

**REPORT OF THE PORTFOLIO COMMITTEE ON EDUCATION; CULTURE,  
SPORT AND RECREATION ON THE 2<sup>ND</sup> QUARTERLY PERFORMANCE  
REPORT OF THE MPUMALANGA REGIONAL TRAINING TRUST (MRTT),  
2015/16, CONSIDERED BY THE COMMITTEE ON 03 DECEMBER 2015.**

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## **1. INTRODUCTION**

Rule 218 sub-rule (1) (2) and (3) of the Rules and Orders of the Mpumalanga Provincial Legislature compels the Member of the Executive Council to table quarterly performance reports of the department to the Speaker of the Legislature, within 30 calendar days after the end of a quarter.

The Portfolio Committee on Education; Culture, Sport and Recreation (the Committee) considered the 2<sup>nd</sup> quarterly performance report of the Mpumalanga Regional Training Trust (MRTT) for the 2015/16 financial year. The objective of this oversight exercise was to assess progress made by the MRTT in implementing its 2<sup>nd</sup> quarter targets, as set out in its 2015/16 Annual Performance Plan and in line with the allocated budget vote 7, as per the Mpumalanga Appropriation Bill, 2015.

The MRTT is an entity of the Department of Education, which reports to the Honourable MEC for Education through the MRTT Board of Directors.

## **2. METHOD OF WORK**

The Honourable Speaker referred the 2<sup>nd</sup> quarterly report of the MRTT to the Committee on 04 November 2015 for consideration and report back to the House.

The Committee was provided with the research analysis of the 2<sup>nd</sup> quarter report; questions emanating from the analysis were sent to the departments for submission of written responses before the meeting with the department, which was held on 03 December 2015. Follow up questions posed to the MRTT were responded to in the meeting. All responses were incorporated into the Committee's report, which was adopted on 17 February 2016.

The MRTT delegation was led by Hon MR Mhaule (MEC for Education), Mr Sibiya, the acting Board Chairperson standing in for the Chairperson, Ms MOC Mhlabane (HOD of the Department of Education) and Mr R Oosthuizen (acting CEO).

### 3. GENERAL OBSERVATIONS

- The 2<sup>nd</sup> quarterly report was neatly packaged and correctly tabled in the Legislature by the Honourable MEC for Education on 28 October 2015.
- The entity submitted a progress report on the 1<sup>st</sup> quarter House Resolutions within the stipulated timeframe. The progress report was incorporated into the Committee report on the 2<sup>nd</sup> quarter report of the entity.
- As at 03 December 2015 when the Committee met the entity to deliberate on the 2<sup>nd</sup> quarter report, the position of the CEO was not filled as yet. Mr Riaan Oosthuizen was still the acting CEO. However, the Committee was informed that the closing date for the advertisement was 11 December 2015 and the Hon MEC would assist to fast track the process of appointing the CEO.
- The Committee commended the improved performance on planned outputs in the 2<sup>nd</sup> quarter, whereby 47 out of a total of 51 planned outputs were attained (92.1%). Programme 1 achieved 100% planned outputs, while Programme 2 achieved (66.7%) and Programme 3 achieved (86.2%). All three programmes improved from the 1<sup>st</sup> quarter, although there were a few targets that were shifted to the 3<sup>rd</sup> and 4<sup>th</sup> quarters.
- On a year to date basis, the total annual budget of the entity is **R 242 895 000.00** according to the APP and the entity managed to spend **R 70 497 657.00** of the total budget allocation by the end of the 2<sup>nd</sup> quarter (29%). Overall, the entity underspent by 21%, in terms of the 50% benchmark (expected) expenditure for the 2<sup>nd</sup> quarter.
- The Committee advised the entity to adhere to the Provincial Treasury guideline of spending 25% per quarter, which is like a safety net.
- The 2<sup>nd</sup> quarter dashboard report was considered by the Committee; it was presented by the acting CEO. The report was submitted as an attachment to the progress report on 1<sup>st</sup> quarter House resolutions but in future, the dashboard report must be tabled as an attachment to the quarterly report of the entity.
- The dashboard report indicated that in the 2<sup>nd</sup> quarter the entity had regressed in internal controls (leadership, financial and performance management) but had improved in terms of Governance, especially IT governance. It was noted that remedial action plans for both internal audit and external (AG) audit findings were developed by the entity to remediate the deficiencies.

