

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

**FIRST (1<sup>st</sup>) QUARTERLY PERFORMANCE REPORT FOR THE 2018/19 FINANCIAL  
YEAR – MPUMALANGA TOURISM AND PARKS AGENCY (MTPA)**

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**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 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 (1<sup>st</sup>) Quarterly Performance Report for 2018/2019 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 2018/2019 first quarter.

**2. METHOD OF WORK**

The Speaker referred the entity's First (1<sup>st</sup>) 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 and Orders of Mpumalanga Provincial Legislature (the Rules).

The Committee met on 21 August 2018 to deliberate on the entity's research analysis on the first quarterly report and scrutinize in detail the aforementioned document; met the entity on 28 August 2018 on the 2018/19 first (1<sup>st</sup>) quarter report and subsequently met on 12 September 2018 to consider the draft Committee report.

### 3. OVERVIEW BY THE MEC

The MEC of the department, Mr SE Kholwane gave an overview of the performance of the department for the 2018/19 1<sup>st</sup> Quarter Report to the Committee; and also covered the parastatals / public entities under the department, which included Mpumalanga Tourism and Parks Agency (MTPA). The MEC stated that the entity primarily exists to carry out two essential mandates, that is, to promote Destination Mpumalanga as the tourist destination of choice; and to manage and conserve the bio-diversity and eco-systems within the Province. This has seen the number of visitors to the reserves and other facilities under the MTPA, almost double during the period under review. Notwithstanding this achievement, the entity is still grossly under-funded. According to the MEC, it requires more funding to undertake rigorous marketing campaigns.

In conclusion, the MEC stated that the public entities have indeed stabilised now. The Boards of the three (3) public entities are fully capacitated with the legally required members

### 4. GENERAL OBSERVATIONS

The Committee observed that the entity attained 24 of its 39 planned targets, translating to 61% at the end of the first quarter of the 2018/19 financial year. The entity received a total budget of R426 433 000.0 for the 2018/19 financial year, upon the end of the first quarter, the entity had spent R92 931 000.00, translating to 21.8%. The entity projected to spend R114 403 000.00 at the end of the first quarter but managed to spend R92 931 000.00, which reflects an under-spending by 5%.

Programme R'000	Planned Targets	Targets Achieved	% Targets Achieved	Budget 2018/19	Expenditure	%
Executive Office (including Zithabiseni)	7	0	0%	67 813	14 947	22.0%
Office of the CFO	5	2	40%	31 685	9 152	28.9%
Corporate Services	7	6	86%	43 737	7 546	17.2%
Tourism	12	12	100%	34 201	8 263	24.2%
Biodiversity Conservation	6	3	50%	245 626	52 727	21.5%
Commercial Operations	2	1	50%	3 371	296	8.8%
<b>Total</b>	<b>39</b>	<b>24</b>	<b>61%</b>	<b>426 433</b>	<b>92 931</b>	<b>21.8%</b>

The Committee further noted that in the first quarter of the 2018/19 financial year, the entity failed to achieve 39% of its targets, however managed to spend 95% of the budget for the first quarter.

i. The Committee requested the entity to explain why there is no correlation between the spending and achievement of targets. In response, the entity indicated that the lack of correlation is as a result of the following areas:

-There were projects that were not initiated on time in the Blyde, Mkhombo and Manyeleti Nature Reserves; PPP projects that were not initiated. The entity achieved 62% of the planned targets for the quarter with a budget spending of 80%. Procurement of material has been completed and projects initiated in the second quarter. The correlation of targets achieved versus expenditure is expected to stabilise in the third quarter.

-There was a delay in the submission of invoices for Payment of capital assets; the invoices will be processed in the second quarter.

-The entity has not finalised the cost of living adjustments with Labour. Labour is still negotiating on the last offer made by the entity. It is expected that an agreement will be reached in the second quarter and payment will be finalised accordingly.

