

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

**THIRD (3rd) QUARTERLY PERFORMANCE REPORT FOR THE 2018/19 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 2018/2019 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 2018/2019 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 20 February 2019 to deliberate on the entity's research analysis on the third quarterly report and scrutinize in detail the aforementioned document and subsequently met on 19 March 2019 to consider the draft Committee report.

3. GENERAL OBSERVATIONS

The Committee observed that the entity spent an amount of R72 079 806.00 during the third quarter which is 75% of the allocated budget. The entity achieved a total of 48 targets and failed to achieve one (1) target during the third quarter. The entity did not achieve one (1) target of producing a preliminary socio economic impact report on alcohol in Mpumalanga. The reason for the non-achievement of the target is reportedly due to delayed appointment of the service provider.

4. EXPENDITURE ANALYSIS

Programme	Year 2018/19	Expenditure as at 31 December 2018	% Expenditure	Remaining budget
Executive Office	4 535 854	3 354 576	74,0	1 181 278
Licensing	10 074 389	9 102 875	90,4	971 514
Compliance	21 328 448	17 741 592	83,2	3 586 856
Gambling Audit	8 286 450	6 704 906	80,9	1 581 544
Corporate Services	36 071 908	23 145 475	64,2	12 926 433
Communications	8 175 556	6 269 494	76,7	1 906 062
Legal Services	3 673 722	2 608 424	71,0	1 065 298
Transformation and Sustainability	2 413 673	2 052 988	85,1	360 685
Board	1 750 000	1 099 476	62,8	650 524
Total	96 310 000	72 079 806	74,8	24 230 194

The Committee noted that the entity has spent R72 079 806.00 from the allocated budget of R96 310 000.00, which is 75% of the budget. The entity remains with a budget of R24 230 194.00 for use in the fourth quarter of the financial year.

5.1 Expenditure on Economic Classification

Expenditure on Economic Classification	Year 2018/19	Actual expenditure	% Expenditure
Compensation of employees	63 407 585	51 203 570	80,8

Board remuneration	1 200 000	591 500	49,3
Goods and services	30 854 415	19 946 386	64,6
Capital expenses	848 000	338 350	39,9
Total	96 310 000	72 079 806	74,8

In terms of the budget on Compensation of Employees as of the third quarter, the entity spent 81% or R51 203 570.00 of the total allocated budget of R63 407 585.00. The expenditure on Goods and Services budget is R19 946 386.00 or 65% of the allocated budget of R30 854 415.00. The expenditure on Board remuneration is R591 500.00 or 49% of the allocated budget of R1 200 000.00.

5.2 Revenue Estimates

Revenue Estimates	Estimate	Actual Revenue Collected
Total Gambling Levies	83 756 725	88 476 566
Total application and licence fees liquor	8 505 411	6 904 000
Total application and licence fees gambling	1 795 600	2 028 700
Total penalty fees	0	48 286
Total	94 057 736	97 457 553

The entity estimated that it will collect revenue of R97 457 553.00 during the third quarter, but exceeded the target by R3 399 817.00 Overall the entity collected revenue amounting to R97 457 553.00 during the third quarter.

5. PROGRAMME ANALYSIS

PROGRAMME 1: CHIEF EXECUTIVE OFFICE

The Committee noted that the entity planned to achieve five (5) targets during the quarter, namely, one (1) industry development report compiled; second draft for 2019/20 APP developed and submitted; 2018/19 second quarter report developed; one (1) quarterly programme performance review conducted; and two (2) management committee meetings

coordinated. All five (5) targets have been achieved as planned which translate to 100% achievement of targets in the programme.

Programme 1: Expenditure Analysis

Programme	Year 2018/19	Expenditure as at 31 December 2018	% Expenditure	Remaining budget
Executive Office	4 535 854	3 354 576	74,0	1 181 278

The entity spent R3 354 576.00 during the quarter which is 74% of the allocated budget of R4 535 854.00.

PROGRAMME 2: LICENSING

The Committee noted that the programme had six (6) targets planned for the quarter and achieve all six (6) targets as planned which translate to 100% achievement of targets. The achieved targets include 100 investigations of applications; 15 key employees investigations and 169 liquor manager registrations; 6 re-investigations; 1081 licence renewals; 100 other employee reviews; and 25 risk reviews.

Programme 2: Expenditure Analysis

Programme	Year 2018/19	Expenditure as at 31 December 2018	% expenditure	Remaining budget
Licensing	10 074 389	9 102 875	90,4	971 514

The entity spent R9 102 875.00 during the quarter which is 90% of the allocated budget of R10 074 389.00. The programme remains with R971 514.00 to be utilized during the fourth quarter.

PROGRAMME 3: COMPLIANCE

The Committee noted that the programme had nine (9) targets planned for the quarter and achieved all nine (9) targets which translate to 100% achievement of targets in the programme. The achieved targets include the following: 3 casino inspections conducted; 37 LPM operations inspections conducted; 27 totalizer and bookmarker inspections conducted; 2 Bingo centres inspections conducted; 1767 liquor outlet inspections conducted; 194 new gambling equipment evaluated; 1289 distribution requests evaluated; 414 machine moves and conversions conducted; and 306 law enforcement inspections conducted.

