

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

FIRST QUARTERLY PERFORMANCE REPORT FOR THE 2019/20 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, 1996 (the Constitution) read with Rule 131(1)(b) of the Mpumalanga Provincial Legislature (the rules) to oversee the performance of the Mpumalanga Economic Regulator (the entity) and hold it accountable through various measures.

The consideration and scrutiny of the First Quarterly Performance Report for the 2019/20 financial year 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 period under review.

2. METHOD OF WORK

The Speaker referred the entity's 1st 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.

The Committee received a briefing from the Research Unit on the analysis of the 1st quarter report. The Researcher briefed the Committee on the efficiency of the report to meet the policy priorities of the entity in line with its allocated budget. The Committee raised questions that were sent to the entity for written responses.

The entity appeared before the Committee on 29 August 2019. Thereafter, the Committee met to consider its report.

3. GENERAL OBSERVATIONS

The Committee noted that the entity spent an amount of **R24 029 083.00** during the 1st quarter, which is 25% of the allocated budget. The entity achieved 41 out of the 42 planned targets. The non-achieved target relates to Programme 4: *conducting 3 verifications* during the quarter. The entity exceeded the target on revenue collection by 6%. The entity collected **R32 800 000** during the quarter.

4. UPDATED PROGRESS REPORT ON HOUSE RESOLUTIONS

The Committee considered an updated progress report in relation to the implementation of the House Resolutions emanating from the Committee report for the entity's 4th Quarterly Performance Report for the 2018/19 financial year and report on the 2019/20 budget and APP. The Committee had to check the relevance of the progress the entity submitted against Resolutions of the House (see Annexure A & B).

5. MEC'S OVERVIEW

The MEC presented a brief overview on the entity's performance. The following points were noted from the overview presented:

- a. The MEC reported that the entity continues to perform as mandated. Furthermore, he indicated that it continues to implement its plans, as per the approved Annual Performance Plan.
- b. In this regard, the entity continued to regulate the gambling and liquor industries, including creating awareness on the social-ills associated with these industries.
- c. The entity has collected revenue due to the fiscus, in terms of gambling levies and liquor license fees:

6. BUDGET AND EXPENDITURE TREND

Table 1: budget and expenditure trend for Programme 1:

Programme	Year 2019/20	Quarterly Projected Expenditure	Actual Expenditure	Remaining Budget	% Expenditure
Executive Office	4 844 035	1 211 009	1 168 852	3 675 183	24,13
Licensing	12 674 423	3 218 609	3 223 771	9 450 652	25,44

Compliance	25 054 014	6 263 504	6 259 898	18 794 116	24,99
Gambling Audit	9 737 944	2 400 486	2 378 134	7 359 810	24,42
Corporate Services	24 514 825	7 132 451	6 806 489	17 708 336	27,76
Communications	8 899 299	2 224 825	2 242 005	6 657 294	25,19
Legal Services	3 730 118	926 530	925 600	2 804 518	24,81
Transformation and Sustainability	2 872 842	718 211	719 344	2 153 498	25,04
Board	15 275 00	304 375	304 990	1 222 510	19,97
Total	93 855 000	24 400 000	24 029 083	69 825 917	25,60

The Committee noted that the entity spent **R24 029 083.00** from the allocated budget of **R93 855 000.00**, which is 25% of the budget.

6.1 Expenditure on Economic Classification

Table 2: Expenditure per Economic Classification:

Expenditure on Economic Classification	Year 2019/20	Quarterly projection	Actual Expenditure	Over/ Under Expenditure	% Spent
Compensation of employees	74 115 212	18 528 803	18 505 381	55 609 831	25
Board remuneration	950 000	160 000	155 000	795 000	16
Goods and services	18 789 789	5 711 197	5 350 762	13 439 027	28
Capital expenses	0		17 940	-17 940	-
Total	93 855 000	24 400 000	24 029 083	69 825 917	26

6.2 Revenue Estimates

Table 3: Revenue Estimates

Revenue Estimates	Estimate 2019/20	Quarterly projections	Actual expenditure	Over or under collection	% Expenditure
Gambling Levies	122 000 000	29 159 760	31 006 464	- 1 846 704	106,33
License and application fees	9 975 000	-	26 041	- 26 041	100
Total penalty Fees Gambling		1 702 500	1 749 050	- 46 550	102,73
Total	131 975 000	30 862 260	32 781 555	- 1 919 295	106,22

The entity estimated to collect revenue amounting to **R30 862 260.00** during the 1st quarter. The entity over collected in its revenue by **R1 919 295.00**.

