (2) of the eight (8) planned targets by the end of the financial year 2015/16. This translates to 75% performance. The unachieved targets related to two (2) Service Level Agreement training projects that could not be secured.

The Committee asked the entity to indicate the various SLA's secured and how this would assist the entity in terms of improving performance on planned targets.

It was noted that the entity managed to secure a SLA with the Department of Public Works; Roads and Transport in June 2015, which assisted the entity to deliver 50 learners trained in plumbing, bricklaying and carpentry through its Mobile Training programme in Bohlabela, Gert Sibande and Nkangala regions.

The entity further reported that a SLA was signed with ETDP SETA (Education, Training and Development Practices SETA) in October 2015 to train 43 learners in Plumbing and 41 in Carpentry, which also delivered a total of 84 learners. This improved the performance of Mobile Training by increasing their training targets to meet the set annual target.

The Committee commended all the SLA's and potential SLA's, but noted that there must be a way of monitoring all this important work done. It was further noted that the entity has to secure more SLA's in order to ensure that training targets are continually met.

Sub-programme Human Resource Management

The planned target to develop the employment Equity Plan (to appoint women in senior management) was not achieved.

The entity advertised two (2) Senior Management positions, which were reportedly not filled due to budget constraints - although the Committee noted they were budgeted for.

The entity reported the following progress on the filling of the vacant positions:

The vacant positions advertised to date are: (1) Human Resources Manager; (2) Supply Chain and Administration Manager; (3) Automotive Repair and Maintenance Practitioner and (4) Head Chef.

Interviews were conducted for the position of Head Chef, a suitable candidate was identified and verification of the candidate's credentials was conducted. It was said that the appointment would be made in November 2016.

For the Human Resources Manager; Supply Chain and Administration Manager and the Automotive Repair and Maintenance Practitioner, it was noted that short listing was done and the interviews were scheduled for November 2016.

The entity further indicated to the Committee that the sub-programme HRM underspent by the end of the 2015/16 financial year because performance bonuses were not paid; these would be paid in June 2016.

Sub-programme Finance

The overspending was influenced by audit fees which were more than the budgeted amount a result of the series of meetings between the Auditor-General and MRTT to resolve the qualification on assets that arose during the 2014/15 audit.

Another reason given by the entity for the overspending on the sub-programme was that the store-man was compensated for performing additional responsibilities in relation to fleet management duties over and above his store-man duties. The Committee commented that the position of the person who would have been appointed for fleet management duties should have been budgeted for, which would have avoided the overspending.

10. GOVERNANCE

The term of office of the Board of Directors of Mpumalanga Regional Training Trust was renewed by the Hon MEC for a three year period, as from July 2015.

Page 56 of the annual report 2015/16 indicates that the Fraud Prevention Plan of the entity was adopted and approved. The CEO reported in the meeting that no fraud cases were reported in the financial year under review.

Occupational Health and Safety issues

The entity had a Health and Safety Policy in place during the year under review. The policy aims to eliminate and minimize risks, responsibly manage health and safety issues. It is reviewed annually and the CEO reported in the meeting that the entity did not encounter any incidents or injury on duty cases during the financial year under review.

11. HUMAN RESOURCE OVERSIGHT

The annual report on page 61 indicates that the entity could not meet the 2% target of employing people with disabilities.

The CEO was asked whether any mechanism was put in place to ensure that women and people with disabilities are recruited by the entity. It was noted that all advertisements placed by the entity state that women and people with disabilities are encouraged to apply and that preference will be given to them during recruitment and selection processes. The entity also indicated that the Department of Children, Women and People with Disabilities was requested to provide them with a database of people with disabilities.

Vacancy rate

On page 69 of the annual report indicates an overall vacancy rate of 11.4%, which is broken down into the different programmes as follows:

Programme 1: 5% vacancy rate
Programme 2: 30% vacancy rate
Programme 3: 9% vacancy rate

The entity told the Committee that the impact of the vacancy rate was mitigated by requesting employees to perform additional duties. The entity also used the services of fixed term employees to alleviate the work pressures. The post levels that were mainly affected by the vacancy rate, especially in programmes 2 and 3 were senior management, professionally qualified, skilled, semi-skilled and unskilled levels.

