

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

## **THIRD (3<sup>RD</sup>) QUARTERLY PERFORMANCE REPORT FOR THE 2018/19 FINANCIAL YEAR – MPUMALANGA TOURISM AND PARKS AGENCY (MTPA)**

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### **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 Third (3<sup>rd</sup>) Quarterly Performance Report for 2018/2019 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 2018/2019 third quarter.

### **2. METHOD OF WORK**

The Speaker referred the entity's Third (3<sup>rd</sup>) 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; met the entity on 26 February 2019 on the 2018/19 third (3<sup>rd</sup>) quarter report and subsequently met on 19 March 2019 to consider the draft Committee report.

### 3. GENERAL OBSERVATIONS

The Committee observed that the entity attained twenty-seven (27) of its thirty-five (35) planned targets, translating to 77% achievement at the end of the third quarter for the 2018/19 financial year. The entity received a total adjusted budget of R438 933 000.00 for the 2018/19 financial year, upon the end of the third quarter, the entity had spent R314 643 000.00, translating to 72% if rounded off. The entity projected to spend R108 058 000.00 at the end of the third quarter however, managed to spend R116 020 000.00 which reflect an over-spending by 7%.

Programme R'000	Planned Targets	Targets Achieved	% Targets Achieved	Adjusted Budget 2018/19	Expenditure	%
Executive Office (including Zithabiseni)	6	5	83%	67 813	54 003	79.6%
Office of the CFO	5	3	60%	33 685	21 956	65.2%
Corporate Services	7	6	86%	43 737	27 568	63.0%
Tourism	11	9	82%	41 201	30 214	73.3%
Biodiversity Conservation	5	3	60%	249 126	178 511	71.7%
Commercial Operations	1	1	100%	3 371	2 390	70.9%
<b>Total</b>	<b>27</b>	<b>35</b>	<b>77%</b>	<b>438 933</b>	<b>314 643</b>	<b>71.7%</b>

### 5. PROGRAMME ANALYSIS

#### PROGRAMME 1: EXECUTIVE OFFICE

The Committee noted that Programme 1 achieved 83% of its targets for the third quarter of the 2018/19 financial year. This programme had six (6) planned targets and achieved five (5) targets as outlined on the entity's third quarter performance report.

Sub-programme Risk Management and Internal Audit failed to resolve 10% of the audit action plan items which include: Non-compliance to SCM regulations, Appointment of Executive Managers (Biodiversity and Commercial Operations), Appointment of CFO, Irregular Expenditure not yet condoned and two (2) Concession Agreements not finalized.

i. The Committee requested the entity to provide reasons for failure to resolve audit action plan items since the first quarter of the 2018/19 financial year. The entity reported that it resolved 90% of the findings in the audit action plan; the remaining 10% unresolved audit findings relate to two (2) concession agreements not finalised because they are subject to

litigation; irregular expenditure was investigated and reports submitted to National Treasury for condonation and the appointment of Executive Managers Biodiversity and Commercial Operations are still outstanding.

### Programme 1: Expenditure Analysis

Programme R'000	Annual Budget R' 000	Adjusted Budget 2018/19	Actual Expenditure	Expenditure %
Executive Office	67 831	67 813	54 003	79.6%

Programme 1 was allocated a total budget of R67 831 000.00 for the 2018/19 financial year and has spent 79.6% of the budget in the third quarter. The budget for this programme was not adjusted during the year under review.

### Economic Classification

Classification R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Compensation of Employees	18 003	14 285	79.3%
Compensation of board	1 995	1 195	59.9%
EPWP Compensation	2 259	1 694	75.0%
Goods and Services	13 095	9 770	74.6%
Programme Cost	5 334	4 896	91.8%
Payment for Capital Assets	3 062	3 484	113.8%
<b>Total Programme Budget</b>	<b>43 747</b>	<b>35 324</b>	<b>80.7%</b>
Zithabiseni	24 065	18 678	77.6%
<b>Total Approved Budget</b>	<b>67 813</b>	<b>54 003</b>	<b>79.6%</b>

The Committee noted that the programme has spent 79.3% of the budget allocated to Compensation of Employees, 59.9% on Compensation of the Board, 75% on EPWP Compensation, 74.6% on Goods and Services, 91.8% on Programme cost and 113.8% on Payment for Capital Assets. It was also noted that Zithabiseni Resort has spent 77.6% of its budget for the third quarter.

