

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

**THIRD (3rd) QUARTERLY PERFORMANCE REPORT FOR THE 2017/18 FINANCIAL
YEAR – MPUMALANGA ECONOMIC REGULATOR (MER)**

1. INTRODUCTION

The **Portfolio Committee on Premiers 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 Economic Regulator (the entity) and hold it accountable through various measures.

The consideration and scrutiny of the Third (3rd) Quarterly Performance Report for 2017/2018 of the entity is the tool the Committee uses to determine whether the entity has 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 third quarter.

2. METHOD OF WORK

The Speaker referred the entity's Third (3rd) 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 14 February 2018 to deliberate on the entity's research analysis on the third quarterly report and scrutinize in detail the aforementioned document; met the entity on 20 February 2018 on the 2017/18 third (3rd) quarter report and subsequently met on 06 March 2018 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 3rd Quarter Report to the Committee; and also covered the parastatals / public entities under the department, which include Mpumalanga Economic Regulator (MER). The MEC stated that he has noted the shortfalls in the performance during the said quarter, and is constantly engaging the accounting officers / authorities about the importance of implementing acceleration plans for all priority programmes and targets.

Be it as it may, the MEC reported that some notable progress in many areas has been made. The MER Bill was accented on 16 October 2017; effectively their third Quarter Performance Report is the inaugural quarterly performance report of the MER. The Executive Council has appointed Mr. Bheki Mlambo as the Chief Executive Officer of the Mpumalanga Economic Regulator with effect from 01 April 2018. The MEC further stated that they are currently finalizing the appointment of the Permanent Board of the MER.

4. GENERAL OBSERVATIONS

The Committee observed that the entity received a budget allocation of R50 241 780.00 for the last two quarters of the 2017/18 financial year and spent R25 939 113.00 as of the end of the third quarter, which is 52% of the allocated budget for the two quarters. The entity remains with an amount of R24 302 667.00 which must be spent before the end of the financial year.

In terms of revenue collection, the entity collected R26 000 673.00 during the third quarter, which is reportedly 11% below the targeted amount of R30 520 979.00 by R3 445 650.00. As seen below, Total gambling fees were collected accordingly at R27 000 000.00, whilst the entity fell drastically short on Total Applications and License Fees by 99% at R3 483 700.00.

	Projection	Actual	% of Projection
Total Gambling Fees	27,009,529	27,046,363	100%
Total Penalties	0	1,216	-
Total Applications and License Fees	3,511,450	27,750	1%
Total Revenue Collection	30,520,979	27,075,329	89%

5. PROGRAMME ANALYSIS

PROGRAMME 1: CHIEF EXECUTIVE OFFICE

The purpose of the programme is to provide strategic leadership, centralised administration and executive support to the organisation and to ensure that the entity's mandate is executed, achieved and reported accordingly.

The Committee noted that the programme had two (2) targets planned for the quarter; namely, compile one (1) industry development report and the development and approval of one (1) industry development report. It is reported that both targets have been achieved as planned.

Programme 1: Expenditure Analysis

Main Budget R	Quarterly Budget R	Actual Expenditure 3 rd quarter	% spent as at 3 rd Quarter
2 248 827	1 124 413	733 873	65%

The programme had a budget allocation of R1 124 413.00 and spent R733 873.00 as at the end of the third quarter. This indicates an expenditure of 65% on the quarterly projected budget and an under-expenditure of 35% on the quarterly projected budget. This is a slight concern considering that the entity might find it difficult to exhaust its funds bearing in mind that there is only one quarter remaining in the financial year. The programme is left with R1 514 954.00 to be spent in the last quarter.

i. The Committee enquired on whether the entity has addressed the vacancies that have been reported in the APP tabled in December 2017, considering there was a vacancy rate of 14%. In response, the entity confirmed that the position of a Planner in the CEO's office has been filled since January 2018.

ii. The Committee requested the entity to provide an update on how the merger process has progressed over the past couple of months. According to the entity, the merger has been successfully implemented without significant challenges encountered, given the constraint of time to deal with all statutory requirements for the merger, as well as having to maintain the delivery of services for both entities. The entity further mentioned that the process was greatly assisted by the Mpumalanga Provincial Legislature and the Honourable MEC of the

Department, in terms of fast-tracking the legislative processes in respect of the merger, as well as the appointment of the interim board.

