

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

## 2016/17 ANNUAL REPORT OF THE OFFICE OF THE PREMIER

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### 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, 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 (the office).

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 2016/17 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 2016/17 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 2016/17 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 2016/17 financial year.

### 2. METHOD OF WORK

The Honourable Premier tabled the 2016/17 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 17 October 2017, the Committee considered a detailed analysis of the 2016/17 Annual Report and raised key observations and questions that were sent to the Office of the Premier for written responses.

Thereafter, on 31 October 2017, the Committee interacted with the Director-General and the Senior Management team of the Office of the Premier on the 2016/17 Annual Report. The Committee met again on 08 November 2017 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"> <li>✓ International partnership monitored in line with Provincial priorities</li> </ul>
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"> <li>✓ Finalise all disciplinary processes within 90 days</li> <li>✓ Co-ordinate the recruitment process for vacant HOD positions in all Departments</li> <li>✓ Mainstream target groups into Government programme and projects</li> </ul>
	Increased responsiveness of public servants and accountability to citizens	<ul style="list-style-type: none"> <li>✓ Co-ordinate the development and review of Service standards in all departments and municipalities</li> <li>✓ Monitor the implementation of site improvement plans at 16 frontline delivery sites</li> <li>✓ Visit and assess 12 frontline service delivery sites and facilitate the development of improvement plans</li> </ul>

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

### 3.2. OTP performance against policy statements

SOPA	OTP's commitments	OTP achievements
Mpumalanga provincial aids council will continue to partner with key stakeholders in our effort to reduce the incidence of this disease, which continues to take its toll not only on the lives of the sick, but on their families and communities too	MONITOR implementation of the provincial Strategic Plan for HIV& AIDS TB	2 quarterly reports were developed
We need a cadre of officials that is driven by the "servant leadership" narrative that is at the core of a capable and effective public service	Coordinate the implementation of the Operation Vuka Sisebente( OVS) model	The target to roll-out the implementation of OVS was transferred to COGTA during budget adjustment processes in November 2016

As per the table above, the office did not achieve all its commitments, as some targets were not achieved as per the budget speech and SOPA pronouncement.

#### 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 2017.

##### 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	2015/2016	2016/17
Final Appropriation	267 649	263 071
Actual Amount Spent	262 393	261 901
(Over) / Under Expenditure	5 256	1 170
Percentage Expenditure	98%	99.6

Table 2: Spending per Economic Classification

2015/16 financial year	Final appropriation	Actual expenditure	variance	%

Compensation of employees	129 048	128 982		99.5
Goods and service	103 746	102 735	1 011	99
Transfers and subsidies	3 680	3 673	7	99.8
Payments of capital assets	26 584	26 498	86	99.7
<b>Total</b>	<b>263 71</b>	<b>261 901</b>	<b>1 170</b>	<b>99.6</b>

**The following was noted regarding the financial performance of the office:**

- The office spent an amount of **R261 901 000** which is **99.6%** of the final budget of **R262 393 000**.
- The office had accruals amounting to **R19 988 000.00** at the end of March 2017.
- Irregular Expenditure of **R64 601 000.00** was incurred by the office during the year under review.

## 6.2. AUDIT OPINION

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

**Audit Opinion for the two financial years**

2015/16	2016/17
Unqualified audit opinion with matters	Unqualified audit opinion with matters

The Committee noted that the office has been Stagnant in the same audit outcome for the past 4 years. The Auditor General during the financial year under review raised concerns on predetermined objectives in some planned indicators and compliance with legislation. The Auditor General identified material misstatements on the appropriation statements, internal controls deficiencies, accruals and expenditure on comparative figures.

The Committee enquired on what measures have the office put in place in the current year to improve its audit outcome. The office reported that:

- An audit action plan to address all the findings raised by the Auditor General has been developed. Both the Internal Audit Unit and the office of the Accountant General have reviewed the action plan.
- The Audit Committee on a quarterly basis will review progress on the Audit Action Plan.