Programme 3: Expenditure Analysis

Programme	Year 2018/19	Expenditure as at 31 December 2018	% Expenditure	Remaining budget
Compliance	21 328 448	17 741 592	83.1	3 586 856

The entity spent R17 741 592.00 during the quarter which is 83% of the allocated budget of R21 328 448.00.

PROGRAMME 4: AUDIT

The Committee noted that the entity planned to achieve four (4) targets during the quarter, and achieved all which translate to 100% achievement of targets in the programme. The achieved targets in the programme includes 78 verifications performed; one (1) route operator audit performed; one (1) totalisator audit performed; and four (4) bookmarker audits performed.

Programme 4: Expenditure Analysis

Programme	Year 2018/19	Expenditure as at 31 December 2018	% Expenditure	Remaining budget
Gambling Audit	8 286 450	6 704 906	80,9	1 581 544

The entity spent R6 704 906.00 during the quarter which is 81% of the allocated budget of R8 286 450.00.

PROGRAMME 5: LEGAL SERVICES

The Committee noted that the programme had five (5) targets planned for the quarter and achieved all five (5) targets which is 100% of the achievement of targets in the programme. The achieved targets include one (1) review of the Mpumalanga gambling rules performed; one (1) status review report of compliance to laws compiled; one (1) status review report of litigation matters compiled; facilitated one (1) Board and three (3) Committee meetings; and one (1) status review report of corporate governance practices of the entity compiled.

Programme 5: Expenditure Analysis

Programme	Year 2018/19	Expenditure as at 31 December 2018	% Expenditure	Remaining budget
Legal Services	3 673 722	2 608 424	71	1 065 298

The entity spent R2 608 424.00 during the quarter which is 71% of the allocated budget of R3 673 722.00.

PROGRAMME 6: CORPORATE SERVICES

The Committee noted that the programme achieved nine (9) of the planned targets which translate to 100% achievement of targets in the programme. The achieved targets include 100% payment of legitimate invoices; three (3) financial reports compiled; one (1) risk assessment review report compiled; one (1) review of risk management register performed; one (1) internal audit facilitated; three (3) statutory returns submitted and paid; three (3) transfers of revenue made to DEDT; three (3) supply chain management compliance reports compiled; three (3) fixed asset registers updated; and one (1) employment equity report developed and submitted to Department of Labour.

Programme 6: Expenditure Analysis

Programme	Year 2018/19	Expenditure as at 31 December 2018	% Expenditure	Remaining budget
Corporate Services	36 071 908	23 583 931	65	12 487 977

The entity spent R23 583 931.00 during the quarter which is 65% of the allocated budget of R36 071 908.00.

PROGRAMME 7: COMMUNICATIONS

The Committee noted that the programme achieved nine (9) targets planned for the quarter which translate to 100% achievement of targets in the programme. The achieved targets in the programme include: one (1) PAIA manual reviewed and updated; one (1) media monitoring report compiled; one (1) exhibition report compiled; one (1) public awareness campaign report compiled; one (1) crowning event plan compiled; one (1) records management status report compiled; one (1) MSP review report for 2019/20 compiled; one (1) IT management policy reviewed; one (1) IT Management status report compiled.

Programme 7: Expenditure Analysis

Programme	Year 2018/19	Expenditure as at 31 December 2018	% Expenditure	Remaining budget
Communications	8 175 556	6 269 494	77	1 906 062

The entity spent R6 269 494.00 during the quarter which is 77% of the allocated budget of R8 175 556.00.

PROGRAMME 8: TRANSFORMATION AND SUSTAINABILITY

The Committee noted that the programme had (2) two targets planned for the quarter and achieved one (1) target which translate to 50% achievement of targets in the programme. The achieved target relates to one (1) industry analysis report compiled. The programme failed to achieve the target of conducting preliminary socio-economic impact study report. This is due to the delayed appointment of the service provider.

i. The Committee requested the entity to provide details on the progress made so far, in ensuring that the target is achieved in the fourth quarter, as it was also not achieved in the second quarter. In response, the entity indicated that the socio-economic impact study on Liquor in Mpumalanga Province has not yet commenced due to the delay experience in the appointment of the service provider. However, the entity is in the process of finalising the appointment of the service provider in the quarter under review (fourth quarter).

Programme 8: Expenditure Analysis

Programme	Year 2018/19	Expenditure as at 31 December 2018	% Expenditure	Remaining budget
Transformation and Sustainability	2 413 673	2 052 988	85	360 685

The entity spent R2 052 988.00 during the quarter which is 85% of the allocated budget of R2 413 673.00.

6. FINDING

After the deliberations with the entity, the Committee made the following finding:

6.1 The planned target on the socio-economic impact study on alcohol in the Mpumalanga Province has not been achieved during the quarter under review.

7. RECOMMENDATION

The Committee made the following recommendation:

7.1 The entity must ensure the target on socio-economic impact study in the Mpumalanga Province is achieved during the current fourth quarter of the 2018/19 financial year and submit a progress report to the Committee no later than 29 March 2019 on the implementation thereof.

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

8. CONCLUSION

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 (MER) 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 30 April 2019 and thereafter on a quarterly basis.



**HON FV MLOMBO (MPL),
CHAIRPERSON: PORTFOLIO COMMITTEE
ON PREMIER'S OFFICE; FINANCE;
ECONOMIC DEVELOPMENT AND TOURISM**

19.03.2019

DATE