

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

## **2018/19 FOURTH QUARTER REPORT OF THE PROVINCIAL TREASURY (VOTE 03)**

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### **1. INTRODUCTION**

Rule 218 (1)(2) and (3) of the Rules and Orders of the Mpumalanga Provincial Legislature requires the Member of the Executive Council responsible for a provincial department to table quarterly reports to the Speaker, within thirty (30) calendar days after the end of the quarter.

The Portfolio Committee on Premier's Office, Finance, Economic Development and Tourism has a mandate in terms of Section 114 (2)(b) of the Constitution of South Africa, 1996 to oversee the performance of the Provincial Treasury (the treasury) and hold it accountable.

The consideration and scrutiny of the Fourth Quarter Performance Report for the 2018/19 of the treasury is the tool the Committee uses to determine whether the treasury has proper plans and programmes to realise its strategic objectives.

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

The MEC tabled the Fourth Quarter Performance Report to the Legislature. Subsequently, the Speaker of the Legislature referred the 2018/19 Fourth Quarter Performance Report to the Committee for deliberations and report back to the House, in accordance with Rule 218 of the Rules and Orders of the Mpumalanga Provincial Legislature (the rules).

The Committee considered a detailed analysis of the 2018/19 Fourth Quarter Report and raised key observations and questions that were sent to the treasury for written responses. Thereafter, on 25 June 2019, the Committee interacted with the MEC, the Acting Head Official and the Senior Management team of the treasury on the Fourth Quarter Report. The Committee met again to consider its draft report.

### **3. GENERAL OBSERVATION**

The Committee made the following general observations:

- a) The 2018/19 Fourth Quarter Report was correctly Tabled by the Honourable MEC within 30 days after the quarter as required by the rules;
- b) The treasury achieved 97% (37 of 38) planned targets during the period under review and spent 100% of the adjusted budget of **R331 670 000.00**.

### **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 treasury's 3<sup>rd</sup> Quarterly Performance Report for the 2018/19 financial year. The Committee had to check the relevance of the progress the treasury submitted against Resolutions of the House (see Annexure A).

### **5. OVERVIEW BY THE MEC**

The MEC presented a brief overview on the treasury's performance for the fourth quarter. The following points were noted on the MECs overview:

- a. The MEC indicated that that this report is one in a series of outputs that concludes the business of the fifth administration, the next report will be the Annual Report for the 2018/19 financial year.
- b. He reported that he is comfortable with the performance outcomes since the department has significantly achieved the quarterly targets as planned.
- c. There are of course some areas requiring improvement, and the treasury is working tirelessly on such to ensure effective delivery of the constitutional mandates. This includes responding to the critical issue, which has been raised quite often - that the Provincial Treasury seems to be doing well in the areas that some institutions it supports falls short.
- d. The MEC reported that he will have a meeting with the administration of the treasury to chart the way forward on this important question on the effectiveness of our support services to all provincial public sector institutions.

## 6. BUDGET ANALYSIS

The table below outlines the achievement of targets and spending per programme

### Spending per programme

Programme R'000	Planned Target	Target Achieved	% Target Achieved	Adjusted Budget 2018/19	Expenditure	% of Expenditure
Administration	8	8	100%	96 512	97 455	101.0%
Sustainable Resource Management	9	9	100%	56 871	56 538	99.4%
Assets and Liabilities Management	11	10	90%	145 915	145 548	99.7%
Financial Governance	10	10	100%	32 372	31 979	98.8%
<b>Total</b>	<b>38</b>	<b>37</b>	<b>97%</b>	<b>331 670</b>	<b>331 520</b>	<b>100.0%</b>

The adjusted budget allocation for the 2018/19 financial year is R331 670 000.00. Provincial Treasury spent 100% of this budget as at the end of the fourth quarter.

