

REPORT OF THE PORTFOLIO COMMITTEE ON EDUCATION; CULTURE, SPORT AND RECREATION

4TH QUARTERLY PERFORMANCE REPORT (2016/17): DEPARTMENT OF CULTURE, SPORT AND RECREATION, CONSIDERED BY THE COMMITTEE ON 12 MAY 2017

1. INTRODUCTION

Rule 218 sub-rule (1) (2) and (3) of the Rules and Orders of the Mpumalanga Provincial Legislature requires a Member of the Executive Council to table quarterly reports of a 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) has a mandate in terms of Section 114 (2)(b) of the Constitution of South Africa (Act 108 of 1996) to oversee the performance of the Department of Culture, Sport and Recreation (the Department) and hold it accountable through regular oversight activities. The Committee considered the 4th quarter performance report of the Department for the 2016/17 financial year to assess its progress in terms of actual outputs and expenditure versus planned targets and allocated budget.

2. METHOD OF WORK

The Honourable Speaker referred the Department's 4th quarterly report to the Committee for consideration and report back to the House. The Committee met with the Department to consider the 4th quarterly performance report on 12 May 2017. Subsequently, the Committee considered and adopted its report on 13 June 2017.

The MEC for Culture, Sport and Recreation, Hon N Mahlangu was accompanied by the HOD, Mr SW Mnisi and his senior management team. Stakeholders invited to the deliberations were the Provincial Treasury, the Office of the Auditor-General (AG), the Office of the Public Service Commission (PSC) and the Department of Public Works, Roads and Transport (DPWRT).

3. POLITICAL OVERVIEW BY THE MEC

The Hon MEC appreciated the opportunity to table the 4th quarterly performance report of the Department to the Committee. The following matters were noted from her overview:

- a. The Department has appointed Mr. B Ngoma as the new CFO.
- b. In the 4th quarter the Department managed to make remarkable strides to cover a lot of ground work in order to catch up with the target of Annual Performance Plan 2016/17 that was approved by the Committee.
- c. The MEC acknowledged that there were a few deliverables that could not be timeously achieved due to unforeseen circumstances. However, the Department achieved its objectives and goals in the area of Culture, Library, Archives services as well as Sport and Recreation and delivered the relevant services.

4. GENERAL OBSERVATIONS

The Committee interacted with the Department on the 4th quarterly report and made the following observations:

- a. The majority of targets that were shifted to the 4th quarter were achieved.
- b. Challenges in the 4th quarter in terms of planned targets not met were in respect of :
 - (1) Payment of service providers within 30 days;
 - (2) Production of the blue print approved by National Treasury on the Cultural Hub and High Altitude Training Centre;
 - (3) Incomplete library infrastructure.
- c. It was noted that the measures put in place by the Department during the 3rd quarter to address the reasons for the non-payment of invoices within 30 days of the receipt thereof were not effective, as the trend continued in the 4th quarter. There was an underspending due to incomplete capital projects (three library projects; implementation of the Cultural Hub and High Altitude Training Centre.
- c. By the end of the 3rd quarter of 2016/17 financial year the Department had spent **R379 411 000 (76.3%)** of the adjusted budget against 63% performance on targets (40 out of 63 planned targets). By the end of the 4th quarter the Department had spent **R467 416 000 (94%)** of its 2016/17 adjusted budget of **R497 500 000**. The Department thus spent R88 301 000 in the 4th quarter (17.7%) which was below the 25% expected quarterly expenditure. Overall, the Department under spent its total budget by 6%.
- d. The Department has implemented library projects in a multi-year approach, resulting in submission of requests for roll overs at every year end for the past three financial years.

- e. The non-deliverables were mainly on library infrastructure delivery and procurement and delivery of library materials, furniture and equipment.
- f. The Department put measures in place to address the challenges that had caused slow processing of invoices during the 2nd, 3rd and 4th quarters but they were not effective enough to prevent recurrence.
- g. By the end of the 3rd and 4th quarters, the Provincial Social Cohesion Strategy was still work in progress; there was a need for more consultation with the national Department of Arts and Culture to align with the National Social Cohesion Strategy.
- h. It was noted that Verena and Balfour libraries were implemented as multi-year projects from 2016/17 financial year and carried over to the 2017/18 financial year for completion.