- The remedial action plan as per the dashboard report indicated that the standard operating procedure and the policy on performance information will be updated. General Managers will be held accountable to ensure that performance information (divisional reports) is submitted on a timely basis.
- It was noted that proper record keeping was not implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. Record keeping regressed from “good” in the 1<sup>st</sup> quarter to “in progress” in the 2<sup>nd</sup> quarter.
- The entity reported to the Committee that the Artisan Development Programme, as announced by the Hon Premier in the 2015 State of the Province Address, to recruit 1000 learners, would be officially launched in January 2016. In terms of the target, there were 858 learners recruited as at 03 December 2015.

#### **4. REMARKS BY THE MRTT BOARD**

The following observations were noted by the Committee:

- a. The Board Chairperson, Ms F Mthembu tendered an apology for the meeting as she had to attend to other work commitments. Mr Sibiyi adequately represented the Board in her the absence on 04 December 2015.
- b. The Board appreciated the opportunity to once again appear before the Portfolio Committee to deliberate on the 2<sup>nd</sup> quarterly report for the 2015/16 financial year. The interaction with the Committee and the ensuing advice was welcomed by the Board as it was assisting the entity to improve on all aspects of their operations.
- c. Mr Sibiyi referred to the mandate of the entity, which is to develop the human resource base of the Province through the provision of experiential, practical, hospitality, tourism, entrepreneurship and life skills training. The main focus is to empower youth from primarily the disadvantaged communities, industry workers and government employees to participate in the broader economic sphere of the Province.
- d. The Committee was informed by the Board that the entity had renewed all its accreditations with the SETA's (State Education and Training Authority) MerSETA and EW-SETA (electrical sector) for the 2015/16 financial year. As a result the entity had to spend more money on the renovation of workshops and purchasing of new equipment

as prescribed by the SETAs for the purpose of re-accreditation. Hence, the overspending on capital assets economic classification was a once-off occurrence.

## 5. OBSERVATIONS ON THE 2<sup>nd</sup> QUARTER DASHBOARD REPORT (Table 1)

The Committee noted the following commitments to address 2<sup>nd</sup> quarter deficiencies:

No	DRIVERS	COMMITMENTS
	<b>LEADERSHIP</b>	
1.b	Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	An action plan for both internal audit and external audit findings has been developed; the relevant General Managers are responsible for compliance to internal control.
1.d	Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities	An action plan for both internal audit and external audit findings has been developed which is monitored to ensure adequate implementation of the recommended action. The relevant General Managers are responsible for ensuring effective compliance to policies and procedures, including compliance to internal control.
1.e	Develop and monitor the implementation of action plans to address internal control deficiencies	An action plan for both internal audit and external audit findings has been developed which is monitored to ensure adequate implementation of the recommended action. The relevant General Managers are responsible for ensuring that effective compliance to policies and procedures, including compliance to internal control.
	<b>FINANCIAL AND PERFORMANCE MANAGEMENT</b>	
2.a	Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	The standard operating procedure and the policy on performance information will be updated. The General Managers will be held accountable to ensure that performance information (divisional reports) is submitted on a timely basis.
2.e	Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information	The scope of work for the IT external service provider will be amended to address all issues raised in the internal audit report and also to provide additional IT capacity and support. The entity has an approved ICT policy in place, further IT Steering Committee meets on a quarterly basis in order to look at the compliance; risks within the IT environment and other ITC related matters.

