

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

**SECOND (2nd) QUARTERLY PERFORMANCE REPORT FOR THE 2017/18 FINANCIAL
YEAR – MPUMALANGA TOURISM AND PARKS AGENCY (MTPA)**

1. INTRODUCTION

The **Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism** (the Committee) has a Constitutional mandate, in terms of Section 114(2)(b) of the Constitution of the Republic of South Africa read with Rule 131(1)(b) of the Mpumalanga Provincial Legislature to oversee the performance of the Mpumalanga Tourism and Parks Agency (the entity) and hold it accountable through various measures.

The consideration and scrutiny of the Second (2nd) Quarterly Performance Report for 2017/2018 of the entity is the tool the Committee used to determine whether the entity had proper plans and programmes to realise its strategic objectives and ultimately to deliver basic services to the citizens of Mpumalanga.

The Committee tables this report in accordance with the provisions of the Rules and Orders of the Mpumalanga Provincial Legislature, as an account of its oversight work done for consideration and adoption in order to monitor the performance of the entity for the 2017/2018 second quarter.

2. METHOD OF WORK

The Speaker referred the entity's Second (2nd) Quarterly Report to the Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism for consideration and report back to the Legislature, as contemplated in Rule 218 (4) of the Rules and Orders of Mpumalanga Provincial Legislature (the Rules).

The Committee met on 08 November 2017 to deliberate on the entity's research analysis on the second quarterly report and scrutinize in detail the aforementioned document; met the entity on 14 November 2017 on the 2017/18 second (2nd) quarter report and subsequently met on 22 November 2017 to consider the draft Committee report.

3. OVERVIEW BY THE MEC

The MEC of the department, Mr SE Kholwane gave an overview of the department's performance on the 2017/18 2nd Quarter Report to the Committee; and also covered the parastatals / public entities under the department, which included Mpumalanga Tourism and Parks Agency (MTPA). The MEC stated that admittedly the process of reconfiguring the organisation of the department and the public entities has taken longer than anticipated. He further noted the shortfalls in the performance of the entities and has engaged the accounting officers / authorities about the importance of implementing acceleration plans for all priority programmes and targets.

The MEC stated that the department's objective statement is that more can be achieved if the department centrally coordinates private sector support as opposed to approaching private sector individually aggravated by ever emerging interest groups resulting in launching small isolated projects with minimal or zero impact. The MEC further indicated that it is important in a stressful economic environment like is experienced currently, that Government, Business, Labour and Civil society continue to work together and address the economic challenges together as partners.

In conclusion, the MEC stated that the Government is determined to ensure that the focus is on labour intensive projects that will not only stimulate employment but also economic growth in the province.

4. GENERAL OBSERVATIONS

The Committee observed that the entity has managed to achieve 19 of its 30 planned targets, translating to 63% at the end of the second quarter of the 2017/18 financial year. The entity received a total budget of R398 087 000.00 for the 2017/18 financial year and managed to spend R 197 087 000.00, translating to 49.6% at the end of the second quarter.

The Committee noted that the spending pattern per programme indicates some fluctuations; with Programme 2: Office of the CFO being the highest in expenditure at 54%, while Programme 6: Commercial Operations is the programme that didn't spend its budget in the second quarter.

5. PROGRAMME ANALYSIS

PROGRAMME 1: EXECUTIVE OFFICE

The Committee noted that Programme 1 has attained 40% of its targets for the second quarter of the 2017/18 financial year. This programme had five (5) planned targets and achieved only two (2) as outlined on the entity's second quarter performance report.

Programme 1: Expenditure Analysis

Programme R'000	Annual Budget R' 000	Actual Expenditure	Expenditure %
Executive Office	67 922	32 515	47.9%

Programme 1 was allocated a total budget of R67 922 000.00 for the 2017/18 financial year and has spent 47.9% of the budget in the second quarter.

Economic Classification

Classification R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Compensation of Employees	20 444	9 188	44.9%
Compensation of board	1 861	798	42.9%
EPWP Compensation	2 605	1 267	48.6%
Goods and Services	10 550	4 916	46.6%
Programme Cost	4 949	3 511	70.9%
Payment for Capital Assets	5 000	1 142	22.8%
Total Programme Budget	45 410	20 822	45.8%
Zithabiseni	22 512	11 693	51.9%
Total Approved Budget	67 922	32 515	47.9%

The Committee noted that the programme had spent 44.9% of the budget allocated to Compensation of Employees, 42.9% on Compensation of the Board, 48.6% on EPWP Compensation, 46.6% on Goods and Services, 70.9% on Programme cost and 22.8% on Payment for Capital Assets.

