

# **REPORT OF THE PORTFOLIO COMMITTEE ON CULTURE, SPORT AND RECREATION ON THE 4<sup>TH</sup> QUARTERLY PERFORMANCE REPORT OF THE DEPARTMENT.**

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## **1. INTRODUCTION**

Rule 218 sub-rule (1) (2) and (3) of the Rules and Orders of the Mpumalanga Provincial Legislature requires Provincial Departments to table Quarterly reports in the legislature, the Member of the Executive Council to table quarterly reports of a department to the Speaker of the Legislature, within 30 calendar days after the end of a quarter. The Speaker refers the report to the relevant committee for consideration and report to the legislature. The Portfolio Committee on; Culture, Sport and Recreation is further mandated in terms of Section 114 (2) (a), (b) of the Constitution of South Africa (Act 108 of 1996) to ensure that all provincial executive organs of state are accountable to it and maintain Oversight.

The report provides a detailed account of the Departmental 4<sup>th</sup> Quarterly performance and a determination of the extent to which the Department was able to align the resources allocated for the 4<sup>th</sup> quarter of the 2018/19 financial year in fulfilling its vision, mandate, strategic goals and strategic objectives.

## **2. METHOD OF WORK**

The MEC tabled the departmental 4<sup>th</sup> quarterly performance report in the Legislature. Subsequently the Speaker referred the report to the Committee for consideration and will report back to the House. Invitations to the deliberations were issued to the MEC and HOD of the Department, the Department of Public Works, Roads and Transport; Provincial Treasury; Office of the Auditor-General (AG).

The researcher briefed the Committee on the analysis of the 4<sup>th</sup> quarterly performance report for 2018/19, meet with the Department on the 21 June 2019 to deliberate on the report.

### 3. GENERAL OBSERVATIONS

The Committee interacted with the Department and made the following observations:

- a. During the main appropriation, DCRS was allocated a budget of **R468 461 000.00** for the 2018/19 financial year and was adjusted by an increase of **R13 277 000.00 (2.8%)** resulting in a total adjusted budget of **R478 738 000.00**
- b. The Department managed to spend **R475 579 000.00** or (99.3 %) by the end of 31 March 2019. However, during the fourth Quarter the department spent **R100 001 000.00** or (20.8%) maintaining the expenditure within the budget.
- c. The department has incurred a preliminary unauthorized expenditure of **R10 216 000.00** under programme 2, Cultural affairs as a result of the second Budget adjustment which was subsequently corrected during virement as per section 43 of the PFMA.
- d. The Department over spend on Goods and Services during the 4<sup>th</sup> Quarter of 2018/19 financial year and will offset the over spending through virement processes.

### 4. FINANCIAL ANALYSIS OF THE QUARTERLY BUDGET EXPENDITURE

#### 4.1. Expenditure per programme as at the end of March 2019

According to the approved 2018/19 APP, the Department has four (4) service delivery programmes; i.e. Administration, Cultural Affairs, Library & Archives and Sports and Recreation.

