

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

**FOURTH (4<sup>th</sup>) QUARTERLY PERFORMANCE REPORT FOR THE 2017/18 FINANCIAL  
YEAR – MPUMALANGA ECONOMIC REGULATOR (MER)**

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**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 Fourth (4<sup>th</sup>) 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 fourth quarter.

**2. METHOD OF WORK**

The Speaker referred the entity's Fourth (4<sup>th</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 30 May 2018 to deliberate on the entity's research analysis on the fourth quarterly report and scrutinize in detail the aforementioned document; met the entity on 21 June 2018 on the 2017/18 fourth (4<sup>th</sup>) quarter report and subsequently met on 01 August 2018 to consider the draft Committee report.

### 3. GENERAL OBSERVATIONS

The Committee observed that the entity spent an amount of R50 236 313.00 during the fourth quarter which is almost 100% of the allocated budget, with a variance of only R9 619.00. The entity achieved 43 out of 47 targets that were planned for the quarter and revenue collection is less than the projected revenue by 9%. The entity is still finalising the settlement negotiations on the 4<sup>th</sup> casino licence matter.

### 4. EXPENDITURE ANALYSIS

Programme	Annual budget	Total Expenditure per programme	% Spent as at 31 March 2018	Variance
	Year 2017/18	Year 2017/18		
Chief Executive office	1 800 786	1 788 329	99	12 457
Board	773 343	696 222	90	77 121
Licensing	4 738 731	4 794 084	101	-55 353
Compliance	10 144 091	10 145 831	100	-1 740
Audit	3 661 433	3 608 090	99	53 343
Legal Services	1 569 275	1 556 704	99	12 571
Corporate Services	22 741 194	23 111 417	102	-370 223
Communications	3 461 663	3 351 619	97	110 044
Transformation and Sustainability	1 355 416	1 184 018	87	171 398
<b>Total</b>	<b>50 245 932</b>	<b>50 236 313</b>	<b>100</b>	<b>9 619</b>

The Committee noted that the entity has been allocated a budget of R50 245 932.00 for the last two quarters of the 2017/18 financial year and spent R50 236 313.00 as of the end of the fourth quarter, which is 100% of the allocated budget. The entity remains with a variance of only R9 619.00.

#### 4.1 Revenue Collection

Description	Projected revenue	Actual revenue	% collected	Variance
Total Gambling Levies	51 900 000	50 408 511	97	1 491 448
Total application, penalties and licence fees liquor	6 881 900	3 059 700	44	3 822 200
Total application, penalties and licences fees gambling	141 000	247 757	146	(106 757)
<b>Total revenue collection</b>	<b>58 922 900</b>	<b>53 716 009</b>	<b>91</b>	<b>5 206 891</b>

During the quarter under review, the entity collected 91% of the projected revenue. The total revenue from gambling levies represents 97%; 44% on liquor fees; 176% on gambling fees. This indicates that the projected revenue from liquor fees has not been reached during the fourth quarter.

i. The Committee sought clarity from the entity on the reason for the under-collection of revenue on liquor fees and the measures that will be implemented to ensure that revenue collected improves in the entity. The entity reported that it collected less revenue in the period under review due to less renewals received than originally anticipated. However, year on year increase on liquor fees was as follows:

Description	MLA 2016/17	MER 2017/18	Variance
Liquor fees	R5 724 523	R6 420 200	12%

## 5. PROGRAMME ANALYSIS

### PROGRAMME 1: CHIEF EXECUTIVE OFFICE

The Committee noted that the programme had 2 targets planned for the quarter, namely, compiling and submitting 2018/19 organizational strategy; and compiling and submitting 1 quarterly performance report. The quarterly report indicates that both targets have been achieved as planned.

#### Programme 1: Expenditure Analysis

Main Budget	Actual Expenditure 4 <sup>th</sup> Quarter	% spent as at 4 <sup>th</sup> Quarter	Variance
2 248 827	1 788 329	99%	12 457

Programme 1 had a budget allocation of R1 800 786.00 and spent R1 788 329.00 as at the end of the fourth quarter. This indicates an expenditure of 99% on the allocated budget, with a variance of only R12 457.00.

### PROGRAMME 2: LICENSING

The Committee noted that the programme had 5 targets planned for the quarter and achieved only 4 targets. The programme failed to achieve 1 target, namely granting of 4<sup>th</sup> Casino licence. This is reportedly due to the settlement negotiations on a court judgement that have not yet been finalized. The timeframe has not been indicated on the finalization of the settlement.

i. The entity subsequently reported that the deadline as agreed between the parties concerning the finalization of the settlement negotiations is 28 August 2018.

#### **Programme 2: Expenditure Analysis**

<b>Main Budget</b>	<b>Actual Expenditure 4<sup>th</sup> Quarter</b>	<b>% spent as at 4<sup>th</sup> Quarter</b>	<b>Variance</b>
4 738 731	4 794 084	101%	55 353

The programme had a budget allocation of R4 738 731.00 and spent R4 794 084.00 as at the end of the fourth quarter. This indicates an expenditure of 101%, indicating a variance of R55 353.00. There has been a slight over-expenditure of 1% on the budget allocated to the programme.