5. ANALYSIS OF THE QUARTERLY BUDGET EXPENDITURE

5.1. Expenditure per programme as at 31 March 2017 (Table 1)

According to the approved 2016/17 APP, the Department has four (4) service delivery programmes. The 4th quarter expenditure is reflected below as follows:

Programme	Appropriation 2016/17 R' 000	Adjusted Appropriation 2016/17 R'000	Actual Expenditure 31 March 2017 R' 000	% SPENT
1. Administration	81 679	81 787	18 985	23%
2. Cultural Affairs	86 838	108 838	20 430	18.8%
3. Library & Archives Services	187 240	215 325	40 196	18.6%
4. Sport and Recreation	96 150	91 550	8 690	9.5%
TOTAL	451 907	497 500	88 301	17.7%

Comments on the Expenditure vs Budget

During the main appropriation, DCSR was allocated a budget of **R451 907 000** for the financial year 2016/17. The budget was adjusted by **R45 593 000** resulting in a total adjusted budget of **R497 500 000**. Out of the **R497 500 000** budget allocation, the Department spent **R467 416 000 (94%)**. During the 4th quarter of 2016/17 the Department spent **R88 301 000 (17.7%)**. In terms of the 25% Provincial Treasury quarterly expenditure benchmark this represented 7.3% under spending for the 4th quarter and overall 6% under spending.

The delays on the implementation of capital expenditure i.e. library infrastructure, contributed to the underspending at the end of the 4th quarter. Hence, such projects will be rolled over to

the next financial year. By the end of the 4th quarter, the Department spent 76.3% on capital expenditure. This means that next financial year 2017/18, the Department will start with the backlog on library infrastructure.

DCSR expenditure per economic classification:

- ❖ Compensation of Employees spent **99.6%** of the adjusted budget of **R161 450 000**.
- ❖ Goods and Services spent **99.8%** of the **R204 431 000** adjusted budget.
- ❖ Transfers and Subsidies spent **97.4%** of the **R9 732 000** adjusted budget.
- ❖ Payments for Capital assets have spent the least by **76.3%** of the **R121 887 000** adjusted budget.

5.2. Expenditure per Economic Classification (Table 2)

Economic Classification	Appropriation 2016/17 R'000	Adjusted Appropriation 2016/17 R'000	Actual Expenditure 31 March 2017 R'000	% Spent
Compensation of Employees	157 033	161 450	121 527	99.6%
Goods and Services	167 799	204 431	176 526	99.8%
Transfers and Subsidies	10 466	9 732	8 921	97.4%
Payment of Capital Assets	116 609	121 887	72 378	76.3%
TOTAL	451 907	497 500	467 416	94%

6. ANALYSIS OF THE PROGRAMME PERFORMANCE

PROGRAMME 1: ADMINISTRATION

This programme provides overall management and administrative support to the Department, in accordance with the National and provincial policies, the PFMA, the public Service Act and other prescripts.

Programme 1 consists of four sub-programmes (Strategic Management, Office of the CFO, Human Resource Management and Information Technology Support). However, the expenditure report for Programme 1 in the 4th quarter report reflects only Corporate Services.

Sub-Programme	Budget Allocation 2016/17 R'000	Adjusted budget R'000	4 th Quarter Expenditure R'000	4 th Expenditure %
Corporate Services	81 679	81 787	17 162	21%
TOTAL	81 679	81 787	17 162	21%

Programme 1 Expenditure Analysis

The programme was allocated a budget R81 679 000 for 2016/17 financial year. The budget was adjusted by R108 000 to R81 787 000 and by the end of the 4th quarter the Department had spent R70 130 000 + R17 162 000 = R87 292 000 (106.7%) which was 6.7% overspending.

Programme performance in relation to planned targets

The Department had eight (8) planned targets for the quarter and managed to achieve six (6) or 75%. The budget expenditure versus planned outputs achieved was generally in line.

Unpaid invoices

The inability to ensure 100% payment of invoices from the date of receipt was a challenge the Department faced throughout the 2nd, 3rd and 4th quarters. The payables amounted to R 810 990.53 as at 31 March 2017. The Committee noted that challenges on non-payment of invoices within the stipulated timeframe have negative impact since it contribute to accruals and unauthorized expenditure. The stated reasons were circumstantial as follows:

- Non-compliance of information and documentation submitted by suppliers due to suppliers changing their bank details without updating their entity information on the Departmental database;
- Delays in transferring of Library conditional grant allocations and the Sport Grant from national Departments to Provincial Treasury;
- Delivery of goods not complying with original specification, thus if information from suppliers does not correspond it is thus rejected by the system until the information is verified and validated.