## **5. PROGRAMME ANALYSIS**

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

The Committee noted that Programme 1 had seven (7) planned targets and there were no targets achieved during the first quarter of the 2018/19 financial year. This indicates a 0% achievement of targets. Sub-programme Risk Management and Internal Audit failed to resolve 2% of audit action plans relating to filling of vacant positions and internal controls within supply chain management.

i. According to the entity, the internal Audit section has developed a risk based plan to monitor AG's findings. The plan seeks to address and improve findings as captured in the AGSA management report by focusing on compliance with laws and regulations; internal control deficiencies; leadership; matters of Governance, Financial and Performance management.

ii. The entity further reported that there is a plan to monitor AGSA findings. The Internal Audit conducts quarterly reviews and reporting of the action plan in order to monitor progress.

iii. The Committee requested the entity to explain what it has done to address the issue on inadequate internal controls within Supply Chain Management. The entity stated that it has finalized Standard Operating Procedures towards the end of the previous financial year. The entity has in the current financial year reviewed the supply chain policy so that it is aligned to the updated National Treasury Regulations and Guidelines.

Sub-programme Project Management failed to upgrade and maintain infrastructure on the following Nature Reserves:

- Blyde Nature Reserve - Installation of water tanks, electricity supply at gates, new gates, construction of coffee shop and refurbishment of hiking hunts
- Manyeleti Nature Reserve – Paving, landscaping and bulk water supply
- Loskop Dam – Renovation of ablution facilities, supply of benches and braai stands at picnic area
- Mkhombo Nature Reserve – Upgrades to electricity and water supply to new staff village, electrification of entrance gate
- Mdala Nature Reserve – Renovation of educational centre and workshop, renovation of Mkholwane gate and Lodge, renovation of ranger pickets
- Verloren Valei Nature reserve - Renovation of Manager's house

iv. The Committee sought further clarity from the entity on why all projects planned for the first quarter were not achieved. The entity reported that the planned infrastructure maintenance projects for the first quarter did not commence on time due to protracted consultation with CPA regarding employment and business opportunities for land claimants and those that are not. The consultations have been concluded, however they had an impact on procurement processes which commenced late in the first quarter.

v. According to the entity, the measures in place to ensure projects are completed on time are that each infrastructure maintenance site has been assigned a maintenance team or service provider.

Forming part of the teams are EPWP participants who have to be empowered with skills development in plumbing, electrification, painting and tiling amongst other areas in order to fulfil the government mandate on youth development. This component of the labour force might delay timeous completion of the maintenance projects; however the entity is optimistic that they will be completed on time.

vi. The entity further reported that the budget for the quarter which was not spent as a result of infrastructure upgrades not commencing on time has been saved and committed on the planned first quarter targets. The budget relates to, amongst others renovations of houses, chalets, construction of a coffee shop, supply of bulk water and electricity at Blyde River Canyon entrance gate, Manyeleti and Mkhombo Nature Reserves.

### Programme 1: Expenditure Analysis

Programme R'000	Annual Budget R' 000	Actual Expenditure	Expenditure %
Executive Office	67 831	14 947	22.0%

Programme 1 was allocated a total budget of R67 831 000.00 for the 2018/19 financial year and has spent 22.0% of the budget in the first quarter.

### Economic Classification

Classification R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Compensation of Employees	18 003	4 404	24.5%
Compensation of board	1 995	374	18.7%
EPWP Compensation	2 259	397	17.6%
Goods and Services	13 095	2 922	22.3%
Programme Cost	5 334	735	13.8%
Payment for Capital Assets	3 062	-	0.0%
<b>Total Programme Budget</b>	<b>43 747</b>	<b>8 832</b>	<b>20.2%</b>
Zithabiseni	24 065	6 115	25.4%
<b>Total Approved Budget</b>	<b>67 813</b>	<b>14 947</b>	<b>22.0%</b>

The Committee noted that the programme has spent 24.5% of the budget allocated to Compensation of Employees, 18.7% on Compensation of the Board, 17.6% on EPWP Compensation, 22.3% on Goods and Services, 13.8% on Programme cost and 0% on Payment for Capital Assets.

The reason for low spending on Compensation for the Board is due to other board members not attending international trips. It was also reported that the low spending on EPWP Compensation is as a result of new contracts that were signed later than April.