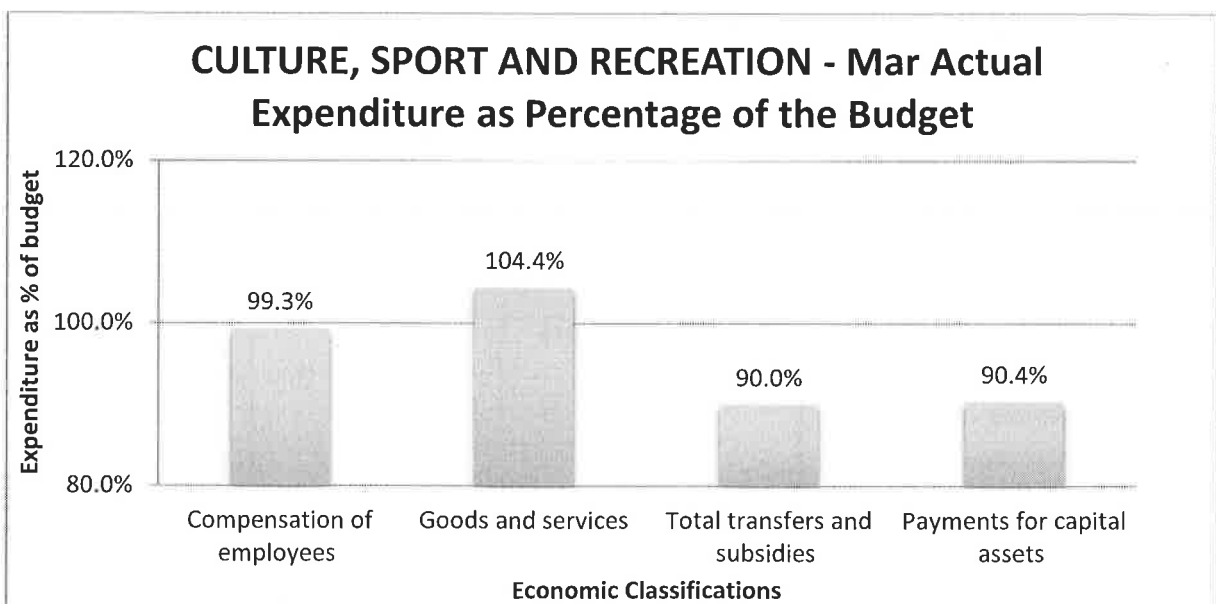
Table 1 below shows the budget allocation, adjustment and expenditure by the end of March 2019.

- a. The Department was allocated a budget of **R468 461 000.00** during the main appropriation for the financial year 2018/19. The budget was adjusted by an increase of **R102 77 000 .00** resulting in a total adjusted budget of **R478, 738 000.00**
- b. The Department accumulated an Expenditure that amounts to **R475, 579 000.00** or (99.3 %) by the end of March 2019 and underspend by an amount of **R3 159 000.00**. However, during the fourth Quarter of 2019/20 the Department spent **R100 001 000.00** or (20.8 %).

**Table: 1 DCSR 2018/19 4<sup>th</sup> quarter Budget and Expenditure.**

CULTURE, SPORT AND RECREATION																
R Thousands	Main Budget 2018/19	Adjustments	Adjusted Budget	Actual to the end of Mar 2019	Outcome as % Budget	Projections to end of Mar 2019	(Over) / under-spending	% (Over) / under-spending	Main Budget 2017/18	Adjustments	Adjusted Budget	Actual to the end of Mar 2018	Outcome as % Budget	Projections to end of Mar 2018	(Over) / under-spending	% (Over) / under-spending
<b>Programme</b>																
ADMINISTRATION	101 351	-	101 351	99 673	98.3%	-	1 678	1.7%	99 986	(1 595)	98 391	94 499	96.0%	-	3 892	4.0%
CULTURAL AFFAIRS	109 397	(1 405)	107 992	120 625	111.7%	-	(12 633)	-11.7%	132 743	(39 100)	93 643	98 518	105.2%	-	(4 875)	-5.2%
LIBRARY AND ARCHIVES SERVICES	186 403	10 000	196 403	186 187	94.8%	-	10 216	5.2%	184 158	7 716	191 874	193 213	100.7%	-	(1 339)	-0.7%
SPORT AND RECREATION	71 310	1 682	72 992	69 094	94.7%	-	3 898	5.3%	94 345	(26 166)	68 159	65 801	96.5%	-	2 358	3.5%
<b>TOTAL</b>	<b>468 461</b>	<b>10 277</b>	<b>478 738</b>	<b>475 579</b>	<b>99.3%</b>	<b>-</b>	<b>3 159</b>	<b>0.7%</b>	<b>511 232</b>	<b>(59 165)</b>	<b>452 067</b>	<b>452 031</b>	<b>100.0%</b>	<b>-</b>	<b>36</b>	<b>0.0%</b>
<b>Economic Classification:</b>																
Compensation of employees	191 926	(7 685)	184 261	182 954	99.3%	-	1 307	0.7%	173 097	(7 680)	165 217	165 448	100.1%	-	(231)	-0.1%
Goods and services	172 753	16 944	189 697	197 977	104.4%	-	(8 280)	-4.4%	185 110	6 537	191 647	198 813	103.7%	-	(7 166)	-3.7%
Interest and rent on land	-	-	-	-	-	-	-	-	-	20	20	19	95.0%	-	1	5.0%
Total transfers and subsidies	12 132	(1 030)	11 132	10 015	90.0%	-	1 117	10.0%	10 199	491	10 690	10 086	94.3%	-	604	5.7%
Payments for capital assets	91 650	1 998	93 648	84 618	90.4%	-	9 030	9.6%	142 826	(58 333)	84 493	77 663	91.9%	-	6 830	8.1%
Payments for financial assets	-	-	-	15	-	-	(15)	-	-	-	-	2	-	-	(2)	-
<b>Total</b>	<b>468 461</b>	<b>10 277</b>	<b>478 738</b>	<b>475 579</b>	<b>99.3%</b>	<b>-</b>	<b>3 159</b>	<b>0.7%</b>	<b>511 232</b>	<b>(59 165)</b>	<b>452 067</b>	<b>452 031</b>	<b>100.0%</b>	<b>-</b>	<b>36</b>	<b>0.0%</b>