The new entity, Mpumalanga Economic Regulator (“MER”) is officially in place, and the Act was assented to by the Honourable Premier in October 2017.

Whilst critical issues relating to the merger have been completed; the entity indicated that the listing of the entity by National Treasury, in terms of the Public Finance Management Act (“PFMA”) is still outstanding. This matter is continuously under our monitoring with both the Provincial and National Treasuries.

iii. The entity reported that it under-spent on its quarterly projected budget by 35% (R390 540. 00), due to the vacant position of a Planner which was recently filled in the fourth quarter.

PROGRAMME 2: LICENSING

The purpose of the programme is to investigate the suitability of applicants for licenses and holders of license, as per the requirements of the gambling and liquor legislation.

The Committee noted that the programme had three (3) targets planned for the quarter and achieved all three (3) targets as planned. The essence of the targets related to investigations of applications as well as liquor license renewal reviews.

Programme 2: Expenditure Analysis

Main Budget R	Quarterly Budget R	Actual Expenditure 3rd quarter	% spent as at 3rd Quarter
4 603 731	2 301 866	2 267 821	99%

The programme had a quarterly budget allocation of R2 301 866.00 and spent R2 267 821.00 as at the end of the third quarter. This indicates an expenditure of 99% on the quarterly projected budget. This translates to a slight under-expenditure of 1% on the quarterly projected budget. The programme is left with R433 784.00 to be spent in the last quarter.

PROGRAMME 3: COMPLIANCE

The purpose of the programme is to ensure regulatory compliance of all gambling and liquor operations and gambling equipment; and to combat all forms of prohibited gambling, illegal liquor trade and supply within its control.

The Committee noted that the programme had nine (9) targets planned for the quarter and it achieved all the planned targets.

Programme 3: Expenditure Analysis

Main Budget R	Quarterly Budget R	Actual Expenditure 3rd quarter	% spent as at 3rd Quarter
9 614 091	5 107 046	5 405 986	106%

The programme had a budget allocation of R5 107 046.00 and spent R5 405 986.00 as at the end of the third quarter. This indicates an expenditure of 106% on the quarterly projected budget. This translates to an over-expenditure of 6% on the quarterly projected budget of R298 940.00. The programme is left with R4 208 105.00 to be spent in the last quarter.

PROGRAMME 4: AUDIT

The programme is responsible for providing assurance that levies are accurately calculated and paid timeously.

The Committee noted that the programme had four (4) targets planned for the quarter and has achieved all the targets as planned. The targets included various audits related to gambling levies.

Programme 4: Expenditure Analysis

Main Budget R	Quarterly Budget R	Actual Expenditure 3rd quarter	% spent as at 3rd Quarter
3 281 433	1 640 717	1 836 132	112%

The programme had a quarterly budget allocation of R1 640 717.00 and spent R1 836 132.00 as at the end of the third quarter. This indicates an expenditure of 112% on the quarterly projected budget and translates to an over-expenditure of 12% on the quarterly projected budget of R195 415.00. The programme is left with R1 445 301.00 to be spent in the last quarter.

i. The entity reported that the over-expenditure of R195 415.00 was caused by the reversible non-cash leave provision which is processed on a monthly basis. The entity further stated that this shall not result into over-expenditure at the end of the financial year.

PROGRAMME 5: LEGAL SERVICES

The programme has the purpose to ensure effective and efficient gambling and liquor legislation; and to ensure that the Board and MER comply with corporate governance practices.

The Committee noted that the programme had five (5) targets planned for the quarter and has achieved all the targets as planned. Most of the targets were focused on gambling legislation, compliance to laws compiled as well as the facilitation of board meetings.

Programme 5: Expenditure Analysis

Main Budget R	Quarterly Budget R	Actual Expenditure 3rd quarter	% spent as at 3rd Quarter
1 589 275	794 637	685 685	86%

The programme had a quarterly budget allocation of R794 637.00 and spent R685 685.00 as at the end of the third quarter. This indicates an expenditure of 86% on the quarterly projected budget and translates to an under-expenditure of 14% on the quarterly projected budget of R108 952.00. The programme is left with R903 590.00 to be spent in the last quarter.