## **Leadership**

There has been overall decline in leadership as effective oversight responsibilities were not exercised over financial and performance reporting, as well as compliance and related internal controls. As per the commitment made by the entity to address internal control deficiencies, an action plan for both internal audit and external audit findings has been developed; the relevant General Managers are responsible to implement and report back to the Accounting Officer and the Board.

## **Financial and Performance Management**

The 2<sup>nd</sup> quarter also saw an overall decline in this category of internal control. The decline has been due to the drivers of internal control described under Leadership. Hence these two key control drives are working hand in hand.

## **Governance**

There has been remarkable improvement in this third category of the drivers of internal control. The Committee noted that the improvement was because there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.

The internal audit function of MRTT is outsourced to Sithole SS & Partners Inc, (an audit, tax, consulting and financial advisory company). The 1<sup>st</sup> quarter House Resolution directed the entity to consider an in-house Internal Audit function; the progress report indicated that due consideration was being given to establish an in-house Internal Audit unit after the contract of the appointed Internal Auditors ends in 2016/17 financial year.

## 6. OBSERVATIONS ON THE 2<sup>ND</sup> QUARTER BUDGET EXPENDITURE (Table 2)

Programme	Main Budget R'000	Actual Expenditure R'000	Percentage %
Hospitality and Tourism	17 870 000	11 989 827	67.1%
Technical Training Operations	181 161 000	42 343 635	23.4%
Corporate services	44 167 000	20 374 528	46.1%
<b>Total</b>	<b>243 198 000</b>	<b>74 707 990</b>	<b>30.7%</b>

  

Economic classification	Main Budget R'000	Actual Expenditure R'000	Percentage %
Compensation of employees	45 223 000	39 324 992	59.4%
Goods & services	66 244 000	30 325 309	24%
Transfers and subsidies	128 354 000		
Capital expenditure	3 074 000	847 356	28%
<b>Total</b>	<b>242 895 000</b>	<b>70 497 657</b>	<b>36%</b>

The total annual budget of the entity is R 242 895 000.00 according to the APP. The entity managed to spend R 70 497 657.00 of the total budget allocation (29%) by the end of the 2<sup>nd</sup> quarter. The entity thus underspent by 21%, in terms of the 50% benchmark (expected) expenditure for the 2<sup>nd</sup> quarter.

Noting that the government transfers received by the MRTT are augmented by its own revenue generated from its various operations, the Committee has continuously advised the entity to reflect income generated from own revenue separately in its quarterly reporting. It was noted in the 2<sup>nd</sup> quarter expenditure report that the revenue streams as at 30 September 2015 were reflected, indicating the government grant of R41 755 000.00; the National Youth Services (NYS) grant of R27 760 000.00 and the Comprehensive Rural Development (CRDP) Grant of R23 219 000.00 which is a total amount of R92 734 000.00.

### Alignment of the entity's financial reporting format

House Resolutions in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2014/15 financial year instructed the entity to consult with the Provincial Treasury and the Department of Education to align the entity's financial reporting system appropriately. The Committee was informed by the entity that further meetings were being planned with the Provincial Treasury; MRTT Management and the Department of Education regarding an acceptable reporting format for the MRTT quarterly reports.

During the 1<sup>st</sup> quarter deliberations, the Committee asked the entity to explain how it would ensure in future that the economic classifications spend in line with the Provincial Treasury benchmarks per quarter. The progress report on the 1<sup>st</sup> quarter House Resolution on this matter indicated that a meeting was held between the Provincial Treasury Management and MRTT Management on 02 April 2015 to discuss the economic classification of the grant allocation with regards to the Artisan Development Programme.

The Committee also observed in the 1<sup>st</sup> quarter that the MRTT's quarterly plans should be linked to the quarterly plans of the department for that specific programme from which the transfers are made. The MRTT acknowledged the 1<sup>st</sup> quarter House Resolution in this regard and made a commitment to schedule a meeting with the Department of Education.

The entity had also informed the Committee in the 1<sup>st</sup> quarter that it had acquired and implemented a budget module in pastel evolution in August 2015. It was envisaged that this programme would enhance the budget controls for the 2015/16 budget as previously it was done manually.

