

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

## FIRST (1st) QUARTERLY PERFORMANCE REPORT FOR THE 2019/20 FINANCIAL YEAR – MPUMALANGA TOURISM AND PARKS AGENCY (MTPA)

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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 Tourism and Parks Agency (the entity) and hold it accountable through various measures.

The consideration and scrutiny of the First Quarterly Performance Report for 2019/20 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 2019/20 first quarter.

### 2. METHOD OF WORK

The Speaker referred the entity's First Quarterly Performance Report to the Committee for consideration and report back to the Legislature, as contemplated in Rule 218 of the Rules and Orders of Mpumalanga Provincial Legislature (the Rules).

The Committee met to deliberate on the entity's research analysis of the first quarterly report and scrutinized the aforementioned document, where-after, the Committee met the entity on 29 August 2019, to deliberate on the first quarter report and subsequently met to consider the draft committee report.

### **3. UPDATED PROGRESS REPORT ON HOUSE RESOLUTIONS ON THE 2018/19 FOURTH QUARTERLY PERFORMANCE REPORT AND THE 2019/20 ANNUAL PERFORMANCE PLAN**

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 2018/19 Fourth Quarterly Performance Report and the 2019/20 Annual Performance Plan. The Committee had to ascertain the relevance of the progress responses submitted by the entity against the resolutions of the House (see Annexure A and B).

### **4. GENERAL OBSERVATIONS**

The Committee made the following observations in relation to the entity's 2019/20 first quarterly performance:

- The entity attained 36 of its 47 planned targets, translating to 76% at the end of the first quarter of the 2019/20 financial year.
- The entity received a total budget of R457 368 000.00 for the 2019/20 financial year; at the end of the first quarter, the entity had spent R107 112 000.00, translating to 23%.
- The entity projected to spend R119 875 000.00 at the end of the first quarter; however, it only spent R107 112 000.00, which reflects an under-spending by 11%.
- The spending pattern per programme indicates some fluctuations; with Programme 4: Tourism being the highest in expenditure at 25.4% while Programme 6: Commercial Operations is the lowest in expenditure at 19.1%.

### **5. PROGRAMME ANALYSIS**

#### **5.1 PROGRAMME 1: EXECUTIVE OFFICE**

The responsibility of this programme is to provide strategic support and oversee specialist functions.

The Committee noted that Programme 1 achieved 100% of its targets for the first quarter of the 2019/20 financial year. This programme had nine (9) planned targets and achieved all of them as outlined on the department's first quarter performance report. The Committee commends the entity for its good performance.

*Programme expenditure:*

Programme R'000	Annual Budget 2019/20	Actual Expenditure	Expenditure %
<b>Executive Office</b>	80 888	18 695	23.1%

This programme had a total budget of R80 888.000.00 for the 2019/20 financial year and has spent **23.1%** of the budget at the end of the first quarter.

*Economic Classification:*

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
<b>Compensation of Employees</b>	20 698	5 001	24.2%
<b>Compensation of Board</b>	2 474	864	34.9%
<b>EPWP Compensation</b>	2 500	414	16.6%
<b>Goods and Services</b>	13 642	2 974	21.8%
<b>Programme Cost</b>	6 921	1 127	16.3%
<b>Payment for Capital Assets</b>	9 000	634	7.0%
<b>Total Programme Budget</b>	<b>55 235</b>	<b>11 014</b>	<b>19.9%</b>
<b>Zithabiseni Resort</b>	25 654	7 679	29.9%
<b>Total Approved Budget</b>	<b>80 889</b>	<b>18 693</b>	<b>23.1%</b>

- I. The entity reported that the over-expenditure on Compensation for the Board is as a result of preparations and attendance of the Company Secretary's disciplinary hearing. The disciplinary hearing was for honouring of tourism events invitations from sister entities, such as Crowning of Miss Mpumalanga, which was not budgeted for. Furthermore, the entity reported that the low spending on Payment for Capital Assets was as a result of planned infrastructure and building development projects that commenced at different periods during the quarter.

- II. The entity reported that the outcome of the disciplinary hearing, and that it recommended a dismissal of the Company Secretary; however, the secretary has referred the matter to the CCMA. The entity will keep the Committee updated on this matter.
  
- III. The Committee noted that the entity's under-spending on Payment of Capital Assets was due to some maintenance and repair projects that commenced in the first quarter that did not achieve the planned milestones to justify progress payments because deliverables commenced at different stages.