The reason for high spending of 70.9% on programme cost is reported to be due to the final billing of 2017/18 received from the Auditor General in the second quarter. The entity indicated that the YTD billing is within budget for the year and that savings will be utilised towards AG planning fees in the fourth quarter.

i. The entity indicated that it does not project over-spending under programme cost. The biggest percentage spend of the programme cost budget was allocated in the second quarter due to fees associated with AG's annual audit. The remaining 29.1% budget will be sufficient for the remainder of the year to cater for AG's planned audit.

PROGRAMME 2: CHIEF FINANCIAL OFFICER

The Committee noted that Programme 2 achieved 50% of its targets for the second quarter of the 2017/18 financial year. The programme had two (2) planned targets and achieved one (1) as outlined on the entity's second quarter performance report. The under-performance on targets was due to lower revenue collected. The entity planned to collect R12 600 000.00 and managed to collect R12 000 000.00 due to delays on hunting activities by approved hunters.

Programme 2: Expenditure Analysis

Programme R'000	Annual Budget R' 000	Actual Expenditure	Expenditure %
Financial Officer	28 397	15 346	54.0%

Programme 2 was allocated a total budget of R28 397 000.00 for the 2017/18 financial year and has spent 54% of the budget in the second quarter. The entity over-spent by 4% when considering the 50% periodic benchmark.

Economic Classification

Classification R' 000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	14 989	8 107	54.0%
Goods and Services	13 037	7 182	55.0%
Programme Cost	206	47	22.8%
Payment for Capital Assets	165	10	6.0%
Total	28 397	15 346	54.0%

Programme 2 spent 54% of its allocated budget for Compensation of Employees, 55% on Goods and Services, 22.8% for Programme Cost and 6% for Payment of Capital Assets in the second quarter. The entity indicated that the over-spending on Compensation of Employees (CoE) is due to the successful appeals for two (2) SCM and one (1) Asset staff member. While on Goods and Services the over-spending is reported to be due to higher than estimated electricity charges for Head Office. The under-spending on Programme Cost and payment of Capital Assets is regarded as immaterial by the entity and no motivation or explanation was provided as to why the entity spent low as compared to the 50% periodic benchmark.

i. The Committee requested the entity to explain why the budget for Programme Cost and Payment of Capital Assets was under-spent in both the first and second quarter. In response, the entity indicated that the under-spending is as a result of prolonged asset verification process on assets that are spread across the portfolio of 17 nature reserves. The asset verification process will be completed during the third quarter. Furthermore, the entity indicated that the procurement of assets will take place in the third quarter taking into consideration the recommendations of the asset verification report.

PROGRAMME 3: CORPORATE SERVICES

The Committee noted that Programme 3 achieved 67% of its targets for the second quarter of the 2017/18 financial year. The programme had two (2) planned targets and achieved one (1) as outlined on the entity's second quarter performance report. The under-performance was on sub-programme Human Resource, where the entity had planned to have consultations, interviews and engagements with stakeholders by end of September. Human Resource Support Services failed to appoint a service provider in order to conduct Organizational Health Audit; the entity committed to appoint the service provider by 31 August 2017. This target was not achieved by the entity in both the first and second quarter of the period under review.

i. According to the entity, the service provider to conduct the Organizational Health Audit was not appointed on 31 October 2017. The entity's first advertisement for a service provider did not attract any responses. A re-advertisement was issued and closed on 30 October 2017. Furthermore, the entity stated that the evaluation and adjudication processes will be finalized end of November 2017. The health audit will commence and be completed in the fourth quarter of 2017/18 financial year.

Programme 3: Expenditure Analysis

Programme R'000	Annual Budget	Actual Expenditure	Expenditure %
Corporate Service	34 293	15 839	46.2%

Programme 3 was allocated an annual budget of R34 293 000.00 for the 2017/18 financial year and has spent 46.2% of the budget in the second quarter.