Figure 1: Economic Classification expenditure of the Budget



**Adjusted Budget and Expenditure per economic classification:**

- a. Compensation of Employees the Department spent **R182 954 000.00** or **(99.3 %)** of the **R184 261 000.00** adjusted budget. The expenditure is in line with the benchmark and is expected to improve.
- b. Goods and Services the Department over spent by **R8 280 000.00** of the **R189 697 000.00** adjusted budget. It overspend by **4.4 %** overall. The classification is expected to come under pressure due to accruals and payables from prior year paid in the current year as well as changes on implementation frame work for national days.
- c. Transfers and Subsidies the Department spent **R10 015 000.00** or **(90 %)** of the **R11 132 000 .00.** of the adjusted budge which is below the benchmark due to transfers effected during the first Quarter to allow entities to report at the end of the financial year.
- d. Payments for Capital assets the Department spent **R84 618 000.00** or **(90.4 %)** of the **R93 648 000.00** adjusted budget. The expenditure is below benchmark of 100% for the fourth or last quarter mainly because of a contractor who was slow.

**Table 2: Conditional Grants allocation for 2018/19 financial year.**

Culture, Sport and Recreation	Main Appropriation	Adjusted Appropriation	Expenditure	Variance	%
Community Library Services Grant	162 479	162 479	162 334	145	100%
Mass Participation and Sport Development Grant	46 463	47 367	43 564	3 803	92%
Expanded Public Works Programme Integrated Grant for Provinces - Culture, Sport And Recreation	2 054	2 054	2 054	-	100%
Social Sector Expanded Public Works Programme Incentive Grant for Provinces - Culture, Sport And Recreation	4 375	4 375	4 375	-	100%

- The Department spent 100% of the allocation on the EPWP SOCIAL Grant, the EPWP Integrated Grant and Community Library Service Grant.

## 6. ANALYSIS OF THE PROGRAMME PERFORMANCE

### 6.1. PROGRAMME 1: ADMINISTRATION

- a. This programme provides overall management and administrative support to the Department, in accordance with the National and provincial policies, the PFMA, the public Service Act and other pieces of legislation.
- b. Programme 1 consists of four sub-programmes as follows: Strategic Management, Office of the CFO, Human Resource Management and Information Technology Support which is denoted as Corporate Services in the quarterly report.

**Table 3: Budget and expenditure for Programme 1.**

Sub-Programme Name	2018/19 Budget R'000	By the end of March 2019 R'000	Outcome as %
Administration	101 351	19 231	19 %

- a. The Department spent **R99 673 000.00** or **(98.3%)** of the **R101 351 000.00** programme allocation at the end of the fourth quarter accumulatively and 19% for the quarter. The allocated amount includes statutory budget of **R10 245 000.00** and Corporate Services budget of **R91 106 000.00**

#### **Programme performance in relation to planned targets**

- b. The Department had **13** planned targets for the programme in the fourth quarter and managed to achieve **12** or **(92%)**.

### 6.2. PROGRAMME 2: CULTURAL AFFAIRS.

The purpose of this programme is to promote cultural diversity for socio-economic development and transformation for the citizens of Mpumalanga. The programme consists of four (4) sub-programmes.