## 7. DELIBERATIONS ON THE PROGRAMME PERFORMANCE

There are three (3) service delivery programmes of the MRTT.

**All three (3) programmes improved on their planned outputs performance.**

The table below reflects that 92.1% of the total planned outputs were attained.

<b>ATTAINMENT OF 2<sup>nd</sup> QUARTER PLANNED TARGETS (Table 3)</b>			
<b>Programme</b>	<b>Planned Outputs</b>	<b>Actual Outputs</b>	<b>% Achieved</b>
<b>1. Hotel and Tourism Academy</b>	16	16	100%
<b>2. Technical Training Operations</b>	9	6	66.6%
<b>3. Corporate Services</b>	26	25	86.2%
<b>TOTAL</b>	<b>51</b>	<b>47</b>	<b>92.1%</b>

### PROGRAMME 1: HOTEL AND TOURISM ACADEMY

The programme is responsible to provide theory and practical skills training to the out of school youth in hospitality and tourism academy.

The Committee made the following observations on programme performance and spending:

Programme 1 has been performing consistently since the previous financial year, which the Committee commended. It improved from 94% performance in the 1<sup>st</sup> quarter to 100% performance on planned targets in the 2<sup>nd</sup> quarter due to over-achievement in revenue generation. High room occupancy rate and the grant from the Culture Art Tourism Hospitality and Sport Sector Education Training Authority (CATHSSETA) contributed to the good performance.

**Expenditure analysis:** The programme expenditure was R6 307 000.00 out of a budget of R7 089 000.00, which translates to 89%. This indicates an improvement of 9% from the first quarter performance which was at 80%.

Hence the programme achieved 94% of its quarterly targets against 80% of its quarterly budget, which is good performance.

The Committee engaged the entity on the fact that 100% of the planned targets were achieved yet the budget spent was below 100%. The entity responded that this was due to a 0% expenditure under capital expenditure (R67 000.00) as well as savings from goods and services and the compensation of employees. It was noted from the entity's response that purchase orders for capital items were placed during the 2<sup>nd</sup> quarter but will be paid during the 3<sup>rd</sup> quarter upon delivery of goods and services.

## **PROGRAMME 2: TECHNICAL TRAINING OPERATIONS**

**This core programme aims to develop skills in technical and other areas, provide quality training through mobile units and provide work place experiential training. The programme provides construction, manufacturing and engineering skills development.**

The Committee made the following observations on programme performance and spending:

There was an improvement in the 2<sup>nd</sup> quarter performance on planned targets in programme 2, as the entity achieved six (6) out nine (9) targets (67%). This was an improvement from the 43% of planned targets achieved in the 1<sup>st</sup> quarter (04 out of 09 targets). The Committee noted the importance of programme meeting its set targets, as it is a core service delivery programme of the MRTT, to skill the youth and create employment to address poverty.



**Expenditure analysis:** The programme budget for the 2<sup>nd</sup> quarter was **R26 818 000.00** and it managed to spend **R23 633 000.00 (88.1%)**. Hence the programme achieved 67% of its quarterly targets against 88.1% of its quarterly budget spent, which was satisfactory but needed to improve.

**The following areas of non-performance were noted in Programme 2:**

- **Facilitation, assessment and moderation of training in construction, manufacturing and engineering skills.** 720 learners were planned to benefit but only 695 benefitted due to learners dropping out as a result of various personal reasons.
- **Revenue generation targets were not met.** Out of a target to generate R1 684 432.00 revenue from projects and workplace training, only R421 108.00 was raised due to lack of projects received for the 2<sup>nd</sup> quarter. However, it was noted that work had been done (steel work) in the 2<sup>nd</sup> quarter but sales were anticipated during the 3<sup>rd</sup> and 4<sup>th</sup> quarters of the financial year 2015/16 (October 2015 – March 2016).

