

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

2017/18 FOURTH QUARTER REPORT OF THE PROVINCIAL TREASURY (VOTE 03)

1. INTRODUCTION

Rule 218 (1)(2) and (3) of the Rules and Orders of the Mpumalanga Provincial Legislature requires the Member of the Executive Council responsible for a provincial department to table quarterly reports to the Speaker, within thirty (30) calendar days after the end of the quarter.

The Portfolio Committee on Premier's Office, Finance, Economic Development and Tourism has a mandate in terms of Section 114 (2)(b) of the Constitution of South Africa, 1996 to oversee the performance of the Provincial Treasury (the treasury) and hold it accountable.

The consideration and scrutiny of the Fourth Quarter Performance Report for the 2017/18 of the treasury is the tool the Committee uses to determine whether the treasury has proper plans and programmes to realise its strategic objectives.

2. METHOD OF WORK

The MEC Tabled the Fourth Quarter Performance Report to the Legislature on 24 May 2018. Subsequently, the Speaker of the Legislature referred the 2017/18 Fourth Quarter Performance Report to the Committee for deliberations and report back to the House, in accordance with Rule 190 (4) and Rule 131 of the Rules and Orders of the Mpumalanga Provincial Legislature.

On 30 May 2018, the Committee considered a detailed analysis of the 2017/18 Fourth Quarter Report. Based on the research analysis report, the Committee took a decision not to meet with the treasury instead questions were sent for written responses. The Committee met again on 01 August 2018 to consider its draft report.

3. GENERAL OBSERVATION

The Committee made the following general observations:

- a) The 2017/18 Fourth Quarter Report was correctly Tabled by the Honourable MEC within 30 days after the quarter as required by the Rules and Orders of the Mpumalanga Provincial Legislature;
- b) The Committee raised questions to the treasury for written responses.
- c) Treasury achieved 100% (33 of 33) planned targets during the period under review.

4. ANALYSIS OF THE FOURTH QUARTER REPORT

4.1. BUDGET ANALYSIS

The total adjusted budget allocation for the 2017/18 financial year is **R289 945 000.00**. Treasury spent 99.2% of this budget as at the end of the fourth quarter.

4.2. ANALYSIS PER PROGRAMME

4.2.1. PROGRAMME 1: ADMINISTRATION

Programme purpose

This Programme is responsible for the political, financial and administrative management of Provincial Treasury. The programme provides prompt, continuous and effective and efficient administration support to all line functions in Provincial Treasury.

The Committee noted the following on Programme 1:

a) Spending Pattern

Budget expenditure per Economic Classification

| Programme R'000 | Adjusted budget 2017/18 | Expenditure | Over/Under expenditure % |
|------------------------------|-------------------------|---------------|--------------------------|
| Compensation of Employees | 55 487 | 55 582 | 100.1% |
| Goods and Services | 27 398 | 29 522 | 107.8% |
| Total transfer for subsidies | 756 | 769 | 101.7% |
| Payment for Capital Assets | 1 528 | 1 395 | 91.3% |
| Total | 85 169 | 87 268 | 102.5% |

The adjusted budget for the programme is **R85 169 000.00**. The actual budget spent at the end of the fourth quarter is **R87 268 000.00** which is 102.5% of the budget.

Provincial Treasury reported that the underspending on Transfers and Subsidies is due to the budget that was prioritised during the adjustment period for the procurement of office furniture. The budget could not be fully utilised under capital because some of the assets were minor assets.

i. IT Infrastructure

The Committee requested the treasury to confirm that other departments are not budgeting for IT infrastructure, to avoid double budgeting. Treasury reported that eight provincial departments namely Public Works, Roads and Transport; Human Settlements, Culture, Sports and Recreation, Economic Development and Tourism, Co-operative Governance and Traditional Affairs, Community Safety, Security and Liaison, Office of the Premier and Agriculture, Rural Development, Land and Environmental Affairs are not budgeting for IT infrastructure. Provincial Treasury provides baseline services, like main data lines to all departments.

However, the Department of Health; Education and Social Development, due to their nature of work and geographic spread, have their own fully-fledged IT Units, which perform the work done by Provincial Treasury within these departments.

ii. Disposal Strategy

The Committee requested the treasury to indicate how the absolute assets are disposed. Treasury reported that two methods are used to disposed assets (through public auction arranged by the Department of Public Works, Roads and Transport and by donation to public institutions that have a need for the assets e.g. schools). Treasury has through the Disposal Committee disposed obsolete assets (office furniture and Computer Equipment) through donations to public schools that had submitted requests for office equipment.

iii. Rental of offices by the Provincial Government

The Committee raised a concern that the rental of office space by the Provincial Government has a negative effect on the appropriated budget. The treasury reported that there is often delays in finalising new office accommodation contracts after the current contract expire. This then necessitate the implementation of open-ended month-to-month contracts, which are normally implemented with the conditions of the previous contracts being imposed on the "interim" arrangement, especially where the escalation clause is applied and thus resulting in an additional financial burden on the client departments and possible irregular expenditure.