- iii. The Annual Financial Statements and APR are reviewed by Internal Audit Unit before submission to the Office of the Accountant General.
- iv. The Office has assigned the responsibilities of checking compliance with all prescripts and all prescripts and clearing of irregular expenditure to a DDG responsible for compliance for the entire administration.
- v. The Office has established a Provincial Compliance Monitoring Committee, jointly championed by the Office of the Premier and the Provincial Treasury. The Committee is chaired by a DDG and mandated to play an oversight role in monitoring compliance across the provincial administration.
- vi. The DDG responsible for compliance is a standing invitee in all Audit Committee meetings and the office's departmental business review sessions. This enables the DDG to immediately escalate matters of concern on the five cluster departments, which includes the Office of the Premier, for the attention of the Accounting Officers concerned and the Provincial Management Committee (PMC).

The office reported that it has improved on the findings made by the Auditor General. A total of **61** findings were raised by the Auditor General in the previous financial year and **39** findings were raised during the year under review.

### 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

Spending for Programme 4:

Sub-programme	Financial Appropriation	Actual Expenditure	(Over) / Under Expenditure	% Outcome
Premier Support	17 955	17 953	2	99.9
Executive Council Secretariat	5 672	5 670	2	99.9
Director-General Support	79 003	78 980	23	99.9
Financial Management	32 755	32 750	5	99.9
<b>Total</b>	<b>135 385</b>	<b>135 353</b>	<b>32</b>	<b>99.9</b>

The programme spent **R135 353 000** which is **99.9%** of the total budget of **R135 385 000**.

## b) Programme Performance

The Programme achieved 20 out of 25 planned targets during the period under review.

### i. Finalization of cases

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

- As at 31 March 2017, the office resolved 5 636 cases received on the Presidential Hotline. The total number of cases received since the inception of the Presidential Hotline in 2009 is 6 061.
- A total of 425 cases were outstanding as at 31 March 2017. Out of this, 114 cases have been resolved to date to reduce the backlog;
- The 311 outstanding cases that are being investigated will be concluded by the end of the 2017/18 financial year.
- All departments have now designated the PLO function and this will assist in the attendance of reported cases. The PLO forum will meet on a quarterly basis to review progress on reported cases and share best practices.

The office reported that in less complicated cases, the office is represented by staff members and in more complicated cases; the office is represented by external attorneys.

## 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: Programme Expenditure

Sub-programme	Financial Appropriation	Actual Expenditure	(Over) / Under Expenditure	% Outcome
Strategic Human Resource	42 900	42 584	2	99.2
Information Communication Technology	8 386	7 920	466	94.4
Legal Services	3 528	3 524	4	99.8

Communication Services	23 366	23 321	45	99.8
Programme Support	1 991	1 985	6	99.6
<b>Total</b>	<b>80 171</b>	<b>79 334</b>	<b>837</b>	<b>98.9</b>

## **b) Programme Performance**

The Programme achieved 38 out of 41 planned targets.

### **i. Assessment of Organisational efficiency**

The Committee noted that the Programme failed to conduct assessment of Organizational efficiencies across administration regional offices. The office reported that the reason for deviation was that the service provider was appointed late in September 2016. The Committee requested the office to report on progress made on the implementation of this target to date. The office reported that a service provider was appointed in September 2016. A draft report on the proposed Rationalization Framework, Road map and Options has been presented to EXCO. An EXCO Sub-Committee was appointed in August 2017 to process the options and road-map that have been presented. Consultations have been held with Labour and a final draft will be presented to PMC and EXCO Sub-Committee during November 2017. The office will provide progress to the Committee during the 3<sup>rd</sup> quarter reporting process.

### **ii. Disputes**

The Committee noted that the office managed to resolve 22% of disputes within 90 days of receipt in 11 provincial departments as well as the Office of the Premier. The office reported that the cases / disputes are handled by agencies over which they don't have control i.e. the GPSSBC Council, Labour Court and the CCMA. Regarding the progress made to resolve the disputes to date, the office reported that:

- Four of the seven disputes have been finalised in the current financial year.
- Two Labour Court matters are still outstanding; one is scheduled for the 18<sup>th</sup> of March 2018.
- One dispute is pending at the GPSSBC Council for arbitration. One is scheduled for the 27<sup>th</sup> of November 2017.