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

The purpose of this programme is to provide financial management services.

The Committee noted that Programme 2 had three (3) planned targets for the first quarter of the 2019/20 financial year and achieved two (2) targets, which translates to 67% as outlined on the entity's first quarter performance report. Sub-programme: Financial and Management Accounting collected R10 000 000.00 instead of R13 000 000.00 in the first quarter, due to protest action by employees that delayed Game Capture and Trophy Hunting activities.

- I. The committee noted that the entity's failure to generate R3 000 000.00 was due to the protest action, which led to loss of revenue collection on certain stream; eg: entrance fees, accommodation and trophy hunting.
  
- II. The entity reported that an amount estimated to be R1 7000 000.00 was lost in revenue during the protest action by employees, the figure was determined by an analysis of revenue collection from various revenue collection streams for the period before the strike. The revenue loss was from day visitors' entrance fees and cancelled accommodation bookings.

*Programme expenditure:*

<b>Programme R'000</b>	<b>Annual Budget 2019/20</b>	<b>Actual Expenditure</b>	<b>Expenditure %</b>
<b>Financial Officer</b>	28 849	6 123	21.2%

This programme had a total budget of R28 849 000.00 for the 2019/20 financial year and has spent 21.2% of the budget in the first quarter.

*Economic Classification:*

<b>Classification R' 000</b>	<b>Annual Budget 2019/20</b>	<b>Actual Expenditure</b>	<b>Expenditure %</b>
<b>Compensation of Employees</b>	16 400	3 602	22,0%
<b>Goods and Services</b>	11 649	2 235	19,2%
<b>Programme Cost</b>	800	287	35,9%
<b>Payment for Capital Assets</b>	0	0	0,0%
<b>Total</b>	<b>28 849</b>	<b>6 124</b>	<b>21,2%</b>

- III. The entity reported that the low spending on Goods on Services is due to the Insurance tender that deferred R2 800 000.00 to the second quarter and other expenses that were lower than anticipated such as Consumable, Cleaning expenses as well as Municipality fees. The entity further reported that the high spending on Programme cost is due to Consultant fees incurred to assist with the audit.
- IV. The entity reported that the high vacancy rate within the Office of the CFO prompted a need for a consultant to be appointed in order to assist during the audit process.

### **5.3 PROGRAMME 3: CORPORATE SERVICES**

The purpose of programme 3 is to improve strategic management and business support.

The Committee noted the good performance on Programme 3, which achieved 100% of its targets for the first quarter of the 2019/20 financial year. This programme had six (6) planned targets and managed to achieve all targets as planned.

*Programme expenditure:*

Programme R'000	Annual Budget 2019/20	Actual Expenditure	Expenditure %
<b>Corporate Service</b>	46 260	10 383	22.4%

The programme has an annual budget of R46 260 000.00 for the 2019/20 financial year and has spent 22.4% of the budget in the first quarter.

*Economic classification:*

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
<b>Compensation of Employees</b>	19 825	4 405	22,2%
<b>Goods and Services</b>	14 345	3 210	22,4%
<b>Programme Cost</b>	9 326	1 920	20,6%
<b>Payment for Capital Assets</b>	2 764	849	30,7%
<b>Total</b>	<b>46 260</b>	<b>10 384</b>	<b>22,4%</b>

The Committee noted the entity's report on the low spending on Goods and Services, which was due to delayed software licenses renewals; which happened to be lower than projected. The overspending on Capital Assets was as a result of bulk laptops and desktops purchased in the first quarter, which was originally estimated over the entire financial year.

#### **5.4 PROGRAMME 4: TOURISM**

The purpose of the programme is to foster, promote sustainable development and market tourism.

The Committee once again noted the good performance on Programme 4, which achieved 100% of its targets for the first quarter of the 2019/20 financial year. This programme had thirteen (13) planned targets and achieved them all as outlined in the entity's first quarter performance report. The Committee appreciated the good performance of the entity.

*Programme expenditure:*

<b>Programme R'000</b>	<b>Annual Budget R'000</b>	<b>Actual Expenditure</b>	<b>Expenditure %</b>
<b>Tourism</b>	43 927	11 176	25.4%

The programme had an annual budget of R43 927 000.00 for the 2019/20 financial year and has spent 25.4% of the budget in the first quarter.