### Budget Expenditure per Economic Classification

The table below outlines the spending per Economic Classification

### Spending per Economic Classification

Programme R'000	Adjusted Budget 2018/19	Expenditure	Over/Under expenditure %
Compensation of Employees	193 594	193 703	100.1%
Goods and Services	123 831	123 683	99.9%
Total transfer for subsidies	1 664	1661	99.8%
Payment for Capital Assets	12 581	12 473	99.1%
<b>Total</b>	<b>331 670</b>	<b>331 520</b>	<b>100.0%</b>

## 7. INTERACTION WITH THE PROVINCIAL TREASURY

### 7.1. PROGRAMME 1: ADMINISTRATION

#### Programme purpose

This Programme is responsible for the political, financial and administrative management of the treasury. The programme provides prompt, continuous and effective and efficient administration support to all line functions in treasury.

The Committee noted the following on Programme 1:

**a) Spending Pattern**

Budget expenditure per Economic Classification

Programme R'000	Adjusted Budget 2018/19	Expenditure	Over/Under expenditure %
Compensation of Employees	60 828	61 112	100.5%
Goods and Services	32 181	32 681	101.5%
Total transfer for subsidies	598	598	100%
Payment for Capital Assets	2 905	3 064	105.5%
<b>Total</b>	<b>96 512</b>	<b>97 455</b>	<b>101.0%</b>

The adjusted budget for the programme is **R96 512 000.00**. The actual budget spent at the end of the fourth quarter is **R97 455 000.00** which is 101% of the budget.

**b) Programme Performance**

This programme achieved 100% (8 of its 8) targets in the fourth quarter of the 2018/19 financial year.

**7.2. PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT**

**Programme purpose**

The Programme exists to promote optimal and effective Provincial and Municipal fiscal policy in line with applicable financial management prescript.

The Committee noted the following on Programme 2:

**a) Spending Pattern**

**Budget expenditure per Economic Classification**

<b>Programme R'000</b>	<b>Adjusted budget 2018/19</b>	<b>Expenditure</b>	<b>Over/Under expenditure %</b>
<b>Compensation of Employees</b>	44 140	44 345	100.5%
<b>Goods and Services</b>	12 724	12 186	95.8%
<b>Total Transfer for Subsidies</b>	7	7	100%
<b>Total</b>	<b>56 871</b>	<b>56 538</b>	<b>99.4%</b>

The adjusted budget for Programme 2 is **R56 871 000.00**. The expenditure at the end of the fourth quarter is **R56 538 000.00** or 99,4%.

**b) Programme Performance**

This programme achieved 100% (9 of its 9) targets during the fourth quarter of the 2018/19 financial year.

**7.3. PROGRAMME 3: ASSETS AND LIABILITIES****Programme purpose**

This Programme is responsible for the monitoring and support in terms of Transversal Systems, Information Technology Services, Assets, Liabilities, Public Private Partnerships and Provincial Supply Chain Management to departments, public entities and municipalities.

The Committee noted the following on Programme 3:

**a) Spending Pattern****Budget expenditure per Economic Classification**

<b>Programme R'000</b>	<b>Adjusted budget 2018/19</b>	<b>Expenditure</b>	<b>Over/Under expenditure %</b>
<b>Compensation of Employees</b>	61 222	60 815	99.3%
<b>Goods and Services</b>	73 980	74 290	100.4%
<b>Total transfer for subsidies</b>	1 037	1 034	99.7%

<b>Payment for Capital Assets</b>	9 676	9 409	97.2%
<b>Total</b>	<b>145 915</b>	<b>145 548</b>	<b>99.7%</b>

The adjusted budget for the programme is **R145 915 000.00**. The actual budget spent at the end of the fourth quarter is **R145 548 000.00** which is 99.7% of the annual budget.

## **b) Programme Performance**

This programme achieved 90% (10 of the 11) planned targets during the fourth quarter of the 2018/19 financial year.

### **i. Information Technology**

The Committee noted that the Sub-programme; Information Technology had 94.3% instead of 95% availability of ICT (Information Communication Technology) Network due to load shedding and reported that switches were damaged during the load shedding period 01/03/2019 – 31/03/2019. The treasury reported that in order to prevent further damages on switches it will procure surge and lightning protectors to reduce the flow of electricity during power outages.