PROGRAMME 6: CORPORATE SERVICES

The purpose of the programme is to promote the efficiency and effectiveness of operations, and supports reliable reporting and compliance with laws and regulations, through Human Resource and Financial Management.

The Committee noted that the programme had a total of twelve (12) targets planned for the quarter and achieved eleven (11) of those. The programme failed to facilitate one (1) employee wellness event due to time constraints, as a result of the merger of the MLA and MGB.

Programme 6: Expenditure Analysis

Main Budget R	Quarterly Budget R	Actual Expenditure 3 rd quarter	% spent as at 3 rd Quarter
23 574 001	14 362 339	12 455 047	87%

The programme had a quarterly budget allocation of R14 362 339.00 and spent R12 455 047.00 as at the end of the third quarter. This indicates an expenditure of 87% on the quarterly projected budget and translates to an under-expenditure of 13% on the quarterly projected budget of R1 907 292.00. This may have been caused by the postponement of the employee wellness event which may have been budgeted for the quarter. The programme is therefore left with R11 118 954.00 to be spent in the last quarter.

PROGRAMME 7: COMMUNICATIONS

The purpose of the programme is to ensure public awareness of the gambling and liquor industry through conducting responsible gambling, liquor trade and consumption campaigns; and to ensure effective and efficient information and communications technologies.

The Committee noted that the programme had seven (7) targets planned for the quarter and achieved all seven (7) targets. The targets achieved related to reports associated with awareness campaigns, exhibitions as well as various policy reviews.

Programme 7: Expenditure Analysis

Main Budget R	Quarterly Budget R	Actual Expenditure 3 rd quarter	% spent as at 3 rd Quarter
3 461 663	1 730 832	1 558 799	90%

The programme had a quarterly budget allocation of R1 730 832.00 and spent R1 558 799.00 as at the end of the third quarter. This indicates an expenditure of 90% on the quarterly projected budget and translates to an under-expenditure of 10% on the quarterly projected budget of R172 033.00. The programme is left with R1 902 864.00 to be spent in the last quarter.

PROGRAMME 8: TRANSFORMATION AND SUSTAINABILITY

The purpose of the programme is to ensure transformation and sustainability of the gambling and liquor industries; and to ensure valid and reliable empirical research to inform policy advisory and operational decision making

The programme had one (1) target planned for the quarter and achieved the target as planned. One (1) Industry analysis report was compiled.

Programme 8: Expenditure Analysis

Main Budget R	Quarterly Budget R	Actual Expenditure 3 rd quarter	% spent as at 3 rd Quarter
1 095 416	547 708	656 211	120%

The programme had a quarterly budget allocation of R547 708.00 and spent R656 211.00 as at the end of the third quarter. This indicates an expenditure of 120% on the quarterly projected budget and translates to an over-expenditure of 20% on the quarterly projected budget of R108 503.00. The programme is left with R439 205.00 to be spent in the last quarter.

6. FINDING

After the deliberations, the Committee made the following finding:

- 6.1 The entity had a total of 43 targets that were planned for the third quarter and has achieved 42 targets at 98%. In terms of the expenditure, the entity spent R25 939 113.00 as at the end of the quarter, which is 93% of the allocated quarterly projected budget.
- 6.2 The listing of the entity by National Treasury, in terms of the Public Finance Management Act (PFMA) is still outstanding.

7. RECOMMENDATION

The Committee made the following recommendation:

- 7.1 The entity must continue to meet all targets as planned and perform positively throughout the 2017/18 financial year; and maintain this performance as the newly established Mpumalanga Economic Regulator entity.

7.2 The Portfolio Committee will refer the matter to the MEC for Provincial Treasury to ensure that the listing of the entity is fast tracked and be concluded by the end of the 2017/18 financial year.

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

8. CONCLUSION

The Chairperson wishes to express his gratitude to the MEC, Mr SE Kholwane, the Acting HOD, Ms SP Xulu and the Chairperson Mr ME Mbhele for their active involvement during the deliberations with the entity.

The Chairperson wishes to thank the Hon. Members of the Committee for their sterling participation and input during the deliberations on the third (3rd) quarter report of the Mpumalanga Economic Regulator 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 06 April 2018 and thereafter on a quarterly basis.



06.03.2018

HON BD DUBE (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.