12. FINDINGS

After the deliberations on the 2015/16 annual report of the MRTT, the Committee made the following findings:

12.1. The entity planned to fill the Head Chef post by 30 November 2016.

12.2. Interviews for the remaining three (3) vacant positions were scheduled to be conducted in November 2016 (Human Resources Manager, Supply Chain and Administration Manager and the Automotive Repair and Maintenance Practitioner).

12.3. The entity did not meet its planned targets in terms of the Strategic Goal "Providing workplace training, coaching and mentoring"; this has occurred for two consecutive financial years (2014/15 and 2015/16).

12.4. The entity continued to engage both the private and public sector to sign Service Level Agreements (SLA's) for on-job (experiential) training.

12.5. The entity has developed a placement strategy to address the issue of placing trained learners in the workplace. However, there were still challenges in the finalization of the strategy and its implementation.

12.6. On Programme 1 Hotel and Tourism Academy, the Committee raised a concern about the continual low room occupancy at the Hospitality and Tourism Academy Hotel situated in Mbombela.

12.7. The entity did not achieve its planned target to develop an employment Equity Plan (to appoint women in senior management).

12.8. For the past three financial years the entity has failed to employ 2% of people with disabilities. The output for the year under review was 1.9%.

13. RECOMMENDATIONS

Based on the above findings, the Committee recommended that the Mpumalanga Regional Training Trust must implement the following:

13.1. Finalize the appointment of the Head Chef by 30 November 2016 as planned.

13.2. Ensure that the following posts: Human Resources Manager, Supply Chain and Administration Manager and the Automotive Repair and Maintenance Practitioner are appointed by 28 February 2017.

13.3. In the next financial year 2016/17, the entity must put measures in place to ensure that it achieves its strategic outcome oriented goals, in particular the targets to provide workplace training, coaching and mentoring of learners.

13.4. Put measures in place to monitor the progress of all signed Service Level Agreements (SLA's). There should be baseline information that can assist the entity to improve its planning, revenue projection and learner placement each year. Provide a progress report in this regard by 28 February 2017.

13.5. The Hon MEC is requested to provide a high level briefing to the Committee on progress made to date regarding the training of 5000 artisans within five (5) years as pronounced by the Hon Premier in his 2014 State of the Province Address.

13.6. Intensify the implementation of the marketing strategy regarding increased room occupancy and submit the marketing strategy to the Committee. Provide a progress report by 28 February 2017.

13.7. Ensure that the Employment Equity Plan is developed and implemented - in particular the required 50% women in senior management positions.

13.8. Comply with the Employment Equity Act, 1998 by ensuring 2% of the staff complement is represented by people with disabilities.

14. CONCLUSION

The Chairperson would like to expresses his gratitude to the Honourable Members of the Committee for their participation during the consideration of the 2015/16 annual report of the **Mpumalanga Regional Training Trust.**

The Committee commended the Hon MEC for Education, the MRTT Board Chairperson, the HOD of the Department of Education and the CEO of MRTT, with his senior management team. The Committee appreciated the ongoing efforts of the MRTT to skill the youth of the Province.

Lastly, the Committee recommends that the House adopts this Committee report with its recommendations. MRTT must implement the House Resolutions contained in this report and provide a progress report to the Legislature by **28 February 2017.**

HON. VV WINDVOËL
CHAIRPERSON: PORTFOLIO COMMITTEE
ON EDUCATION; CULTURE, SPORT AND RECREATION

22/11/2016
DATE

ANNEXURE (A)

RESOLUTION	Progress as at 29 February 2016	STATUS
9.1 The newly appointed Board must fast track the appointment of the CEO before the end of the 2015/16 financial year (31 March 2016).	The CEO (Mr Riaan Oosthuizen) has been filled.	Closed.
9.2 The entity must engage the AG again on the matter of their qualification on assets, after 30 November 2015 when the modified report is received from the independent Property Valuator. Submit a progress report before 31 December 2015.	On 4 February 2016, Management (Acting CEO and CFO), Chairperson of the Audit Committee, and two (2) Board members held a meeting with the Senior Manager and the Auditor-General team. The meeting was scheduled to present a modified report from the valuer. The meeting resolved that the Auditor-General will evaluate the valuer's report and after evaluating the report, Management would be presented with the outcome(s) from the Auditor-General.	Work in progress.
9.3 The entity must submit a costed motivation to the Committee that it is a better use of resources to outsource the audit function rather than establishing its own internal audit unit.	The costed motivation submitted showed that it is cheaper to outsource the internal audit function rather than to establish its own internal audit unit is as follows:	Done.