The entity reported that the low spending on Programme Cost is due to Board Lekgotla and Governance Framework planned for the first quarter that was moved to the second quarter and the entity also reported that low spending on Payment for Capital Assets is due to slow progress on billing of infrastructure development.

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

The Committee noted that Programme 2 achieved 40% of its targets for the first quarter of the 2018/19 financial year. This programme had five (5) planned targets and achieved two (2) targets as outlined in the entity's first quarter performance report.

Sub-programme: Financial and Management Accounting collected R11 400 000.00 instead of R13 000 000.00 in the first quarter due to late submission of documents by concessionaires, the sub-programme also under-collected revenue at Zithabiseni Resort by R393 000.00 due to fewer guests received.

Sub-programme: Financial and Accounting Services failed to develop terms of reference for the financial model.

i. According to the entity, the development of the terms of reference for the financial model was the responsibility of the Acting Chief Financial Officer (CFO) who resigned in the middle of the quarter. The new Acting CFO, whilst familiarizing herself with functions and the audit by AG, could not finalize the terms of reference on time. The office of the Chief Financial Officer has planned to finalize the terms of reference in the second quarter.

ii. The Committee requested the entity to provide an update on the progress made towards commercializing Zithabiseni Resort. The entity reported that the process of commercializing Zithabiseni Resort is quite advanced. A due diligence on the financial capacity and business capabilities of the preferred private commercial operators has been conducted.

Letters of support for the preferred operators were received from the Industrial Development Corporation (IDC) and the National Empowerment Fund (NEF) expressing their interest to provide funding for the potential operators. The operators were requested to submit business plans on how they will revive the infrastructure of the reserve, and a turnaround marketing and revenue generation strategy.

### Programme 2: Expenditure Analysis

Programme R'000	Annual Budget R' 000	Actual Expenditure	Expenditure %
Financial Officer	31 685	9 152	28.9%

Programme 2 was allocated a total budget of R31 685 000.00 for the 2018/19 financial year and has spent 28.9% of the budget in the first quarter.

### Economic Classification

Classification R' 000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	16 642	3 450	20.7%
Goods and Services	14 574	5 178	35.5%
Programme Cost	393	459	116.8%
Payment for Capital Assets	75	65	86.7%
<b>Total</b>	<b>31 684</b>	<b>9 152</b>	<b>28.9%</b>

Programme 2 spent 20.7% of its allocated budget for Compensation of Employees, 35.5% on Goods and Services, 116.8% on Programme Cost and 86.7% on Payment for Capital Assets.

The entity reported that although spending on Goods on Services appear to be high, it is according to the entity's projected spending for the first quarter, the actual spending is low and there was a saving on expenditure for Insurance cost, rental charges, fuel maintenance, electricity and stationery as costs were lower than anticipated.

The entity further reported that the high spending on Programme cost is due to Assets Evaluation that exceeded expectation while over-spending on Capital Assets is due to

replacement of chairs for individuals and CFO's Boardroom that were higher than anticipated.

i. The Committee enquired on how the spending on Programme Cost will impact the spending of subsequent quarters. The entity indicated that the programme cost for the Office of the CFO relates to the assets valuation exercise as well as the review of the Annual Financial Statement (AFS).

The expenditure incurred relates to the valuation of infrastructure assets for the 2017/2018 financial year. An assessment will be done during the course of the financial year on savings derived from the budget allocation for the Office of the CFO to cover additional costs for the asset valuation for the 2018/2019 financial year.

ii. The Committee requested the entity to explain why it failed to budget properly for the new chairs. The entity stated that it is constrained with a budget for capital assets. During the first quarter there was a need to replace a high number of assets, particularly chairs in various workstations than was initially planned.

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

The Committee noted that Programme 3 achieved 86% of its targets for the first quarter of the 2018/19 financial year. This programme had seven (7) planned targets and achieved six (6) targets as outlined in the entity's first quarter performance report.