However, the Department reported during the 3rd quarter review that measures had been put in place to ensure that all service providers and supply chain officials of the Department verified the correctness of information *before* issuing of an order, so that the processing of invoices could be speeded up.

Legal cases

The Department did not achieve its target on resolving all disciplinary cases within 90 days. The 4th quarter performance report indicated that one (1) case will be finalized in the next financial year 2017/18. The Committee deliberated with the Department on the financial implications of the legal cases.

The Department responded to the Committee's question that one (1) disciplinary case was dealt with during the 4th quarter. This was a sexual harassment case received on 23 August

2016, which the Labour Relations office referred to the HOD to apply the Sexual Harassment policy. The HOD appointed a sexual harassment advisor on 0 November 2016. It was noted that the hearing was still in progress. In terms of cost implications of the case, the Department had not received any information yet. Some processes could not be followed because the complainant reported the matter 1 year and 8 months after the incident.

The official in question was found to have abused power and position in the Public Service for wrongful benefit. Furthermore, the Code of Conduct and the Public Service Disciplinary Code was contravened. It was recommended that effective and appropriate disciplinary steps should be taken against the official. The implications are that should the official found guilty he will be dismissed.

PROGRAMME 2: CULTURAL AFFAIRS

The purpose of this programme is to promote cultural diversity for socio-economic development and transformation for the citizens of Mpumalanga. The programme consists of the following four (4) sub-programmes:

Sub-Programme	Budget Allocation 2016/17 R'000	Adjusted budget R'000	4th Quarter Expenditure R'000	4th quarter Expenditure %
Management	1 732	1 732	361	20.8%
Arts and Culture	61 652	85 652	15 328	17.9%
Museum & Heritage	20 627	18 627	4320	23.1%
Language services	2 827	2 827	421	14.9%
TOTAL	86 838	108 838	20 430	18.7%

Programme 2 Expenditure Analysis

The programme was allocated a budget **R86 838 000** for 2016/17 financial year, which was adjusted upwards by R22 000 000 to **R108 838 000**. By the end of the 4th quarter the Department had spent **R77 619 000 + R20 430 000 = R98 049 000 (90%)** which was **10% under spending**.

Performance in relation to planned targets

Despite an increase on the expenditure on Programme 2, the Department achieved nine (9) out of 13 planned targets (69%). There was no correlation between the budget expenditure versus planned outputs in Programme 2.

The programme under achieved in the following areas:

The under achievements listed below were carried over from the previous quarter and are shifted to the next financial year. The reasons for non-achievements on the listed below targets were provided in the third quarter.

- ❖ During the 3rd quarter review the Committee noted that the **Provincial Social Cohesion Strategy** was not finalized since the 2015/16 financial year due to ongoing extensive consultation with stakeholders. The Department envisages finalizing the strategy in the next financial year 2017/18. The non-achievement on this target indicates that there is no adherence by the Department on its mandate to lead Outcome 14: Nation Building and Social Cohesion. This has direct impact on sport and recreation, inter-Departmental and intergovernmental levels.
- ❖ The Department explained that they had drafted the Provincial Social Cohesion Strategy after the 2014 summit but then the Department was advised to wait for the conclusion of the national strategy of which feedback for the national input was held in May 2017. The delay in finalising the strategy is linked to the national strategy, as provinces must take cue from the national strategy. The team to finalize the strategy is led by the Office of the Premier and the University of Mpumalanga. The committee will incorporate the national inputs and finalise the document for cabinet approval.
- ❖ The production of the PPP procurement plan and value for money report approved by National Treasury was not achieved on both Cultural Hub and the High Altitude Training Centre. And this target was shifted to the next financial year 2017/18. Although the Department failed to perform on this target, expenditure is accumulated on a monthly basis due to the appointment of the Transactional Advisor and the additional staff.
- ❖ The number of structures created to support film development in the province has not been achieved. According to the 3rd and 4th quarter performance report, this PPI has been directed to Mpumalanga Economic Growth Agency (MEGA) by the Provincial Management Committee (PMC) and Department of Economic Development and Tourism has taken a lead and all documentations for the film structure approval are under review. This performance target affected the economic classifications on Transfers and Subsidies since it stands at 97.4%, as indicated on table 3. The performance report indicates that film structures were not supported as this function was shifted to MEGA.