7. PROGRAMMES AND FINANCIAL PERFORMANCE

7.1. PROGRAMME 1: CHIEF EXECUTIVE OFFICE

Programme purpose

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 the following on Programme 1:

a. Spending Pattern

Table 4: Expenditure for the programme:

Programme 1	2019/20	Quarterly Projections	Actual Expenditure	% Spent	Remaining Budget
Budget	4 844 035	1 211 009	1 168 852	24	3 675 183
Total	4 844 035	1 211 009	1 168 851	24	3 675 184

The entity spent **R1 168 581.00** during the quarter, which is 24% of the allocated budget.

b. Programme Performance

The Committee noted that the programme achieved 100% (3 of its 3) planned targets in the 1st quarter of the 2019/20 financial year.

7.2. PROGRAMME 2: LICENSING

Programme purpose

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 the following on Programme 2:

a. Spending Pattern

Table 5: Budget and expenditure for the programme

Programme 2	2019/20	Quarterly Projections	Actual Expenditure	% Spent	Over/ Under Expenditure
Programme	12 674 423	3 218 609	3 223 771	25	9 450 652
Total	12 674 423	3 218 609	3 223 771	25	9 450 652

The programme spent **R3 223 771.00** during the quarter, which is 25% of the allocated budget.

b. Programme Performance

The Committee noted that the programme achieved 100% (5 of its 5) planned targets in the 1st quarter of the 2019/20 financial year.

7.3. PROGRAMME 3: COMPLIANCE

Programme Purpose

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 the following on Programme 3:

a. Spending Pattern

Table 6: budget and Expenditure for the programme

Programme 3	2019/20 Budget	Quarterly Projection	Actual expenditure	% Spent	Over/ under expenditure
Programme	25 054 014	6 263 504	6 259 898	25	18 794 116
Total	25 054 014	6 263 504	6 259 898	25	18 794 116

The programme spent **R6 263 504.00** during the quarter under review, which is 25% of the allocated budget.

b. Programme Performance

The Committee noted that the programme achieved 100% (10 of its 10) planned targets in the 1st quarter of the 2019/20 financial year.

i. Inspections conducted on liquor outlets

The Committee requested the entity to share the findings on the 1 795 inspections conducted on liquor outlets during the quarter. The entity reported that there were 333 liquor outlets that were issued with notices regarding non-compliance to licence conditions. Furthermore, the entity reported that the non-compliance issues involve amongst other trading beyond stipulated trading hours, appointment of managers, etc.

In responding to the measures put in place to ensure compliance on all operating liquor outlets, the entity reported that compliance inspections are conducted on a monthly basis. Notices are issued on non-compliance providing an opportunity to rectify the issues of non-

compliance. Repeated and serious non-compliant liquor outlets are issued with warnings and / or their licences cancelled depending on its merit. In this regard, the MER is working in collaboration with the law enforcement agencies to ensure compliance.

The entity reported that the following six (6) licences were cancelled during the quarter under review:

1. Taribo Lifestyle – Barberton
2. Da Place@Emba - Embalenhle
3. Mangweni Tavern – Embalenhle
4. Thando Tavern – Embalenhle
5. Magagula Eating House – Embelenhle
6. Phola Park Tavern – Embelenhle

7.4. PROGRAMME 4: AUDIT

Programme Purpose

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

The Committee noted the following on Programme 4:

a. Spending Pattern

Table 7: Budget and expenditure for the programme:

Programme 4	2019/20	Quarterly Projections	Actual expenditure	%Growth	Remaining Budget
Budget	9 737 944	2 400 486	2 378 134	24	7 359 810
Total	9 737 944	2 400 486	2 378 134	24	7 359 810

The programme spent **R2 378 134.00** during the quarter which is 24% of the allocated budget.

b. Programme Performance

The Committee noted that the programme achieved 80% (4 of its 5) planned targets in the 1st quarter of the 2019/20 financial year.

i. Casino Audit

The entity failed to conduct three (3) Gambling Levy verifications. The Committee requested the entity to share the findings on the casino audit conducted and the remedial actions undertaken. The entity reported that there were no issues identified during the audit.