Sub-programme: Human Resource Support Services failed to approve one (1) HR policy.

i. According to the entity, it planned to have at least one (1) HR policy developed/reviewed and approved by the Board in the first quarter, however consultations with stakeholders, particularly, Labour, took longer than expected; as a result the policy could not be finalized on time. The HR related policies that were subsequently approved by the board in July 2018 are Disciplinary code and procedure (review); Sexual harassment (new) and HIV/AIDS (review).

ii. The Committee requested the entity to provide an update on the progress made towards the development of Health Audit. In response, the entity reported that the organizational Health Audit was conducted and approved by the Board. The implementation plan as recommended in the organizational Health Audit report is still being implemented.



### Programme 3: Expenditure Analysis

Programme R'000	Annual Budget	Actual Expenditure	Expenditure %
Corporate Service	43 737	7 546	17.2%

Programme 3 was allocated an annual budget of R43 737 000.00 for the 2018/19 financial year and has spent 17.2% of the budget in the first quarter.

### Economic Classification

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	20 355	4 244	20.8%
Goods and Services	9 990	1 789	17.9%
Programme Cost	12 105	1 229	10.1%
Payment for Capital Assets	1 287	284	22.1%
<b>Total</b>	<b>43 737</b>	<b>7 546</b>	<b>17.2%</b>

The programme spent 20.8% of the budget allocated to Compensation of Employees, 17.9% on Goods and services, 10.1% on Programme Cost and 22.1% on Payment for Capital Assets.

The entity indicated that the low spending on Goods and Services is due to Microsoft license planned for the first quarter not yet purchased. It was also reported that the low spending on Programme cost is due to activities on iro legal fees that did not materialize, slow progress on Revenue collection system and reduced spending for training and development.

i. The entity reported that it has been negotiating with Microsoft as the ICT service provider of the entity for a new license package since the beginning of the first quarter. The new license package with a 20% reduction in license fees was issued in the second quarter. Procurement of the license will take place in the next quarter.

ii. The entity further stated that the areas of under-spending in the programme relate to payment of legal fees, procurement of revenue collection system and skills development training. The entity has already started with processes to procure Goods and Services for the above in order to ensure spending.

## PROGRAMME 4: TOURISM

The Committee noted that Programme 4 has achieved 100% of its targets for the first quarter of the 2018/19 financial year. This programme had twelve (12) planned targets and achieved them all as outlined in the entity's first quarter performance report.

### Programme 4: Expenditure Analysis

Programme R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Tourism	34 201	8 263	24.2%

Programme 4 was allocated an annual budget of R34 201 000.00 for the 2018/19 financial year and has spent 24.2% of the budget in the first quarter.

### Economic Classification

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	21 038	4 667	22.2%
Goods and Services	862	264	30.6%
Programme Cost	12 301	3 331	27.1%
Total	34 201	8 262	24.1%

The entity spent 22.2% of its allocated budget for Compensation of Employees, 30.6% on Goods and Services and 27.1% on Programme Cost.

The entity indicated that the over-spending on Goods and Services was due to travelling reimbursement which increased with new project initiatives received; it was also reflected that the low spending on Programme Cost was due to final invoices for Tourism Indaba not received as well as reduced spending on Russia Partnerships.

## PROGRAMME 5: BIODIVERSITY CONSERVATION

The Committee noted that the programme has achieved 50% of its targets for the first quarter of the 2018/19 financial year. This programme had six (6) planned targets and achieved three (3) targets as outlined in the entity's first quarter performance report.

Sub-programme: Protected areas and development failed to compile 1 report on Socio-Environmental benefit of the Community Environmental Management project due to prolonged consultations with community stakeholders.

Sub-programme: Biodiversity Support Services educated 17 307 learners on conservation instead of 50 000.

i. The entity reported that it is targeting a number of schools to provide conservation education in September when celebrating the Tourism Month, using the Mpumalanga Parks Week which allows people and schools free entry in the nature reserves.

The Committee further noted that the sub-programme also failed to 25 conduct inspections to ensure compliance with provisions of NEMA related regulations; the reason provided for the non-achievement was that this target is demand driven.