Firstly, the entity reported that the provision made for an increment on board fees, additional meetings, and S&T on international board trips were higher than the approved rate hence the under-spending on Compensation of the Board. Secondly, the entity reported that the over-spending on Programme Cost is due to additional billing received from the Auditor General (AG) for additional review on Annual Report before printing. Lastly, it was reported that the over-spending on Payment for Capital Assets is due to upgrade and converting existing office to staff accommodation.

ii. According to the entity, the over-spending will negatively impact spending on capital assets in the fourth quarter; however the following measures are being implemented: cost curtailment measures to address possible over-spending; delay implementation of unplanned infrastructure maintenance where possible for the new financial year and shift funds from areas where there is under-spending to pay capital infrastructure requirement.

## **PROGRAMME 2: CHIEF FINANCIAL OFFICER**

The Committee noted that Programme 2 has achieved 60% of its targets for the third quarter of the 2018/19 financial year. This programme had five (5) planned targets and achieved three (3) targets as outlined on the entity's third quarter performance report. Sub-programme: Financial and Management Accounting collected R2 200 000.00 instead of R3 800 000.00 in the third quarter due to inadequate marketing activities. The sub-programme also failed to develop one (1) financial model by December 2018.

i. The entity is intending to address the shortfall on revenue collection by ensuring effective implementation of the approved Revenue Collection Enhancement Plan; the entity has established an internal committee to monitor the implementation of the revenue collection enhancement plan; marketing activities conducted as part of the revenue collection enhancement plan were identified strategic marketing partners for sales and marketing platform and printing and distribution of brochures and flyers; mall activations which entails distribution of flyers, running of competitions, direct marketing, etc.; uploaded seasonal special rates on MTPA website; packaged seasonal special rates offered to tourists to encourage them to stay longer in some of the nature reserves such as Manyeleti, Andover, Blyde River Canyon, Songimvelo, Loskop Dam and SS Skosana Nature Reserves. The entity reported that it has a marketing strategy which is a long term and generic destination marketing tool.

## Programme 2: Expenditure Analysis

Programme R'000	Annual Budget R' 000	Adjusted Budget 2018/19	Actual Expenditure	Expenditure %
Financial Officer	31 684	33 684	21 956	65.2%

The budget for this programme increased by R2 000 000.00 during budget adjustment and the entity managed to spend 65.2% of the R33 684 000.00 total adjusted budget by the end of the third quarter.

## Economic Classification

Classification R' 000	Annual Adjusted Budget	Actual Expenditure	Expenditure %
Compensation of Employees	17 642	10 808	61.3%
Goods and Services	14 574	10 439	71.6%
Programme Cost	1 393	633	45.4%
Payment for Capital Assets	75	76	101.3%
<b>Total</b>	<b>33 684</b>	<b>21 956</b>	<b>65.2%</b>

Programme 2 spent 61.3% of its allocated budget for Compensation of Employees, 71.6% on Goods and Services, 45.4% on Programme Cost and 101.3% on Payment for Capital Assets.

The entity reported that under-spending on Programme Cost is due to Assets valuation which will be conducted in the fourth quarter, while over-spending on Capital Assets is due to Assets Unit which was procured through proceeds received from assets disposals.

## PROGRAMME 3: CORPORATE SERVICES

The Committee noted that Programme 3 has achieved 86% of its targets for the third quarter of the 2018/19 financial year. This programme had seven (7) planned targets and achieved six (6) targets as outlined on the entity's third quarter performance report. Sub-programme: Human Resource failed to develop/review and approve four (4) policies.

i. The entity reported that the challenges that were experienced in developing and reviewing policies were that the required consultations with internal stakeholders (employees) took longer than anticipated; as a result the planned process of approval did not go as planned

thus resulting in further delays. Following the completion of the protracted consultation process, two (2) out of the four (4) planned policies were approved in the second quarter. The two (2) outstanding policies will be submitted to the Board for approval in the fourth quarter.

### Programme 3: Expenditure Analysis

Programme R'000	Annual Budget	Adjusted Budget 2018/19	Actual Expenditure	Expenditure %
Corporate Service	43 737	43 737	27 568	63.0%

Programme 3 was allocated an annual budget of R43 737 000.00 for the 2018/19 financial year and has spent 63.0% of the budget in the third quarter. The budget for this programme was not adjusted during the year under review.

### Economic Classification

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	20 355	13 742	67.5%
Goods and Services	9 990	7 236	72.4%
Programme Cost	12 105	5 447	45.0%
Payment for Capital Assets	1 287	1 143	88.8%
<b>Total</b>	<b>43 737</b>	<b>27 568</b>	<b>63.0%</b>

The programme spent 67.5% of the budget allocated to Compensation of employees, 72.4% on Goods and services, 45.0% on Programme Cost and 88.8% on Capital Assets.