Cultural hub

The Committee noted the following milestone achieved to date on the Cultural Hub and the High Training Altitude Centre:

- Progress to date on the Environmental Impact Assessment (EIA) has been submitted to Department of Agriculture, Rural Development, Land and Environmental Affairs for permitting authority on 02 May 2017 as per the deadline for final consideration.
- The Transactional Advisor has also resubmitted to National Treasury for stage 1 approval of both Cultural Hub and the High Altitude Training Centre. This is a sequel to the other submission done in December 2016 which was critiqued by National Treasury with a subsequent consultation and beefing of the submission. The submission was done on the 3 May 2017.

The following expenditure breakdown for the Cultural Hub and High Altitude Training Centre was also noted:

ACTIVITY	EXPENDITURE
1. Professional services after the completion of bankable feasibility studies- additional staff (Tsebolo Minerals)	R1, 029,573.12
2. Professional services for Tsebolo Minerals-finalisation stage 1, Bankable Feasibility Studies	R8, 841, 600.00
3. Re appointment of Wandima Consulting for professional services on: (i). Environmental Impact Assessment (EIA)-Cultural hub and application for Right of Division. (ii). Hydro geological investigation and water use licence application on Agricultural holding 56, site location of the Cultural hub.	R403,281.00
Total Expenditure	R10,274,454.12

PROGRAMME 3: LIBRARY AND ARCHIVE SERVICES

The main purpose of this programme is to provide and promote public libraries, archives and records management in the province. Its priorities include the improvement of access to facilities, the promotion of sustainable reading culture and increasing compliance to legislation and policies by governmental bodies and parastatals on the management of records.

Sub-Programme	Budget Allocation 2016/17 R'000	Adjusted budget R'000	4 th Quarter Expenditure R'000	4 th quarter Expenditure %
Library Services	173 438	203 331	39 620	19.5%
Archives Services	11 994	11 994	576	4.8%
TOTAL	187 240	215 325	40 196	18.7%

Programme 3 Expenditure Analysis

Programme 3 had a budget allocation of **R187 240 000**, which was adjusted upwards by **R28 085 000** to **R215 325 000**. Expenditure by the end of the 4th quarter was **R151 345 000 + R40 196 000 = R191 541 000 (89%)** which was 11% under spending.

Programme performance on planned targets

The performance report shows that the Department achieved seven (7) out of 11 planned targets (64%) and the quarterly expenditure was **R50 830 000 (23.6%)**. The programme performance went from 42% in the 3rd quarter to 39% in the 3rd quarter and then 64% in the 4th quarter. A slight improvement was seen in performance on targets but there was still non-correlation of budget expenditure (89%) with performance on targets (64%).

Provision of books and library materials

It was noted that the Department was slow on the procurement and delivery of library material and books. The Department reported that the outstanding 4 059 books will be procured in the 2017/18 financial year.

Incomplete library projects

As at the 3rd quarter, the Department did not achieve its targets to attain 100% completion on the following three (3) library infrastructure facilities. Progress from the 3rd quarter to the 4th quarter was noted as follows:

- Boekenhouthoek (from 65% to 100% practical completion). Final completion shifted to 2017/18 financial year, with practical handover done on 17 March 2017.
- Balfour Library (from 45% to 78% practical completion). Practical handover was due on 12 May 2017.
- Verena Library (from 68% to 100% practical completion). Practical handover was revised to 07 April 2017.

The Department envisaged completing these three (3) projects by 30 June 2017.

It was noted that the Department was implementing these libraries in a multi-year approach, which has implications for the budget and planning (APP and quarterly targets need to reflect this clearly) and the process also necessitates roll-overs every year.

Challenges in respect of incomplete library projects

The Committee asked the Department to indicate the bottlenecks hindering the completion of libraries within the stipulated time frame. It was noted that it differs from one library to another, but generally includes the following:

- Community protests
- Delay in delivery of material by suppliers
- Delay in receiving invoices for payment

Roll over to complete library infrastructure

The Committee also asked how much would be rolled over to complete the library infrastructure in the next financial year; the Department indicated that the amount requested from Provincial Treasury for roll over of funds to 2017/18 financial year to complete library infrastructure was R12 800 000. The Department reported on 12 May 2017 that the correct procedures were followed to apply for the roll-over and they were still awaiting approval in this regard from Provincial Treasury.