**The Committee noted that Programme 2 was experiencing challenges, which the entity indicated that they were being addressed systematically.**

During the 1<sup>st</sup> quarter, the entity had reported that in order to meet the set targets, they were embarking on a learner recruitment campaign in collaboration with the NYDA (National Youth Development Agency). Furthermore, accreditation with EWSETA (electrical sector) had been renewed in order to attract more learners in the training centres and it was reported that many learners had already shown interest.

The 1<sup>st</sup> quarter House Resolution directed the MRTT to make use of the previous financial year's secured projects as a baseline for the next financial year, as this would assist the entity in planning and implementation. The entity appreciated the input from the Committee and agreed to implement the advice from the 2016/17 second draft and final Annual Performance Plan.

### **PROGRAMME 3: CORPORATE SERVICES**

**This programme provides administrative support, coordination of quality processes, and oversight role over financial function and sound marketing strategies by employees who contribute effectively.**

Programme 3 has seven (7) sub-programmes: Quality Assurance, Finance, Marketing, Administration, Human Resource, Corporate Secretariat and Performance Information.

The Committee made the following observations on programme performance and spending:

Programme 3 performance was good, increasing from 83% achievement of planned targets in the 1<sup>st</sup> quarter (24 of 29 targets) to 86.2% in the 2<sup>nd</sup> quarter (25 of 26 targets).

**Expenditure analysis:** The 2<sup>nd</sup> quarterly expenditure for the programme was **R10 321 000.00** from a quarterly budget of **R10 622 000.00**, which is **97.1%** expenditure.

Below is a summary of the unachieved targets in Programme 3:

#### **Placement of Learners**

- A target of 90% of learners placed for on-the-job training could not be achieved and only 86% got placed with prospective employers. The under-achievement is attributed to a shortage of placement institutions as well as the reluctance of learners in being placed far from home.
- 0% achievement of 50 learners on workplace and incubation programme. This target has been shifted to the 3<sup>rd</sup> quarter.

#### **Employment Equity**

- The target on employment equity is poorly reported on; there is an indication of achievement but a contradiction under the mitigation section where it is stated that the target will be achieved in the 4<sup>th</sup> quarter.

#### **Filling of vacant funded posts/Review of the organogram**

- The target on the filling of vacancies within three months was not achieved due to the ongoing review of the organogram, noting that the entity reported that filling of posts would be done in the 4<sup>th</sup> quarter.
- In the 1<sup>st</sup> quarter, the entity reported that written permission had been obtained from the Department of Education to fill the vacant funded positions. The entity further reported that the moratorium was lifted on 12 June 2015 and the entity had since reinstated critical vacant funded positions. The entity was awaiting approval of the revised organizational structure by the Board and would thereafter begin with filling of the vacant positions.

- However, in the 1<sup>st</sup> quarter progress report, in response to the House Resolution in this regard, it was noted that the Finance and Remuneration Committee of the newly appointed Board had requested the Management of the entity to re-look at the proposed critical vacant positions and motivate why the Board should approve them, taking into consideration the high cost of employee compensation.

### **Litigations**

- During the 1<sup>st</sup> quarter the entity reported progress on litigation cases; the entity reported to the Committee that one case (related to the illegal strike) had been resolved but the other one (regarding fraudulent activities by a junior official) was still at the Labour Court. The case was last set for 16 May 2014 but the Labour Court had granted the employee's request for postponement, at the employee's own expense. The new court date was still awaited as at 30 September 2015.