COST ELEMENT	INHOUSE INTERNAL AUDIT FUNCTION (R)	OUTSOURCED INTERNAL AUDIT FUNCTION (R)
Salaries – Cost-to-company	1 641 910	-
Cell phone Allowance	27 000	-
Recruitment & selection costs	60 000 once-off cost	
Bonus	82 096	-
Laptop	30 000 every 3 to 5 years	-
Furniture	100 000 once-off cost	-
Audit software	300 000 once off cost	-
Communication costs	6 000	-
Printing & stationery	5 000	-
Subsistence & Travel	180 000	-
Audit fees – Internal Audit	-	1 211 760
Total	**2 372 006**	**1 211 760**

The entity reported the following:

The initial costs of establishing an in-house Internal Audit function will be **R2 372 006**

From the above, it can be seen that the costs of an outsourced Internal Audit functions are less that the costs for the in-house Audit functions.

9.4. The entity must improve its performance on planned targets to more than 85% in the next financial year, 2015/16.	The entity acknowledges the need to improve its performance of the planned targets to more than 85% in the 2015/16 financial year and interventions are being implemented by, amongst other, offering financial assistance to learners who cannot afford to pay their tuition fees. The entity reported that it was implementing measures of improving its general management, leadership and governance by strengthening the functionality of Board Committees and internal systems.	Ongoing
9.5. The existing IT challenges relating to the database for the placing of trained learners must be resolved and the process of uploading must be fast tracked and completed by 29 February 2016. Submit a progress report as at 29 February 2016 and include the list of learners placed at institutions.	The process of learner uploading on the system is ongoing. An attachment to the progress report indicated number of learners successfully placed through the system.	Ongoing.
9.6. Follow-up efforts with municipalities and private companies to ensure that all MOU's are signed and commitment letters are fulfilled, must be intensified. Provide a progress report by 29 February 2016.	The entity has taken a bold step to assist learners with placement (Integrated Learning Workplace) hence signing a MoU with the following CRDP municipalities to enhance the placement process: *Bushbuckridge LM, Nkomazi LM, Chief Albert Luthuli LM, Mkhondo LM, Pixley Ka Isaka Seme LM, Thembisile Hani LM, Dr JS Moroka LM and Dipaliseng LM* as well as some private sector companies. The entity is further making a follow-up on the remaining municipalities to finalise the MoUs as well as expanding such scope to Private Sector and government departments.	Ongoing
9.7. In the event that vacant critical positions are hampering service delivery, the Board must make the necessary arrangements to fill the positions.	In terms of minimizing the impact on service delivery some critical key performance areas were delegated to full time employees of the entity. The entity has subsequently approached the Board of Directors through the Finance and Remuneration Committee for approval to fill critical vacant positions.	Work in progress.
9.8. The Board must engage the Hon MEC in the development of a strategy and funding model to overcome the challenges experienced by Programme 1 Hotel and Tourism Academy. Provide a progress report by 29 February 2016. Programme 1 is a very important programme and has great	The entity noted with appreciation the acknowledgement of the Portfolio Committee of the importance of Programme 1 to economic growth of the province. Two committees (Technical Committee and Finance and Remuneration Committee) have been established to engage on the matter of Strategy and a Funding model of MRTT as a whole, including Programme 1. The committees have completed their analyses and will present the findings to the Board of Directors for presentation to the Hon MEC.	Work in progress

	potential to contribute to the economic growth of the Province and in particular the region.		
9.9.	The Board must incorporate all the trained learners and the MOU's that the entity has entered into with private sector companies. The Board must address the challenges experienced by Programme 2 Technical Operations. Provide a progress report by 29 February 2016.	The entity is in discussion with Eskom to involve MRTT learners in various maintenance related work within the Province. The entity is also supported by the Departments of Education, Health and Public Works and Transport to use MRTT learners on maintenance related work and new construction projects. Some private companies which are contracted to Eskom also offered MRTT learners workplace experiential learning opportunities. **The steel industries within Mpumalanga Province have also come on board to offer learners workplace experiential learning opportunities in various trades.**	Work in progress.