In responding to what measures will be put in place to that the ICT network is not disturbed when there is no power supply. The treasury reported that it does not have adequate resources during the 2019/20 financial year to purchase and install Uninterrupted Power Supply Systems (UPSS) and power generators. The matter will be considered during the budget preparations for the 2020/21 financial year and a pressure will be raised at the relevant committees.

## **7.4. PROGRAMME 4: FINANCIAL GOVERNANCE**

### **Programme purpose**

The objective of this Programme is to facilitate, monitor, support and provide professional advice to ensure good governance in the Province.

The Committee noted the following on Programme 4:

#### **a) Spending Pattern**

#### **Budget expenditure per Economic Classification**

<b>Programme R'000</b>	<b>Adjusted budget 2018/19</b>	<b>Expenditure</b>	<b>Over/Under expenditure %</b>
Compensation of Employees	27 404	27 431	100.1%
Goods and Services	4 946	4 526	91.5%
<b>Total transfer for subsidies</b>	22	22	100%
Payments for Capital Assets	0.0	0.0	0.0%
<b>Total</b>	<b>32 372</b>	<b>31 979</b>	<b>98.8%</b>

The adjusted budget for the programme is **R32 372 000.00**. The actual budget spent at the end of the fourth quarter is **R31 979 000.00** which is at 98.8% of the adjusted budget.

#### **b) Programme Performance**

The programme achieved 10 of its 10 (100%) planned targets during the fourth quarter of the 2018/19 financial year.

### **8. FINDING**

8.1. The Provincial Treasury spent 100% of its budget and achieved 37 out of 38 planned targets during the fourth quarter of the 2018/19 financial year.

### **9. RECOMMENDATION**

9.1. Notwithstanding the good performance noted during the period under review, the treasury must strengthen its support to other government departments, municipalities and public entities to ensure that there is improvement on their performance.

### **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 Provincial Treasury's Fourth Quarter Performance Report for the 2018/19 financial year.

In addition, the Chairperson extends a word of thanks to the MEC, the acting Head Official and senior management officials for availing themselves to deliberate on matters pertaining to the treasury. 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 15 August 2019, unless stated otherwise, 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 REPORT ON THE IMPLEMENTATION OF HOUSE RESOLUTIONS EMANATING FROM THE 2018/19 THIRD QUARTER REPORT**

HOUSE RESOLUTION	PROGRESS REPORTED	STATUS
<p>The Provincial Treasury must ensure that the Financial Recovery Plans are implemented in the municipalities as mentioned in Finding 1 above.</p>	<p>1.To date, 1 FRP has been completed and accordingly presented to Council;</p> <p>2. FRPs for other Municipalities are yet to approved and presented to Councils</p> <p>3. As part of the FRP development process, a reporting framework has also been developed and provided to municipalities;</p> <p>4. A task team will also be appointed to conduct assessment and review of progress with regard to implementation of FRPs;</p> <p>5. Ultimate implementation responsibility lies with the various municipalities.</p>	<p>On-going</p>
	<p>1. Provincial Treasury supported five (5) municipalities with reconciliations of their Valuation rolls, Billing systems and Deeds Office Data</p>	<p>implemented</p>

	<p>(Msukaligwa, Emalahleni, Emakhazeni, Victor Khanye and Thaba Chweu Local Municipalities)</p> <p>2. Emalahleni Financial Recovery Plan is at implementation stage.</p> <p>3. Financial recovery plans for Govan Mbeki, Lekwa, Msukaligwa and Thaba Chweu Draft plans developed and submitted to National Treasury for final inputs;</p> <p>4. Audit Action Plans reviewed and Provincial Treasury is in the process of assisting with and monitoring the implementation of the action plans.</p> <p>5. Training of municipalities and assistance with tariff setting: Project completed and all municipalities applied to NERSA for tariff structure approval.</p> <p>6. Mid-year Budgets: All municipal budgets analysed and feedback provided.</p>	
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