**Table 4: Budget and expenditure for Programme 2**

Programme Name:	Budget R'000	By the end of the end of March 2019	Outcome as %
Cultural Affairs 2018/19			

<b>Management</b>	1 879	520	28.1
<b>Arts and Culture</b>	65 861	24 929	23.7
<b>Museum &amp; Heritage</b>	37 339	5 058	22.8
<b>Language services</b>	2 913	497	35.1
<b>TOTAL</b>	<b>107 992</b>	<b>31 004</b>	<b>28.7</b>

The programme has an adjusted budget of **R107 992 000.00** and spent **R31 004 000.00** or **(27.8%)** during the 4<sup>th</sup> Quarter. The budget allocation include an amount of **R6 429 000.00** for EPWP integrated Grant of **R2 054 000.00** and Social Sector EPWP incentive Grant of **R4 375 000.00**. During the 4<sup>th</sup> Quarter the Department has spent **R1 678 000.00** on the Social Sector EPWP incentive Grant.

#### **Performance in relation to planned targets**

Programme 2 has achieved **91% or 11** out of its **12** planned targets in the 4<sup>th</sup> quarter of the 2018/19 financial year. This is due to the fact that the Adjudicated bids of the request for Quality (RFQ) were found to be non-responsive and the contract of the Transactional advisor lapsed while the PPP processes were still in progress.

#### **Cultural Hub and High Altitude Centre.**

- a. The contract of the Transactional advisor lapsed while the PPP processes were still in progress and had to be put on hold, but have already overspent on their adjusted allocation. –The Budget for the Cultural Hub for 2018/19 was R6, 78M and the costs incurred on the Transactional advisor Services was R3, 491M and the variance was used to offset expenditure of the High Altitude Training centre.
- b. The Department has put both the Cultural Hub and High Altitude Training Centre PPP processes on hold due to its prioritisation if Infrastructure plans in the current financial year 2019/20.
- c. This will allow the Department time to explore best options to be undertaken that will be presented to the executive.

### **6.3. PROGRAMME 3: LIBRARY AND ARCHIVE SERVICES**

The main purpose of this programme is to provide and promote public libraries, archives and records management in the province. Its priorities include the improvement of access to

facilities, the promotion of sustainable reading culture and increasing compliance to legislation and policies by governmental bodies and parastatals on records management.

**Table 5: Budget and expenditure for Programme 3**

2018/19				
Programme	Name:	Adjusted Budget R'000	By the end of March 2019	Outcome as %
<b>Library &amp; Archives</b>				
<b>Library Services</b>		192 745	26 393	13.7
<b>Archives Services</b>		3 658	678	18.5
<b>Total</b>		<b>196 403</b>	<b>27 071</b>	<b>13.7</b>

**Programme 3 Expenditure Analysis**

The Department spent **R27 071 000.00** or **(13.7%)** of the **R196 403 000.00** budget allocation. The programme under spent on capital assets mainly due to delays in the process of payments within the required time frame because of challenges with the implementation agent and has spent an amount of **R84 618 000.00** or **(90.4%)**. Library and Archives is the lowest at 1.5. % due to non-transfer of funds to the Library of the Blind.

**Programme performance on planned targets.**

The Department achieved **4** out of **12** planned targets or **(33%)** on the Programme for the Quarter under review. The department underspent mainly on capital assets due to delays in processing payments within the required time and cash flow problems of the implementing Agent.

**Library Infrastructure maintenance.**

- a. The upgrading of 3 Library facilities (Newton, Thulamahashe and Sakhile) is still under process and is due for completion in the 2019/20 financial year.
- b. [Newton Library is at **70 %**, delayed by the change of site from Chrome Ville to Newton.
- c. Thulamahashe Library was completed earlier due to construction that was faster than planned.
- d. Sakhile Library is at **70 %** slightly behind target due to technicalities with regard to the drainage system.
- e. *At Thubelihle Library construction is still at 80% completion, the project overlap from the previous Quarter because the contractor was facing cash flow problems and has since been commissioned to a new contractor.*
- f. Mashishing Library was delayed by late delivery of imported frames, which has been since delivered. All projects will be fast-tracked through the established Infrastructure Steering Committee and will be implemented as planned.