## **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

#### Programme Expenditure

Sub-programme	Financial Appropriation	Actual Expenditure	(Over) / Under Expenditure	% Outcome
Special Programmes	7 997	7 763	234	97
Inter-governmental Relations	5 066	5 066	-	100
Provincial Policy Management	33 334	33 270	64	99.8
Programme Support	1 118	1 115	3	99.7
<b>Total</b>	<b>47 515</b>	<b>47 214</b>	<b>301</b>	<b>99.3</b>

### b) Programme Performance

The Programme achieved 22 out of 26 planned targets.

#### i. Capacity development events supporting Departments

The Committee noted that the programme was supposed to hold 4 development events supporting departments to align their M&E systems and reports with the Mpumalanga M & E System. However, two events were held and the other two could not be held due to unavailability of stakeholders. The Committee requested the office to give an update on the pending 2 capacity development events and an update on the initiative to improve Provincial M&E. The office reported that it is still in a process of procuring the services of the National School of Government to conduct the training sessions that will commence during the third quarter. As part of initiatives to improve Provincial Monitoring and Evaluation, the process to finalise the Provincial Research Information Monitoring and Evaluation (PRIME) is currently underway.

## 7. PART C: GOVERNANCE

The Annual Report for 2017/18 financial year 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 the 2016/17 financial year, 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 has a fraud prevention plan to implement the Fraud Prevention Policy that has been approved. Management recognises that it cannot totally eliminate the risk of fraud and corruption, and it therefore realises the need to focus on fraud prevention initiatives to limit its overall expose. Members from the public can report any corruption through the established Anti-corruption Hotline, write an anonymous note to the Integrity Management Unit or request a private, confidential meeting with from the Integrity Management Unit where their identity will be kept secret.

In terms of minimising **Conflict of Interest**, the office 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 discloser framework and chapter 4 of 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 office has **17** (14 Africans+3 whites) males out of **24** posts at senior management which is **70.8%** and **7** (5 Africans, 1white and 1 Indian) females which is **29.2%** which is below the **50%** policy that is outlined in the EEA. The **249** post include **9** people with disabilities which translate to **3.6%** (**pg.145**) which is higher than **2%** as outlined by the EEA, but is an improvement as compared to 2% of 2015/16 financial year.

The Committee enquired on the plans of the office to ensure fair representation of females in top and senior management. The office reported that through the rationalisation process, it will continue implementing the target set for women in the SMS positions.

## 8.2. Resignation, Terminations and ETC

The office has 1 official who resigned, 3 who retired, 1 dismissed for misconduct and 1 transferred to other departments which make it 6 (2.4%) employees who left the OTP.

## 9. FINDINGS

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

- 9.1. The office had 90 planned targets and managed to achieve 75 or 83%, which is less than the 99.6% expenditure.
- 9.2. The office has been stagnant in the same audit outcome for the past 4 years with almost the same audit findings.
- 9.3. Prior years irregular expenditure of R147 390 000.00 is still under investigation.
- 9.4. The 311 outstanding cases received on the Presidential Hotline will be concluded by the end of the 2017/18 financial year.

## 10. RECOMMENDATIONS

After the deliberations, the Committee recommends that:

- 10.1. The Office of the Premier must achieve planned targets in line with the allocated budget to ensure that there is correlation on the budget spent and targets achieved.
- 10.2. The Office of the Premier must address all the findings raised by the Auditor General. The office must lead by example and achieve a clean audit in the 2017/18 financial year.
- 10.3. The Office of the Premier must finalize the investigation before the end of March 2018 and implement corrective measures as per the findings made.
- 10.4. The Office of the Premier must finalize the outstanding 311 cases before the end of the 2017/18 financial year as committed by the office.

## 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 2016/17 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 2018** and thereafter, on a quarterly basis.



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**HON FV MLOMBO (MPL)**

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

16-11-2017

**DATE**