

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

2017/18 SECOND QUARTER REPORT OF THE PROVINCIAL TREASURY (VOTE 03)

1. INTRODUCTION

The **Portfolio Committee on Premier's 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 read with Rule 131 of the Mpumalanga Provincial Legislature to oversee the performance of the Provincial Treasury (the treasury) and hold it accountable through various measures.

The consideration and scrutiny of the 2017/18 Second Quarterly Performance Report of the Provincial Treasury is the tool used by the Committee to determine whether the treasury 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 treasury for the 2017/18 second quarter.

2. METHOD OF WORK

The Honourable Speaker of the Legislature referred the 2017/18 Second Quarter Performance Report to the Committee for deliberations and report back to the House, in accordance with Rule 190 (4) and Rule 131 of the Rules and Orders of the Mpumalanga Provincial Legislature.

On 08 November 2017, the Committee considered a detailed analysis of the 2017/18 Second Quarter Report. Based on the research analysis report, the Committee took a decision not to meet with the treasury but send questions for written responses instead. The Committee met again on 22 November 2017 to consider its draft report.

3. GENERAL OBSERVATION

The Committee made the following general observations:

- a) The 2017/18 Second Quarter Report was correctly Tabled by the Honourable MEC within 30 days after the quarter as required by the Rules and Orders of the Mpumalanga Provincial Legislature;
- b) Only two concerns or questions were raised by the Committee and were sent to the treasury for written responses.

4. ANALYSIS OF THE SECOND QUARTER REPORT

4.1. BUDGET ANALYSIS

The total adjusted budget allocation for the 2017/18 financial year is **R289 945 000.00** and the treasury spent 45% or **R130 623 000.00** of this budget at the end of the second quarter.

4.2. ANALYSIS PER PROGRAMME

4.2.1. PROGRAMME 1: ADMINISTRATION

Programme purpose

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

The Committee noted the following on Programme 1:

a) Spending Pattern

Budget expenditure per Economic Classification

	Budget 2017/18	Actual expenditure	% of Budget
Compensation of Employees	55,981,000	26,548,000	47%
Goods and Services	29,880,000	12,890,000	43%
Capital Assets	2,993,000	167,000	6%
Transfers & Subsidies	705,000	270,000	38%

The allocated budget for the programme is **R89 559 000.00**. The actual budget spent at the end of the Second Quarter is **R39 875 000.00** which is at 45% of the annual budget.

b) Programme Performance

This programme achieved 100% (7 of its 7) targets in the 2nd quarter of the 2017/18 financial year.

4.2.2. 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

	Budget 2017/18	Actual expenditure	% of Budget
Compensation of Employees	40,209,000	18,708,000	47%
Goods and Services	12,405,000	3,036,000	24%
Transfers	0	2,000	-

The allocated budget for Programme 2 is **R52 614 000.00**. The expenditure at the end of the Second Quarter was **R21 746 000.00** or 41%.

i. Low expenditure on Goods and Services

The Committee noted that the expenditure on Goods and Services was at 24% during the second quarter. This was attributed to the low expenditure on the budget to support municipalities for the second consecutive quarter. The Committee enquired whether the service providers assigned to assist the Municipalities with improvement of financial viability and improvement on financial management as well as the audit outcomes has been finalised as reported in the first quarter deliberations with the Committee. The treasury reported that the first phase of the appointment of the Panel of Professional Service Providers to support municipalities to improve the financial viability and audit outcomes. Forty eight service providers responded to the tender and only thirty

five were recommended for the second phase of the municipal database for a period of three years.

The 35 appointed service providers will be responsible to assist municipalities with the following:

- i. Sustainable Financial Solutions for Municipalities;
- ii. Improvement of financial management;
- iii. Improvement in financial controls;
- iv. Improvement with contract management;
- v. Improvement with project management;
- vi. System control in terms of the Supply Chain Management and Asset management.

b) Programme Performance

This programme achieved 91% (10 of its 11) targets during the 2nd quarter of the 2017/18 financial year.

i. Debt analysis

The programme failed to provide debt analysis for all votes and entities due to technical changes made on the financial system from the old version. The Committee enquired whether all departments have been upgraded to the latest version of the BAS as to ensure that there is an accurate debt report analysis going forward. The department reported that at the end of September 2017, all departments have upgraded from V4 versions on BAS to the new version which is V5, except for the Department of Health, which was upgraded on the 2nd of November 2017.

4.2.3. 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

	Budget 2017/18	Actual expenditure	% of Budget
Compensation of Employees	53,926,000	26,792,000	50%
Goods and Services	64,131,000	29,733,000	46%
Transfers & Subsidies	0	13,000	-
Payments for Capital Assets	2,832,000	1,338,000	47%

The allocated budget for the programme is **R120 889 000.00**. The actual budget spent at the end of the Second Quarter was **R57 876 000.00** which is 48% of the annual budget.

b) Programme Performance

This programme achieved 100% (8 of the 8) planned targets during the 2nd Quarter.

4.2.4. 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

	Budget 2017/18	Actual expenditure	% of Budget
Compensation of Employees	20,890,000	9,581,000	46%
Goods and Services	5,993,000	1,545,000	26%

The allocated budget for the programme is **R26 883 000.00**. The actual budget spent at the end of the Second Quarter was **R11 126 000.00** which is at 41% of the annual budget.

b) Programme Performance

The programme attained 15 of its 15 (100%) planned targets during the second quarter.

5. FINDINGS

The following is the finding after the deliberations with Provincial Treasury:

- 5.1. The treasury achieved 40 of its 41 or 98% planned targets for the Second Quarter of the 2017/18 financial year and spent R130 623 000.00 or 45% of the budget.
- 5.2. Treasury appointed 35 service providers to assist municipalities improve their audit outcomes.

6. RECOMMENDATIONS

The Committee made the following recommendations:

- 6.1. Provincial Treasury must spend its budget in line with the approved Annual Performance Plan.
- 6.2. Provincial Treasury must provide a report on the impact done by the service providers on the municipalities.

7. CONCLUSION

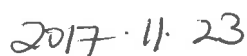
The Chairperson takes this opportunity to thank the Members of the Portfolio Committee for their active participation during the deliberations on Provincial Treasury's 2nd Quarter Performance Report for 2017/18. The Chairperson would also like to thank the Committee support staff.

Unless otherwise stated a report detailing progress in the implementation of all recommendations in this report should be forwarded to the Committee by 28 February 2017, unless stated otherwise, and thereafter on a quarterly basis.



HON FV MLOMBO, (MPL)

**CHAIRPERSON: PORTFOLIO COMMITTEE ON
PREMIER'S OFFICE; FINANCE, ECONOMIC
DEVELOPMENT AND TOURISM**



DATE