#### 6.4. PROGRAMME 4: SPORT AND RECREATION.

The purpose of this programme is to develop the sporting and recreation capabilities of the people of Mpumalanga.

**Table 6: Budget and expenditure for Programme 4**

2018/19			
Programme Name: Sport and Recreation	Adjusted Budget R'000	By the end of March 2019	Outcome as %
Management	3 092	957	30.6
Sports	20 163	3 825	22
Recreation	26 074	5 537	24.3
School Sports	23 663	10 509	29.1
<b>Total</b>	<b>72 992</b>	<b>18 523</b>	<b>25.3</b>

#### Programme 4 Expenditure Analysis

The Department spent **R18 523 000.00** or **(25.4%)** of the **R72 992 000.00** adjusted budget allocated to the programme during the 4<sup>th</sup> quarter of 2018/19 financial year. On the Mass Sport and Recreation Grant, the Department spent **R15 276 000.00** of the **R47 367 000.00** allocated during the quarter under review.

#### Performance in relation to planned targets

Programme 4 achieved **(91.6 %)** or **11** out of **12** planned targets for the quarter. The High Altitude centre could not be achieved because the contract of the transactional adviser has since lapsed.

### 7. FINDINGS.

The Committee made the following findings on the 4<sup>th</sup> quarterly performance report of the Department of Culture, Sport and Recreation:



- 7.1. According to the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> Quarter Reports the Department struggled to achieve 100 % payment of invoices.
- 7.2. The Department accumulated an amount of R56 Million on Accruals for the 2018/19 financial year mainly on infrastructure, Goods and Services.
- 7.3. The Department according to the 4<sup>th</sup> Quarter did not achieve the upgrading of the 3 Library facilities (Standerton, Thembisile and Mashishing) that were planned in the 4<sup>th</sup> Quarter.
- 7.4. The Department has put the High Altitude Training Centre and Cultural Hub PPP procurement processes on hold to allow them time to explore best options to be undertaken.
- 7.5. The Department failed to achieve the procurement of Library material, pending on the finalization of the Library management system.

## 8. RECOMMENDATIONS

Based on the findings above, the Committee recommends that the Department must:

- 8.1. Ensure that contractual obligations are settled within a reasonable time to avoid incurring unnecessary expenses resulting from interests charged on late payments and the supplier register should be monitored on an ongoing basis to make sure that all invoices are paid within 30 days.
- 8.2. Continuously monitor the payment schedule agreed upon with the National Department of Sport Art and Culture to manage Accruals.
- 8.3. Monitor the work of the Infrastructure Committee established to fast-track the implementation of the projects due for completion before the end of the 2<sup>nd</sup> Quarter of the 2019/20 financial year.
- 8.4. Explore best options to be taken on the two projects that will be presented to the Executive Council for a decision.
- 8.5. Monitor the case submitted to the office of the Premier for investigation and monitor the time frames set for the finalization of the Library management System.

Based on the above findings the committee recommends that the Department must Implement the resolutions and provide a progress report by **15 August 2019**

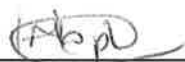
## 9. CONCLUSION.

The Chairperson thanked the Honourable Members of the Committee for their inputs , pledged the support of the Committee to the Department and applauded them for the commitment they showed when preparing for the Consideration of the 4<sup>th</sup> quarterly performance report of the Department of Culture, Sport and Recreation for the 2018/19 financial year.

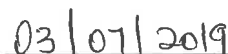
She also thanked the support staff for their commitment and support and encouraged them to maintain the good working relations.

The Committee thanked the HOD Mr GS Ntombela and his senior management team for the detailed responses to all the questions in respect of the 4<sup>th</sup> quarterly performance report.

**The Chairperson requests the House to adopt this Committee report with its findings and recommendations. The Department must implement the House Resolutions herein and submit a progress report to the Legislature on a Quarterly basis.**



HON. NE HLOPHE , MPL



DATE

**CHAIRPERSON: PORTFOLIO COMMITTEE ON  
EDUCATION; CULTURE, SPORT AND RECREATION**