The entity indicated that the low spending on CoE is due to saving on vacant posts for both Legal Secretary and Manager Employee Relations. It was also reported that more expected activities on legal fees did not materialize this quarter hence the under-spending on Programme Cost. The entity further reported that the over-spending on Capital Assets is due to procurement of Laptops and Desktops which were originally earmarked for the fourth quarter.

## PROGRAMME 4: TOURISM

The Committee noted that Programme 4 has achieved 82% of its targets for the third quarter of the 2018/19 financial year. This programme had eleven (11) planned targets and achieved nine (9) targets as outlined on the entity's third quarter performance report. Sub-programme Marketing failed to present a Final Signature Events Support Strategy and to host a Regional Tourism Investment Summit. The entity further reported that the Inter-Ministerial Committee of partners resolved to have the Regional Tourism Investment Summit during the month of July 2019 in Kwazulu-Natal.

### Programme 4: Expenditure Analysis

Programme R'000	Annual Budget R'000	Adjusted Budget 2018/19	Actual Expenditure	Expenditure %
Tourism	34 201	41 201	30 214	73.3%

The budget for this programme increased by R7 000 000.00 during budget adjustment and the entity managed to spend 73.3% of the R41 201 000.00 total adjusted budget by the end of the third quarter.

### Economic Classification

Classification R'000	Adjusted Budget	Actual Expenditure	Expenditure %
Compensation of Employees	21 038	15 299	72.7%
Goods and Services	862	1 341	155.6%
Programme Cost	17 301	13 574	78.5%
<b>Total</b>	<b>39 201</b>	<b>30 214</b>	<b>77.1%</b>

The entity spent 72.7% of its allocated budget for Compensation of Employees, 155.6% on Goods and Services and 78.5% on Programme Cost. The entity indicated that the over-spending on Goods and Services was due to increase on vehicle reimbursement with additional marketing activities conducted in Tourism. It was also noted that the figures for annual adjusted budget reflected under Economic Classifications are under budgeted by R2 000 000.00.

i. The Committee requested the entity to provide the marketing activities conducted in the third quarter, given that upgraded nature reserves such as Manyeleti are still not well advertised. The entity indicated that it conducted marketing activities as follows: identified strategic marketing partners for sales and marketing platform; printing and distribution of brochures and flyers; mall activations at Acornhoek and Thulamahashe malls in the month of November 2018; uploaded seasonal special rates on MTPA website; packaged seasonal special rates offered to tourists to encourage them to stay longer in some of the nature reserves such as Manyeleti and Andover Nature Reserves.

ii. The entity reported that it plans to even the expenditure for Goods and Services through the implementation of cost curtailment measures to address possible over-spending and the shifting of funds from areas where there is under-spending.

iii. According to the entity, the adjusted budget allocation under Programme Cost was an error of calculation on the Economic Classification as it should have been R19 300 000.00 instead of R17 300 000.00. However, the final figure in the summary was accurate. This error has since been corrected.

## **PROGRAMME 5: BIODIVERSITY CONSERVATION**

The Committee noted that Programme 5 has achieved 60% of its targets for the third quarter of the 2018/19 financial year. This programme had five (5) planned targets and achieved three (3) targets as outlined on the entity's third quarter performance report.

Sub-programme: Protected Areas and Development received 117 417 instead of 282 583 paying visitors in nature reserves due to lack of Marketing. Sub-programme Conservation Services conducted thirteen (13) instead of twenty-five (25) inspections to ensure compliance with NEMA related regulations due to lack of human resource.

i. The entity reported that it is planning to strengthen marketing in order to improve the number of visitors to nature reserves through the enhancement of the reservation system; expand the online payment system; familiarisations trips for tour operators and media; provision of incentives to tour operators and expansion of product offerings in the nature reserves, such as bush braais, additional walking trails, bush camps, etc.

ii. The entity indicated that it has put in place new systems to enhance revenue collection at entrance gates, namely speed points; fake notes detector machines; cash registers and surveillance cameras. The above systems are currently operational at some of the entity's nature reserves, namely, Blyde River Canyon, Loskop Dam, Manyeleti and Andover Nature



Reserves. The entity further stated that there are challenges due to poor electronic communication connectivity owing to some of the areas being under serviced.