7.5. PROGRAMME 5: LEGAL SERVICES

Programme Purpose

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 the following on Programme 5:

a. Spending Pattern

Table 8: Budget and expenditure performance:

Programme 5	2019/20	Quarterly projections	Actual expenditure	% spent	Remaining Budget
Budget	3 730 118	926 530	925 600	25	2 804 518
Total	3 730 118	926 530	925 600	25	2 804 518
Board					
	2019/20	Quarterly projections	Actual expenditure	% Spent	Remaining budget
Budget	1 777 500	304 375	304 990	17	1 472 510
Total	1 777 500	304 375	304 990	17	1 472 510

The programme spent **R304 990.00** during the quarter which is 25% of the allocated budget.

b. Programme Performance

The Committee noted that the programme achieved 100% (5 of its 5) planned targets in the 1st quarter of the 2019/20 financial year.

7.6. PROGRAMME 6: CORPORATE SERVICES

Programme Purpose

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 the following on Programme 6:

a. Spending Pattern

Table 9: budget and expenditure performance:

Corporate Services	2019/20	Quarterly projection	Actual expenditure	% Spent	Remaining Budget
Budget	24 514 825	7 132 451	6 806 489	28	17 708 336
Total	24 514 825	7 132 451	6 806 489	28	17 708 336

The programme spent **R6 806 489.00** during the quarter which is 28% of the allocated budget.

b. Programme Performance

The Committee noted that the programme achieved 100% (9 of its 9) planned targets in the 1st quarter of the 2019/20 financial year.

7.7. PROGRAMME 7: COMMUNICATIONS

Programme Purpose

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 the following on Programme 7:

a. Spending Pattern

Table 10: Budget and expenditure performance

Programme 7	2019/20	Quarterly projections	Actual expenditure	% spent	Remaining budget
Budget	8 899 299	2 224 825	2 242 005	25	6 657 294
Total	8 899 299	2 224 825	2 242 005	25	6 657 294

The programme spent **R2 242 005.00** during the quarter, which is 25% of the allocated budget of **R8 899 299.00**.

b. Programme Performance

The Committee noted that the programme achieved 100% (4 of its 4) planned targets in the 1st quarter of the 2019/20 financial year.

7.8. PROGRAMME 8: TRANSFORMATION AND SUSTAINABILITY

Programme Purpose

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 Committee noted the following on Programme 8:

a. Spending Pattern

Table 11: Budget and expenditure performance

Programme 8	2019/20	Quarterly projections	Actual Expenditure	% Spent	Over /under expenditure
Budget	2 872 842	718 211	719 344	25	2 153 498
Total	2 872 842	718 211	719 344	25	2 153 498

The programme spent **R719 344.00** during the 1st quarter which is 25% of the allocated budget.

b. Programme Performance

The Committee noted that the programme achieved 100% (1 of its 1) planned targets in the 1st quarter of the 2019/20 financial year.

i. Industry Analysis Report

The Committee requested the entity to share the findings on the industry analysis report compiled and indicate whether there are plans in place to expand the gambling and liquor industries in the province. The entity reported that the Industry Analysis Report contains an analysis of the gambling and liquor industry in Mpumalanga considering legal activities and any possible viability of rolling out of new or expanding the existing activities as well as the evaluation of transformation of the industry. Licences were issued based on a market driven

approach. As at 31 March, a total of 294 gambling licences of various categories were issued in the province whilst the number of liquor licences stood at 5 288. In respect of gambling, the entity is currently in the process of rolling out new Bookmaker licences.