## **8. FINDINGS**

Emanating from the deliberations with MRTT on the 2<sup>nd</sup> quarterly report for the 2015/16 financial year, the Committee made the following findings:

- 8.1. The CEO position was still vacant as at 03 December 2015; the entity indicated that the post has been advertised and the closing date was 11 December 2015. The Hon MEC made a commitment to fast track the process in order to make a submission to EXCO.
- 8.2. The entity was scheduled to meet with the AG again after 30 November 2015, to review its qualification on immovable assets in the 2014/15 audit.
- 8.3. The 2<sup>nd</sup> quarter dashboard report showed that the entity had regressed on drivers of internal control (leadership, finance and performance management) and had improved on the Governance internal control. A remedial action plan to address the deficiencies identified by the internal and external audits was submitted to the Committee. However, there were no timeframes by when the required actions had to be completed.
- 8.4.
  - a) The organizational structure has been under review by the Board since the 1<sup>st</sup> quarter; there are critical vacant funded posts that await approval.
  - b) The entity is under-staffed in the core service delivery programmes.
- 8.5. Programme 2 Technical Operations was still experiencing a challenge of learner drop outs due to various personal reasons and learners not meeting the selection criteria for

programmes, such as learners without grade 12 who could not be placed in the on-job training programmes. The entity had reported that in order to meet the set targets, they had embarked on a learner recruitment campaign in collaboration with the NYDA (National Youth Development Agency).

- 8.6. The Committee noted that one unresolved litigation case of the entity was still in the Labour Court since 16 May 2014. It was further noted that a new court date is awaited.

## **9. RECOMMENDATIONS**

Based on the above findings, the Committee recommended that the MRTT must:

- 9.1. The Board must interact with the Office of the MEC to ensure that the CEO position is filled before the end of the 2015/16 financial year.
- 9.2. Update the Committee on the outcome of the meeting held with the Auditor-General at the end of November 2015 regarding the dispute over the re-valuated MRTT property in Emalahleni Local Municipality, which led to the qualification on immovable assets in the 2014/15 audit.
- 9.3. Provide an updated progress report on the remedial action plans for the internal and external audit findings which the entity reported in the 2<sup>nd</sup> quarter dashboard report (Table 1 of this Committee report on page 4). Indicate the timeframes by when the relevant actions were completed.
- 9.4. a) Indicate progress on the status of the organizational structure which has been under review since the 1<sup>st</sup> quarter and provide feedback on the motivation submitted to the Board regarding the critical vacant funded posts for approval.  
b) Indicate measures that will be put in place to address human resource challenges (in light of the reviewed organisational structure) that were experienced during the 2015/16 financial year and interventions to deal with the impact on service delivery, per programme.
- 9.5. a) Indicate measures that will be put in place to address the challenges in Programme 2 in relation to learner recruitment, learners not meeting selection criteria and learners dropping out of the programmes. The entity must also update the Committee on the current status and implementation of the learner database in the progress report due by 18 March 2016.

b) Strengthen its collaboration with the National Youth Development Agency (NYDA) and other stakeholders to address its challenges. The entity should also consider conducting. The progress report should include an analysis of the learners' needs and a list of other stakeholders the MRTT can collaborate with.

9.6. Provide an updated progress report on the one (1) unresolved litigation case, as well as an overview of new litigations in the 2015/16 financial year.

## 10. CONCLUSION

The Chairperson thanked the Honourable Members for their valuable input in consideration of the 2<sup>nd</sup> quarterly report of the Mpumalanga Regional Training Trust.

The Committee acknowledged Honourable MEC Mhaule for the strategic leadership given to the MRTT. The HOD of the Department of Education was also acknowledged for the operational support provided to the entity throughout the year. The Board was appreciated for its commitment to the MRTT as it continues its mission to skill the people of the Mpumalanga Province, especially the youth from historically disadvantaged backgrounds. The acting CEO and senior management were thanked for the presentation on the 2<sup>nd</sup> quarter performance report and the 2<sup>nd</sup> quarter dashboard report.

Finally, the House is requested to adopt this Committee report with its recommendations. A progress report on the implementation of the House resolutions contained in this report must be submitted to the Legislature **by 11 March 2016**.



**HON. SK MASHILO, MPL**  
**CHAIRPERSON: PORTFOLIO COMMITTEE ON**  
**EDUCATION; CULTURE, SPORT AND RECREATION**

17.02.2016

**DATE**