### Programme 5: Expenditure Analysis

Programme R'000	Annual Budget R'000	Adjusted Budget 2018/19	Actual Expenditure	Expenditure %
Tourism	245 626	249 126	178 511	71.1%

The budget for this programme increased by R3 500 000.00 during budget adjustment and the entity managed to spend 71.7% of the R249 126 000.00 total adjusted budget by the end of the third quarter.

### Economic Classification

Classification R'000	Adjusted Budget 2018/19	Actual Expenditure	Expenditure %
Compensation of Employees	211 739	152 286	71.9%
Goods and Services	19 761	17 326	87.7%
Programme Cost	14 398	5 101	35.4%
Capital Assets	3 228	3 798	117.7%
<b>Total</b>	<b>249 126</b>	<b>178 511</b>	<b>71.7%</b>

This programme has spent 71.9% of the budget allocated to Compensation of Employees, 87.7% on Goods and Services, 35.4% on Programme cost and 117.7% on Capital Assets.

The entity reported that low spending on Programme Cost is due to late commencement projects for Community Benefits and Youth Environment Service, while over-spending on Capital Assets is due to vehicles budgeted for the first quarter, but was delivered in the third quarter with an increased price.

- i. With regards to the vehicles which were budgeted for in the first quarter but were delivered in the third quarter, the entity should indicate that the initial order cost was R3 600 000.00 and the quantity of vehicles was twelve (12).
- ii. The entity further stated that the actual delivery order price is R3 700 00.00 for the twelve (12) vehicles.

iii. The Committee enquired on what has influenced the increase in price for the vehicles. In response, the entity mentioned that it is participating in the government transversal RT57 contract. The contracted dealer participating in this contract increased the price of vehicle as per the contractual conditions of their business, that is their vehicle prices increase quarterly and the delay in the delivery from the supplier was due to the vehicles still being manufactured thus resulting in the increase mentioned above.

## **PROGRAMME 6: COMMERCIAL OPERATIONS**

The Committee noted that Programme 6 has achieved 100% of its targets for the third quarter of the 2018/19 financial year. This programme had one (1) planned target and managed to achieve it accordingly.

### **Programme 6: Expenditure Analysis**

Programme R'000	Annual Budget R'000	Adjusted Budget 2018/19	Actual Expenditure	Expenditure %
Commercial Operations	3 371	3 371	2 390	70.9%

The programme had an annual budget of R3 371 000.00 for the 2018/19 financial year and spent 70.9% of the budget in the third quarter. The budget for this programme was not adjusted during the year under review.

### **Economic Classification**

Classification R'000	Adjusted Budget 2018/19	Actual Expenditure	Expenditure %
Compensation of Employees	1 411	420	29.7%
Goods and Services	18	0	0%
Programme Cost	1 942	1 970	101.4%
Total	3 371	2 390	70.9%

The entity reported that the Programme 6 has spent 29.7% of the budget allocated to Compensation of Employees and 101.4% on Programme Cost.

The entity further reported that the low spending on CoE is as result of contracts that ended for employees in this section. The entity also stated that over-spending on Programme Cost is due to increased activities on commercialisation of reserves.

## **6. FINDINGS**

**After the interaction with the entity, the Committee made the following finding:**

- 6.1. There is an over-spending on Programme 1, which will negatively impact spending on Capital Assets in the fourth quarter of the current 2018/19 financial year.
- 6.2. There is under collection of revenue under Programme 2 due to inadequate marketing.

## **7. RECOMMENDATIONS**

**The Committee made the following recommendation:**

- 7.1. The entity must ensure that the measures put in place to curb over-spending on Capital Assets are implemented in the fourth quarter of the current 2018/19 financial year.
- 7.2. (a) The entity must address the shortfall on revenue collection by ensuring effective implementation of the approved Revenue Collection Enhancement Plan. Furthermore, the entity must submit this plan to the Committee by 29 March 2019.  
(b) The entity must strengthen their marketing activities according to their marketing strategy and ensure that adequate revenue is collected in the final quarter of the 2018/19 financial year.

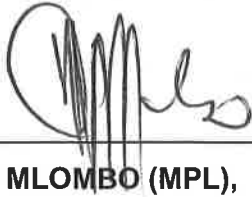
The Committee moves that the House adopts the report with the above recommendations.

## **8. CONCLUSION**

The Chairperson wishes to express his gratitude to the MEC, Mr SE Kholwane, Acting HOD Mr NM Sebitso 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 third (3<sup>rd</sup>) 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 30 April 2019 and thereafter on a quarterly basis.



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

19.03.2019

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**DATE**