#### **PROGRAMME 3: COMPLIANCE**

The Committee noted that the programme had 9 targets planned for the quarter and it achieved 7 of the planned targets. The non-achieved targets relate to 1 distribution request not evaluated and 53 machine moves and conversions not evaluated. This is reportedly due to fewer applications received than planned.

#### **Programme 3: Expenditure Analysis**

<b>Main Budget</b>	<b>Actual Expenditure 4<sup>th</sup> Quarter</b>	<b>% spent as at 4<sup>th</sup> Quarter</b>	<b>Variance</b>
10 144 091	10 145 831	100%	1 740

Programme 3 had a quarterly budget allocation of R10 144 091.00 and spent R10 145 831.00 as at the end of the fourth quarter. This indicates an expenditure of 100%, with slight variance of only R1 740.00.

#### **PROGRAMME 4: AUDIT**

The Committee noted that the programme had 4 targets planned for the quarter and has achieved all the targets as planned. The targets included various audits related to Bingo centre, bookmarker and route operator audits.

#### Programme 4: Expenditure Analysis

Main Budget	Actual Expenditure 4 <sup>th</sup> Quarter	% spent as at 4 <sup>th</sup> Quarter	Variance
3 661 433	3 608 090	99%	53 343

Programme 4 had a budget allocation of R3 661 433.00 and spent R3 608 090.00 as at the end of the fourth quarter. This indicates an expenditure of 99%, with a variance of R53 343.00.

#### PROGRAMME 5: LEGAL SERVICES

The Committee noted that the programme had 5 targets planned for the quarter and it 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	Actual Expenditure 4 <sup>th</sup> Quarter	% spent as at 4 <sup>th</sup> Quarter	Variance
1 569 275	1 556 704	99%	12 571

Programme 5 had a budget allocation of R1 569 275.00 and spent R1 556 704.00 as at the end of the fourth quarter. This indicates an expenditure of 99%, indicating a variance of R12 571.00.

#### PROGRAMME 6: CORPORATE SERVICES

The Committee noted that the programme had a total of 14 targets planned for the quarter and achieved 13 targets. The programme managed to achieve the third quarterly target of facilitating 1 employee wellness session. The entity has however not reported on the target of 1 budget for 2019/20 financial year.

#### Programme 6: Expenditure Analysis

Main Budget	Actual Expenditure 4 <sup>th</sup> Quarter	% spent as at 4 <sup>th</sup> Quarter	Variance
22 741 194	23 111 417	102%	370 223

Programme 6 had a quarterly budget allocation of R22 741 194.00 and spent R23 111 417.00 as at the end of the fourth quarter. This indicates an expenditure of 102%, indicating an over-expenditure of R370 223.00.

#### **PROGRAMME 7: COMMUNICATIONS**

The Committee noted that the programme had 9 targets planned for the quarter and achieved 8 targets. The programme has not reported on the target of, third quarter performance report compiled and distributed.

#### **Programme 7: Expenditure Analysis**

<b>Main Budget</b>	<b>Actual Expenditure 4<sup>th</sup> Quarter</b>	<b>% spent as at 4<sup>th</sup> Quarter</b>	<b>Variance</b>
3 461 663	3 351 619	97%	110 044

Programme 7 had a budget allocation of R3 461 663.00 and spent R 3 351 619.00 as at the end of the quarter. This indicates an expenditure of 97%, which indicates a variance of R110 044.00.

#### **PROGRAMME 8: TRANSFORMATION AND SUSTAINABILITY**

The programme had 1 target planned for the quarter and achieved the target as planned; 1 Industry analysis report was compiled.

#### **Programme 8: Expenditure Analysis**

<b>Main Budget</b>	<b>Actual Expenditure 4<sup>th</sup> Quarter</b>	<b>% spent as at 4<sup>th</sup> Quarter</b>	<b>Variance</b>
1 355 416	1 184 018	87%	171 398

The programme had a budget allocation of R1 355 416.00 and spent R1 184 018.00 as at the end of the quarter. This indicates an expenditure of 87%, which indicates a variance of R171 398.00.

## **6. FINDING**

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

6.1 The entity reported that the deadline as agreed between the parties concerning the finalization of the settlement negotiations on the 4<sup>th</sup> Casino licence is 28 August 2018.

## 7. RECOMMENDATION

**The Committee made the following recommendation:**

7.1 The entity must submit a progress report to the Committee with regards to the finalization of the settlement negotiations on the 4<sup>th</sup> Casino licence by 03 September 2018.

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, Mr NM Sebitso, the Chairperson Mr ME Mbhele, the CEO Mr B Mlambo, the CFO Mr L Maseko and senior management 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 fourth (4<sup>th</sup>) 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 31 August 2018 and thereafter on a quarterly basis.**



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

01. 08. 2018

**DATE**