In responding to whether there are plans in place to empower black people to be major players in the gambling industry, the entity reported that Industry Transformation is indeed an integral objective of MER and is one of the key requirements that is contained in each Request for Proposal (RFP) issued by the entity. Furthermore, the entity reported that the Board also increased the Ownership Targets provided by the BBB-EE Codes of Good Practice to higher targets for local ownership to expedite transformation in the gambling industry.

8. FINDING

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

- 8.1. The entity achieved 98% (41 of 42) planned targets during the 1st quarter of the 2019/20 financial year and spent 25% of the budget.
- 8.2. The amendment of the Mpumalanga Gambling Act, which includes gambling license fees, was submitted to the Department of Economic Development and Tourism in the previous year.

9. RECOMMENDATION

The Committee made the following recommendation:

- 9.1. The entity must ensure that the target that could not be achieved during the 1st quarter relating to Programme 4 *conducting 3 verifications* is achieved before the end of the 2nd quarter of the 2019/20 financial year.
- 9.2. The entity must on a quarterly basis, update the Committee on the progress in processing this legislation.

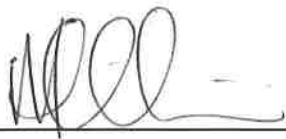
10. CONCLUSION

The Chairperson takes this opportunity to thank the Members of the Portfolio Committee for their active participation and constructive contributions during the deliberations on the

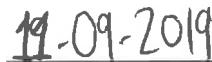
Mpumalanga Economic Regulator's First Quarter Performance Report for the 2019/20 financial year.

In addition, the Chairperson extends a word of thanks to the MEC, acting HOD for the Department of Economic Development and Tourism, MER's Board, CEO and senior management officials for availing themselves to deliberate on matters pertaining to the entity. The Chairperson would also like to thank the support staff for contributing to the production of this report.

Unless otherwise stated, a report detailing progress on the implementation of all recommendations in this report should be forwarded to the Committee by **31 October 2019** and thereafter on a quarterly basis.



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



DATE

ANNEXURE A: PROGRESS ON HOUSE RESOLUTIONS EMANATING FROM THE 2018/19 FOURTH QUARTER REPORT

HOUSE RESOLUTION	PROGRESS REPORT	STATUS
The entity must ensure the target on socio-economic impact study in the Mpumalanga Province is achieved during the first quarter of the current financial year, 2019/20.	The entity finalised the appointment of the service provider in the 4 th quarter of the 2018/19 financial year. The final report on the socio-economic impact study is due by the end of the second quarter of the 2019/20 financial year.	On-going

ANNEXURE B: PROGRESS ON HOUSE RESOLUTIONS EMANATING FROM THE 2019/20 APP AND BUDGET REPORT

HOUSE RESOLUTION	PROGRESS REPORT	STATUS
1. The entity must develop or review a detail plan of action, with timeframes on the issuing of the 4th Casino License. The detail plan must be submitted to the Committee for consideration.	1. Following the litigation matter with one of the applicants and the subsequent settlement negotiations thereof, the entity is currently in consultation with the responsible member, in respect of a way forward for the issuing of the 4 th casino license.	On-going
2. The entity must on a quarterly basis, provide a progress report to the Committee on the development of the consolidated database of all liquor licenses holders in the province.	2. A database of all liquor licenses in the province has been finalized and is accessible online. Through portal address https://www.meronline.org.za , as well as through a free-of charge SMS verification service. The database has been shared with interested	Implemented

	stakeholders, including law enforcement agencies and members of the public to view or search the register.	
3. The entity must ensure that service delivery is not negatively affected by the non-filling of the vacant positions.	The entity continues to effectively regulate both the gambling and liquor industries in the province with the limited resources.	Implemented
4. The entity must finalize the review of licensing fees before the end of the second quarter of the 2018/19 financial year and report the reviewed fees to the Committee.	1. The amendment of the Mpumalanga Gambling Act, which includes gambling license fees, were submitted last year. It is anticipated that the DEDT will take these amendments through the legislative process in due course.	On-going