*Economic classification:*

<b>Classification R'000</b>	<b>Annual Budget 2019/20</b>	<b>Actual Expenditure</b>	<b>Expenditure %</b>
<b>Compensation of Employees</b>	23161	5 223	22,6%
<b>Goods and Services</b>	1732	583	33,7%
<b>Programme Cost</b>	19 034	5 370	28,2%
<b>Total</b>	<b>43 927</b>	<b>11 176</b>	<b>25,4%</b>

The Committee noted the entity's indication that the overspending on Goods and Services was due to travelling reimbursement that exceeded the estimated budget. The entity further reported that the underspending on Programme Cost is due to limited spending recorded for Regional Partnership and Safety Campaigns.

The entity reported that cost curtailment measures have been put in place to prevent high traveling expenses. These measures include:

- The reduction of travelling kilometres from 1500 to 1000 per month.
- The use of tele-conference and technology to discuss day to day business.
- Enforcing the National Treasury guidelines on cost curtailment.

## 5.5 PROGRAMME 5: BIODIVERSITY CONSERVATION

This programme is responsible for the management and conservation of biodiversity and ecosystems within the Province.

The Committee noted the underperformance on Programme 5, which achieved 46% of its targets for the first quarter of the 2019/20 financial year. This programme had thirteen (13) planned targets and achieved six (6) targets as outlined in the entity's first quarter performance report. Sub-programme: Protected Areas and Development failed to achieve the following targets:

- To advertise one (1) post according to the management authority organogram.
- To complete four (4) deliverables on infrastructure development for the Barberton Makhonjwa Mountain World Heritage Site (BMM-WHS).
- To negotiate with the Municipality to secure land for the Day Visitor Facility for the Barberton Makhonjwa Mountain World Heritage Site.

The entity reported that the above targets can only be achieved when it has been appointed as a managing authority for the Barberton Makhonjwa Mountain – World Heritage site by the Minister of Tourism.

Sub-programme: Biodiversity Support Services failed to achieve the following targets:

- To conduct the formal stewardship process (site inspection, land owner engagement, public participation and consultation, biodiversity assessment) as required.
  - To draft one (1) bioregional plan and submit to SANBI for approval.
  - To initiate a fencing tender for Andover Nature Reserve (The entity reported that the department of Rural Development and Land Reform did not release the funds as yet; however, the process will commence when the funds are available).
- I. The entity reported that formal stewardship processes were not conducted because the process took longer than anticipated and that the process requires that the stewardship project be submitted to the Department of Agriculture Rural Development Land and Environmental Affairs (DARDLEA) for approval and gazetting.



- II. Furthermore, the entity reported that the new land cover data was not submitted in time due to the decision by SANBI to incorporate the 2019 mining areas, as part of the land cover update review process.

Sub-programme: Conservation Services issued 1 061 permits instead of 1 200 by June 2019. The entity reported that permit application requires verification before they could be issued.

The entity pronounced the introduction of a new electronic permitting system called NIPAS as a challenge during the verification process as officials and members of the public are still adapting to it.

*Programme expenditure:*

Programme R'000	Annual Budget 2019/20	Actual Expenditure	Expenditure %
<b>Tourism</b>	247 673	58 864	23.8%

The programme had an annual budget of R247 673 000.00 for the 2019/20 financial year and has spent 23.8% of the budget in the first quarter.

*Economic classification:*

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
<b>Compensation of Employees</b>	209 283	51 444	24,6%
<b>Goods and Services</b>	22 362	5 570	24,9%
<b>Programme Cost</b>	13 747	1684	12,2%
<b>Capital Assets</b>	2 280	166	7,3%
<b>Total</b>	<b>247 672</b>	<b>58 864</b>	<b>23,8%</b>

The Committee noted that the entity's report on low spending on Goods and Services was due to Uniform orders postponed to the second quarter; while low spending on Programme Cost is due to the Makhonjwa Mountain Launch which was originally planned for April 2019 but was not conducted. The entity further reported that under-spending on Capital Assets is due to the purchase of water tanks vehicle and digital radios which were postponed to the second quarter.

## 5.6 PROGRAMME 6: COMMERCIAL OPERATIONS

This programme is responsible to sustainably improve revenue generation and collection in order to secure the future existence of the MTPA.