PROGRAMME 4: SPORT AND RECREATION

The purpose of this programme is to develop the sporting and recreation capabilities of the people of Mpumalanga.

Programme name: Sport and Recreation					
Sub-Programme	Budget Allocation 2016/17 R'000	Adjusted budget R'000	9 Months Expenditure R'000	4 th Quarter Expenditure	Total Expenditure %
Management	2 795	2 795	2 291	876	81.9%
Sports	39 991	39 791	34 617	3 660	86.9%
Recreation	26 786	25 436	20 723	12 789	81.4%
School Sport	26 578	23 528	22 690	6 513	96.4%
TOTAL	96 150	91 550	80 321	23 838	87.7%

Programme 4 Expenditure Analysis

The programme had a main budget allocation of **R96 150 000** for the financial year 2016/17, which was adjusted to **R91 550 000**. Expenditure by the end of the 4th quarter was **R80 321 000 + R8 690 000 = R89 011 000 (97%)** which is 3% under spending.

Performance in relation to planned targets

In terms of programme performance, the Department achieved 90% (9 of the 10 planned outputs) of the fourth quarter.

High Altitude Training Centre

The target on the production of PPP procurement plan and value for money report approved by National Treasury was not achieved. In the 2nd and 3rd quarters engagements the Department indicated to the Committee that the Transactional Advisor will have additional personnel to fast track achievement of this target on both Cultural Hub and the High Altitude Training Centre.

7. FINDINGS

The Committee made the following findings on the 4th quarterly report of the Department:

- 7.1. The Department applied for a roll-over of R12 800 000 in order to complete three (3) library infrastructure projects in the 2017/18 financial year.
- 7.2. The Department did not adhere to the payment of invoices within 30 days of receipt thereof. Effective measures were not put in place during the 3rd and 4th quarters to ensure compliance in this regard.
- 7.3. There was no correlation between the budget expenditure (90%) versus achievement of planned outputs (69%) in Programme 2 Cultural Affairs.

8. RECOMMENDATIONS

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

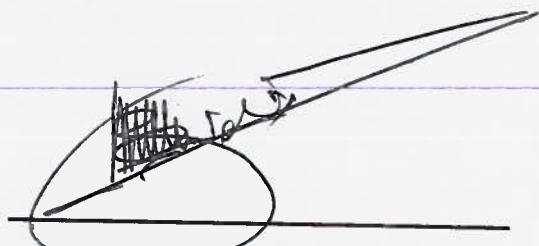
- 8.1. Ensure that rolled over funds are approved and used correctly to complete the three (3) library infrastructure projects in the 1st quarter of 2017/18 financial year. Provide a progress report by 31 July 2017 to include a breakdown of the R12 800 000 roll over.
- 8.2. Adhere to the payment of all invoices within 30 days of the receipt thereof and ensure that effective measures are put in place to avoid recurrence in this regard. Provide a progress report by 31 July 2017.
- 8.3. Ensure that monitoring and evaluation is strengthened so that the non-correlation between budget expenditure and achievement on planned outputs is prevented in all programmes and in particular Programme 2. Provide progress report by 31 July 2017.

9. CONCLUSION

The Chairperson thanked the Honourable Members of the Committee for their constructive input in consideration of the **4th quarterly performance report** of the Department of Culture, Sport and Recreation for the 2016/17 financial year. The Committee also appreciated the support staff for their assistance.

The MEC, Hon N Mahlangu was acknowledged for her strategic leadership of the Department towards fulfilling its core function, as mandated by government. The Committee appreciated the responses of the Department to the questions raised on the 4th quarter report and commended the HOD and his senior management team for their commitment to achieve the Department's objectives.

The Chairperson requests the House to adopt this Committee report with its findings and recommendations. The Department is requested to implement the House Resolutions herein and submit a progress report to the Legislature by 31 July 2017.



HON. VV WINDVOËL, MPL

**CHAIRPERSON: PORTFOLIO COMMITTEE ON
EDUCATION; CULTURE, SPORT AND RECREATION**

21/06/2017
DATE