Economic Classification

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	17 021	8 800	51.7%
Goods and Services	9 206	3 627	39.4%
Programme Cost	6 709	2 893	43.1%
Payment for Capital Assets	1 357	519	38.2%
Total	34 293	15 839	46.2%

The programme spent 51.7% of the budget allocated to Compensation of Employees, 39.4% on Goods and Services, 43.1% on Programme Cost and 38.2% on Payment for Capital Assets. The entity indicated that the low spending on Goods and Services is immaterial and no comment was provided as to why the entity under-spent its budget by 10.6% for the second quarter when considering the 50% periodic benchmark. The entity under-spent its budget on Programme Cost by 6.9% and indicated that it was due to health audit and disaster recovery plans not yet implemented which costs R 500 000.00 and R 150 000.00 respectively and also under-spent by 11.8% on payment of Capital Assets. The under-spending of the budget under payment of Capital Assets is reported to be due to procurement of computers done in the first quarter which were planned for the second quarter.

PROGRAMME 4: TOURISM

The Committee noted that Programme 4 has achieved 62% of its targets for the second quarter of the 2017/18 financial year. This programme had thirteen (13) planned targets and achieved nine (9) targets as outlined on the entity's second quarter performance report. Under-performance was on the following targets for the second quarter:

Consultations on the Tourism SMME development strategy were not conducted due to delays in finalizing the draft strategy; feasibility studies not conducted on Waterval Boven and Pilgrims Rest strategic heritage tourism projects; a regional marketing brochure for Triland was not developed and one (1) trade show not attended.

Programme 4: Expenditure Analysis

Programme R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Tourism	43 923	21 591	49.2%

Programme 4 was allocated an annual budget of R43 923 000.00 for the 2017/18 financial year and has spent 49.2% of the budget in the second quarter.

Economic Classification

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	20 491	9 922	48.4%
Goods and Services	1 045	817	78.2%
Programme Cost	22 387	10 853	48.5%
Total	43 923	21 591	49.2%

The entity spent 48.4% of its allocated budget for Compensation of Employees, 78.2% on Goods and Services and 48.5% on Programme Cost. The entity indicated that the over-spending on Goods and Services was due to vehicle reimbursement and environmental uniforms originally estimated at R 114 000.00 during the second quarter.

- i. According to the entity, the over-spending on Goods and Services relates to travelling due to additional functions received from the shareholder which are related to destination marketing and product development. The entity will effect virements from within the programme to offset the over-spending under Goods and Services. Cost curtailment will also be enforced in the subsequent quarters.
- ii. Furthermore, the entity reported that the trade show was attended from 12-15 October 2017 as planned and it took place in the Maputo, Mozambique.

PROGRAMME 5: BIODIVERSITY CONSERVATION

The Committee noted that the programme has achieved 80% of its targets for the first quarter of the 2017/18 financial year. This programme had four (4) planned targets and achieved all four (4) targets as outlined in the entity's second quarter performance report. Under-performance was on Sub-programme: Conservation services which failed to appoint a service provider to conduct feasibility studies on identified resource management projects. The entity indicated that the Bid was re-advertised due to poor response to the initial advertisement.

Programme 5: Expenditure Analysis

Programme R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Tourism	219 325	112 184	51.1%

Programme 5 was allocated an annual budget of R219 325 000.00 for the 2017/18 financial year and has spent 25.1% of the budget in the second quarter.

Economic Classification

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	194 097	100 151	51.6%
Goods and Services	17 789	9 249	52.0%
Programme Cost	7 225	2 724	37.7%
Capital Assets	215	60	27.9%
Total	219 326	112 184	51.1%

This programme has spent 51.6% of the budget allocated to Compensation of Employees, 52% on Goods and Services, 37.7% on Programme Cost and 27.9% on Capital Assets. The under-spending on Programme Cost is reported to be due to Fire Management expenses delayed towards the second quarter amounting to R 763 000.00. This was the same reason provided in the first quarter for the under-spending on Programme Cost.