The Committee raised a concern on Programme 6, which did not achieve any of its targets for the first quarter of the 2019/20 financial year. The programme had three (3) planned targets and did not achieve any of the targets as outlined on the entity's first quarter performance report.

Sub-programme: Commercial Operations failed to achieve the following targets:

- To obtain National Treasury approval on the sky walk project.
- Complete the procurement process of business operation for the Manyeleti Restaurant.
- To commence negotiations with concessionaires for Manyeleti Bush Camp, Belvedere Guesthouse and Manyeleti Khokha Moya.

The entity reported that the above targets could not be achieved due to slow procurement process for both Manyeleti and Blyde River Canyon.

The entity reported that the challenge encountered in sourcing a suitable operator for Manyeleti Restaurant relate to budget constraints in 2018/19 financial year, by the Department of Environment, Forestry and Fisheries as the funding department to complete renovations on the restaurant.

*Programme expenditure:*

<b>Programme R'000</b>	<b>Annual Budget 2019/20</b>	<b>Actual Expenditure</b>	<b>Expenditure %</b>
<b>Office of the head Commercial Operations</b>	9 771	1 871	19.1%

The programme had an annual budget of R9 771 000.00 for the 2019/20 financial year and spent 19.1% of the budget in the first quarter.

*Economic classification:*

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
<b>Compensation of Employees</b>	1 885	84	4,5%
<b>Goods and Services</b>	446	37	8,3%
<b>Programme Cost</b>	5 400	1 145	21,2%
<b>Capital Assets</b>	2 040	604	29,6%
<b>Total</b>	<b>9 771</b>	<b>1 870</b>	<b>19,1%</b>

The Committee noted that the entity's report on the under-spending on Goods and Services was due to vehicle re-imburement; while under-spending on Programme Cost is as result of delay in the implementation of planned targets. The entity further reported that under-spending on Capital Assets is as a result of the purchasing of steel bunked beds for Manyeleti Nature Reserve, which will take place in the second quarter of the 2019/20 financial year.

## 6. FINDINGS

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

- 6.1 Mdala Nature Reserve has a number of challenges that need to be attended to for it to generate income, e.g no proper furniture, no Receptionist, no bed sheets or pillows, no youth employed.
- 6.2 The commercialization process of Zithabiseni Resort and the transfer to a private operator will be concluded by the end of October 2019.
- 6.3 The entity does not have a clear strategy in place to generate income for the Nature Reserves.
- 6.4 The entity failed to achieve all planned targets for Programme 6 during first quarter of the 2019/20 financial year. However, 19.1% of the allocated budget for the programme was spent.

## 7. RECOMMENDATIONS

**The Committee made the following recommendations:**

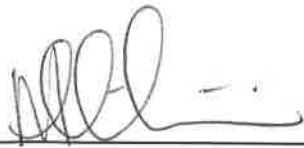
- 7.1 The entity must develop a costed plan on the revitalisation of the Mdala Nature Reserve; and submit this plan to the Committee by 31 October 2019.
- 7.2 The entity must ensure that the commercializing process and the transfer of Zithabiseni Resort is concluded by the 31 October 2019 and a progress report must be submitted to the Committee.
- 7.3 The entity must draft a guiding policy and strategic plan on gaming activities to help nature reserves generate income. The draft policy and strategic plan must be submitted to the Committee no later than 31 October 2019.
- 7.4 The entity must ensure that a plan is put in place to achieve the targets that could not be achieved on Programme 6 during the first quarter. Furthermore, ensure and fast-track the procurement processes for both Manyeleti and Blyde River Canyon by the end of the second quarter of the financial year.

## 8. CONCLUSION

The Chairperson takes this opportunity to thank the Members of the Committee for their active participation and constructive contributions during the deliberations on the MTPA First Quarterly Performance Report for the 2019/20 financial year.