Challenge 1: Overspending

The overspending in this programme was largely due to *preparation for accreditation.* This involved amongst other activities the following:

- Upgrading of workshops and buying of machinery to meet the various SETAs acceptable norms and standards.
- The requirements for the various SETAs for accreditation change from year to year and this poses a challenge in planning and budgeting hence the impact on the budget.
- Certain requirements are spelt out to the entity only during the site visits by these SETAs, for example, the expectation of having a *learner canteen* whilst the *budget process* has long been dealt with.

Challenge 2: CRDP

The CRDP budget is a serious concern as it only caters for seven (7) municipalities and yet the entity is servicing eight (8) municipalities as pronounced by the Provincial Government. The training material, learner stipend, staff salaries and S&T are all line items that are creating an over expenditure in this programme.

Challenge 3: Learner drop-out.

Since this challenge is mostly beyond our control, the entity will continue to involve other Government Departments to assist specifically during the induction period in all the municipalities to address amongst other issues:

- SAPS: To address crime prevention since some of the learners are serving gaol sentences for getting involved in criminal activities such as murder, theft, robbery etc.
- Department of Health: To address the multiplication of HIV
- Department of Education: To address the need for education
- Municipalities: The need for education to reduce unemployment etc.

Challenge 4: Learner Placement

The entity has since improved on placement of learners due to the introduction of good working relationship with Private Sector, municipalities and Government Departments. This relationship is being strengthened from month to month hence the positive results at this stage.

Challenge 5: Business Model:

The viable Business Model which the entity has to follow to avoid financial challenges is to partner with Private Sector on their CSI budget since most companies and mines have such a budget which is used for skilling and developing the local communities. The entity is in a strategic position since it is surrounded by mines and big industries to can

partner with on skills development. This will increase the revenue and training figures for our set targets. In order to increase the capacity of learner intake and revenue, various SETA' grants should be targeted or even develop proposals instead of grant applications. Since the entity is operating in most of the municipalities, it should thus leverage on this situation as most of the SETAs and some Private Sector companies intend contributing into development of rural communities thus the need for strategic partnership.		
9.10. Submit the recruitment plan and the 2016 targets to ensure compliance with the Employment Equity Act, 1998 (employing 2% people with disability). Submit a progress report as at 29 February 2016 on the discussions with the Department of Social Development to assist with employment of people with disabilities.	When vacancies become availability, candidates with disability who are meeting the minimum requirements of the advertised positions receive preference. The entity has so far appointed two employees with disability on 11 January 2016 from the list provided by the Department of Social Development. ***The entity did not submit the recruitment plan to comply with the Employment Equity Act, 1998.***	Inadequate response.
9.11. Fast track the implementation of the Artisan development programme in support of the 2014/15 pronouncements made by the Hon Premier and the Hon MEC. The target to train and skill 1000 young people must be met by the end of the 2015/16 financial year (31 March 2016).	The entity reported as follows: 1. The results of the partnership with Hydra Arc on the ***Artisan Development Programme*** led by the Mpumalanga Regional Training Trust (MRTT) in partnership with various training providers. There are currently ***1 036 learners receiving training*** in various trades whilst the ***first group of 329 learners*** has completed institutional training and will commence with on-job training in due course. 2. In 2016/17, entity will continue to roll out this programme, and ensure that more young people are trained and placed in available employment opportunities. There are currently ***1 036 learners receiving training*** in various trades whilst the ***first group of 329 learners*** has completed institutional training and will commence with on-job training. The recruitment target of a 1000 learners for 2015/2016 has been finalised, with some learners still undergoing medical testing. Preparations for the 2016/2017 training are also underway and learners who did secure spaces for the previous year and were put on a waiting list are currently being assessed as part of the compulsory entry requirements for the programme.	Work in progress.