Furthermore, the treasury reported that it has commenced with analysing costs incurred with a view of requesting the Budget and Finance Committee to consider funding for the procurement of additional office space whether by building a new complex or procuring existing building. Various options will be considered.

b) Programme Performance

This programme achieved 100% (8 of its 8) targets in the fourth quarter of the 2017/18 financial year.

4.2.2. PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT

Programme purpose

The Programme exists to promote optimal and effective Provincial and Municipal fiscal policy in line with applicable financial management prescript.

The Committee noted the following on Programme 2:

a) Spending Pattern

Budget expenditure per Economic Classification

| Programme R'000 | Adjusted budget 2017/18 | Expenditure | Over/Under expenditure % |
|-------------------------------------|--------------------------------|--------------------|---------------------------------|
| Compensation of Employees | 38 776 | 38 967 | 100.5% |
| Goods and Services | 9 175 | 7 883 | 85.9% |
| Total transfer for subsidies | 199 | 199 | 100% |
| Payment for Capital Assets | - | - | - |

| | | | |
|------------------------------|---------------|---------------|--------------|
| Payment for Financial Assets | - | - | - |
| Total | 48 150 | 47 049 | 97.7% |

The adjusted budget for Programme 2 is **R48 150 000.00**. The expenditure at the end of the fourth quarter was **R47 049 000.00** or 97.7%.

i. Low expenditure on Goods and Services

The Provincial Treasury reported that the underspending on Goods and Services is due to the Municipal support project, which started at slow pace.

b) Programme Performance

This programme achieved 100% (10 of its 10) targets during the fourth quarter of the 2017/18 financial year.

4.2.3. PROGRAMME 3: ASSETS AND LIABILITIES

Programme purpose

This Programme is responsible for the monitoring and support in terms of Transversal Systems, Information Technology Services, Assets, Liabilities, Public Private Partnerships and Provincial Supply Chain Management to departments, public entities and municipalities.

The Committee noted the following on Programme 3:

a) Spending Pattern

Budget expenditure per Economic Classification

| Programme R'000 | Adjusted budget 2017/18 | Expenditure | Over/Under expenditure % |
|------------------------------|-------------------------|-------------|--------------------------|
| Compensation of Employees | 53 959 | 53 683 | 99% |
| Goods and Services | 70 187 | 68 090 | 97% |
| Total transfer for subsidies | 13 | 13 | 100% |
| Payment for Capital Assets | 5 763 | 5 235 | 91% |

| | | | |
|-------|---------|---------|-----|
| Total | 129 922 | 127 021 | 98% |
|-------|---------|---------|-----|

The adjusted budget for the programme is **R129 922 000.00**. The actual budget spent at the end of the fourth quarter is **R127 021 000.00** which is 98% of the annual budget.

Treasury reported that the underspending on the budget for Goods and Services is due to a budget that was allocated for the renewal of the INTENDA license. However, a new system was introduced by the National Treasury and it is at a piloting stage. Furthermore, treasury reported that the underspending on Payments for Capital Assets is due to savings accumulated after procurement of servers and unprotected power supply storage due to prices spending being lower than anticipated.

b) Programme Performance

This programme achieved 100% (8 of the 8) planned targets during the Fourth Quarter of the 2017/18 financial year.

4.2.4. PROGRAMME 4: FINANCIAL GOVERNANCE

Programme purpose

The objective of this Programme is to facilitate, monitor, support and provide professional advice to ensure good governance in the Province.

The Committee noted the following on Programme 4:

a) Spending Pattern

Budget expenditure per Economic Classification

| Programme R'000 | Adjusted budget 2017/18 | Expenditure | Over/Under expenditure % |
|------------------------------|----------------------------|---------------|-----------------------------|
| Compensation of Employees | 21 542 | 21 485 | 99.7% |
| Goods and Services | 5 162 | 4 720 | 91.4% |
| Total transfer for subsidies | - | - | - |
| Payment for Capital Assets | - | - | - |
| Total | 26 704 | 26 205 | 98% |

The adjusted budget for the programme is **R26 704 000.00**. The actual budget spent at the end of the Fourth Quarter is **R26 205 000.00** which is at 98% of the annual budget.

b) Programme Performance

The programme obtained 7 of its 7 (100%) planned targets during the fourth quarter.

5. FINDING

5.1. Treasury achieved 100% (33 of 33) planned targets during the period under review and spent 99.2% of the budget.

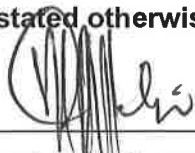
6. RECOMMENDATION

6.1. The Committee notes the outstanding performance of the treasury. However, the Committee recommends that the treasury must transfer skills to other departments and local municipalities.

7. CONCLUSION

The Chairperson takes this opportunity to thank the Members of the Committee for their active participation during the deliberations on the Provincial Treasury's Fourth Quarter Performance Report for 2017/18. The Chairperson would also like to thank the Committee support staff.

Unless otherwise stated, a report detailing progress on the implementation of all recommendations in this report should be forwarded to the Committee by 31 August 2018, unless stated otherwise, and thereafter on a quarterly basis.



HON FV MLOMBO, (MPL)

**CHAIRPERSON: PORTFOLIO COMMITTEE ON
PREMIER'S OFFICE; FINANCE, ECONOMIC
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DATE