In addition, the Chairperson extends a word of gratitude to the MEC, the acting Head of Department, Chairperson and CEO of the MTPA and senior management officials from both the department and the entity 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, unless stated otherwise, and thereafter on a quarterly basis.**



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

11-09-2019

**DATE**

**ANNEXURE A**

**UPDATED PROGRESS REPORT ON HOUSE RESOLUTIONS ON THE 2018/19 FOURTH QUARTER PERFORMANCE REPORT**

RESOLUTIONS	UPDATED PROGRESS REPORT	STATUS
<p>1. The entity must ensure that the designs are translated to the implementation of the infrastructure upgrades and completed without delay</p>	<p>- The service providers to assist with the technical aspects in the implementation of the projects (construction of a new coffee shop at Blyde Drie Rondevelds and construction of burned office block at Mdala Nature Reserve) have been appointed and have since presented their draft designs for both structures.</p> <p>Both service providers are to present the costing of both projects before the agency can advertise the tender for the construction</p>	<p>On-going</p>
<p>2. The entity must submit a plan to address the incomplete infrastructure upgrade at Blyde Nature Reserve and provide the committee with a report on the progress made.</p>	<p>The sliding lock-up gates at the entrance gates of the three view sites, namely Drie Rondevelds, Pinnacle and God's window have all been installed.</p>	<p>Closed</p>
<p>3. The entity must ensure that the term or period of the concession at the Zithabiseni Resort is</p>	<p>Negotiations have commenced on the concession agreement with the operator and the concession period is included in the agreement. The period is 30 years with no option to renew.</p>	<p>Closed</p>

<p>included on the contract of agreement.</p>		
<p>4. The department and the entity must ensure that there is adequate budget for the additional functions to enable the entity to implement them accordingly as planned within a specified time frame.</p>	<p>The entity has made some provision within available budget to cater for some of the additional functions that have been assigned to the entity.</p>	<p>On-going</p>
<p>5. The entity must ensure that lightning arrestors are in place in order to avoid challenges with insurance pay outs.</p>	<p>The entity has acknowledged the high risk of fires as a result of lightning and the cost of repairing the roofs. The entity has decided to make some budget available in order to replace the thatched roofs with corrugated sheets, the plan will be concluded once all the thatch has been removed.</p> <p>The lightning conductors have not yet been installed due to budgetary constraints. However, the entity combine the implementation of both plan without creating wastages.</p>	<p>On-going</p>

<p>6. The entity must ensure that measures are put in place to curb over-expenditure.</p>	<p>The entity has cost curtailment measures and communicated to all staff to ensure that savings be made. The entity also strictly monitors the available budget against organizational requirement.</p>	<p>On-going</p>
<p>7. The entity must ensure affective measures are put in place to curb-spending on capital assets and are accordingly implemented in the 2019/20 financial year.</p>	<p>The entity further strictly monitors the available budget against organisational requirements. However, it should be noted that unplanned maintenance cannot be avoided as it is an emergency.</p>	<p>On-going</p>
<p>8. The entity must address the shortfall on revenue collection by ensuring effective implementation of the approved revenue collection enhancement plan, furthermore the entity must ensure that adequate revenue is collected in the 2019/20 financial year.</p>	<p>The entity will ensure that the shortfall is addressed on revenue collection through the implementation of the revenue generation and collection enhancement plan. The entity is in a process of reviewing 2018/19 plan in order to ensure that the entity will reach its revenue target at the end of the financial year. The plan is dynamic and is reviewed as and when monitoring indicates some red flashes.</p>	<p>On-going</p>



## ANNEXURE B

### UPDATED PROGRESS REPORT ON HOUSE RESOLUTIONS ON THE 2019/20 ANNUAL PERFORMANCE PLAN

RESOLUTIONS	UPDATED PROGRESS REPORT	STATUS
<p>1. The entity must submit a progress report to the Committee concerning Zithabiseni Resort on the current status indicating the timeframe on when staff will be redeployed, as well as the commencement of the absorption process.</p>	<p>- The department of Economic Development and Tourism appointed a Task Team led by the Senior Manager: Human Resource Management, the team is inclusive of the MTPA Executive Manager: Corporate Services and other Senior Managers. This team of capable men and women is assigned with the task of ensuring that there is smooth transfer of staff from Zithabiseni to other organs of state. Because of the intensity of the transfer process, the team took a decision that all Zithabiseni staff will be deployed at the MTPA Reserves of their choice and be kept there on a parking bay arrangement whilst the absorption process takes place. The redeployment, transfer and/or absorption to other organs of state will then take place through natural attrition.</p> <p>This arrangement is currently being negotiated with organised labour (NEHAWU) and once both parties reach a consensus, then the process of placing the staff at the MTPA reserves will commence. There is commitment</p>	<p>On-going</p>

	that no employee will lose employment when the operator takes over Zithabiseni in October 2019.	
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