Under payment of Capital Assets, the entity indicated that the under-spending by 22.1% when considering the 50% periodic benchmark is immaterial and did not provide reasons for the under-spending in the second quarter.

i. According to the entity, the under-spending on Capital Assets is as a result of prolonged asset verification process on assets that are spread across the portfolio of 17 nature reserves. The asset verification process will be completed during the third quarter. The procurement of assets will take place in the third quarter taking into consideration the recommendations of the asset verification report.

ii. The Committee requested the entity to provide an update on the appointment of a service provider as at 31 October 2017. In response, the entity reported that the first advertisement for a service provider did not attract any responses. A re-advertisement was issued and closed on 01 November 2017. The evaluation and adjudication processes will be finalized during the third quarter. Implementation will take place during the fourth quarter and is due for completion by the end of the first quarter of the 2018/19 financial year.

PROGRAMME 6: COMMERCIAL OPERATIONS

The Committee noted that the programme has achieved 50% of its targets for the second quarter of the 2017/18 financial year. This programme had two (2) planned targets and achieved one (1) as outlined on the entity's second quarter performance report. The entity failed to conduct pre-feasibility study in terms of environmental, social, technical and broad financial viability by 30 September 2017. The entity indicated that this target will be completed in October 2017.

Programme 6: Expenditure Analysis

Programme R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Office of the head Commercial Operations	4 227	5	0.1%

Programme 6 was allocated an annual budget of R4 227 000.00 for the 2017/18 financial year and spent 0.1% of the budget in the second quarter.

Economic Classification

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	642	0	0%
Goods and Services	0	0	0%
Programme Cost	3 585	5	0.1%
Capital Assets	0	0	0%
Total	4 227	5	0.1%

The Committee noted that only 0.1% or R 5 000.00 of the allocated budget has been spent by the entity in the second quarter of the 2017/18 financial year.

i. According to the entity, it has completed the pre-feasibility study in terms of environmental, social, technical and broad financial visibility by 31 October 2017 which will assist in developing a full feasibility study.

ii. Furthermore, the entity indicated that it has no under-spending recorded for the Programme: Commercial Operations for the second quarter; the budget is only allocated for the third and fourth quarter of the 2017/18 financial year.

6. FINDINGS

After the interaction with the entity, the Committee made the following findings:

- 6.1. The service provider to conduct the Organisational Health Audit has not been appointed as the first advertisement did not attract any responses. A re-advertisement was issued and closed on 30 October 2017.
- 6.2. The Biodiversity support services sub-programme failed to appoint a service provider to conduct feasibility studies on identified resource management projects; the Bid was re-advertised due to poor response to the initial advertisement.
- 6.3. The Acting CFO paid by the entity, while the appointed CFO has been seconded to the department where she is gainfully employed, from the entity's 2016/17 Annual Report, is still a recurring concern in the 2017/18 financial year.

7. RECOMMENDATIONS

The Committee made the following recommendations:

- 7.1. The entity must ensure that the evaluation and adjudication processes for the service provider is finalized end of November 2017. Furthermore, the entity must ensure that the health audit will commence and be completed in the fourth quarter of 2017/18 financial year.
- 7.2. The entity must ensure that the evaluation and adjudication processes will be finalized during the third quarter. Furthermore, the entity must ensure that the implementation takes place during the fourth quarter and completed by the end of the first quarter of the 2018/19 financial year.
- 7.3. The entity must ensure that this on-going matter of the Acting CFO is dealt with and corrected urgently as committed by the Department of Economic Development and Tourism, as this constitutes fruitless and wasteful expenditure. The entity must submit a progress report to the Committee by 15 January 2018.

The Committee moves that the House adopts the report with the above recommendations.

8. CONCLUSION

The Chairperson wishes to express his gratitude to the MEC, Mr SE Kholwane, HOD Mr MW Mkhize, the CEO Mr BJ Nobunga and the senior officials of the Mpumalanga Tourism and Parks Agency (MTPA) for their active involvement during the deliberations with the entity.

The Chairperson further wishes to thank the Hon. Members of the Committee for their sterling participation and input during the deliberations on the second (2nd) quarter report of the Mpumalanga Tourism and Parks Agency and also thanked the Legislature staff for their support and contribution towards the production of this report.

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



2017. 11. 23

HON SI MALAZA (MPL),

DATE

ACTING CHAIRPERSON: PORTFOLIO COMMITTEE ON PREMIER'S OFFICE;

FINANCE; ECONOMIC DEVELOPMENT AND TOURISM

Appointed in terms of Rule 114 of the Rules and Orders of the Mpumalanga Provincial Legislature.