#### Programme 5: Expenditure Analysis

Programme R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Tourism	245 626	52 728	21.5%

Programme 5 was allocated an annual budget of R245 626 000.00 for the 2018/19 financial year and has spent 21.5% of the budget in the first quarter.

#### Economic Classification

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	211 739	48 160	22.7%
Goods and Services	19 761	3 906	19.8%
Programme Cost	10 898	601	5.5%
Capital Assets	3 228	61	1.9%
<b>Total</b>	<b>245 626</b>	<b>52 728</b>	<b>21.5%</b>

The programme has spent 22.7% of the budget allocated to Compensation of Employees, 19.8% on Goods and Services, 5.5% on Programme cost and 1.9% on Capital Assets.

It was reported that low spending on Good and Services is due to limited spending on WBD costs and slow demand on property maintenance. The entity also indicated that under-spending on Programme Costs is due to tender delays for youth Environmental services as well as invoices not received for Fire Management.

The entity reported that vehicles budgeted for the first quarter were not received hence the low spending on Capital Assets.

i. According to the entity, the property maintenance is classified into planned and unplanned maintenance. The slow demand in property maintenance refers to fewer requests from nature reserves to perform unplanned maintenance tasks such as replacement of water pumps, damaged boundary fences and repair of small and large equipment.

### **PROGRAMME 6: COMMERCIAL OPERATIONS**

The Committee noted that Programme 6 has achieved 50% of its targets for the first quarter of the 2018/19 financial year. This programme had two (2) planned targets and achieved one (1) target as outlined in the entity's first quarter performance report.

Sub-programme: Commercial Operations failed to conduct negotiations and adjudication with preferred investors; the entity reported that bids were not advertised as planned due to an interdict by the CPA.

#### **Programme 6: Expenditure Analysis**

Programme R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Office of the head Commercial Operations	3 371	296	8.8%

Programme 6 was allocated an annual budget of R3 371 000.00 for the 2018/19 financial year and spent 8.8% of the budget in the first quarter.

#### **Economic Classification**

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	642	0	0%
Goods and Services	0	0	0%
Programme Cost	3 585	2 893	80.7%
Total	4 227	2 893	68.4%

The entity indicated that the vacancy in this programme is currently absorbed by a consultant. The entity further reported that under-spending on Programme Cost is due to slow progress on Commercialisation of reserves.

i. The entity indicated that it has no plans to commercialise nature reserves, however there are nature reserves that have been identified with a potential for commercial tourism investment opportunities:

- Blyde Nature Reserve - opportunity to invest in a coffee shop and accommodation facilities.
- Manyeleti Nature Reserve – opportunity to invest in a restaurant and a bush camp
- Songimvelo Nature Reserve – opportunity to invest in hiking trails, 4x4 trails and horse trails experience.
- Andover Nature Reserve – opportunity to expand the existing accommodation capacity with a 24 beds tented camp
- Loskop Nature Reserve – opportunity to expand the existing bush camps to a 24 beds bush camp.
- Nooitgedacht Nature Reserve – opportunity to expand the existing four (4) log cabins to ten (10).

ii. According to the entity, the nature reserves that already have commercial tourism activities on concession are:

- Manyeleti Nature Reserve – in this reserve there are four (4) private concessionaires that offers accommodation, and are as follows:
  - ✓ Tintswalo Exclusive Lodge
  - ✓ Honey guide luxury tented camps
  - ✓ Pungwe tented camp
  - ✓ Buffelshoek and Ndzhaka tented camps
- Blyde Nature Reserve – there are two (2) private concessionaires in operation:
  - ✓ Blyde adventure Boat Cruises offering boat cruises in the Swadini Dam
  - ✓ Bourke's Potholes, a 35 seater Restaurant
- Songimvelo Nature Reserve – twenty (20) luxury tented camps.

The following commercial facilities are operated by the entity:

- Loskop Nature Reserve – 4 x 8 sleeper bush camps
- Andover Nature Reserve – 5 x 3 sleeper chalets and a four (4) bedroomed guesthouse.
- Nooitgedacht Nature Reserve – 4 x 4 sleeper log cabins

## 6. FINDING

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

6.1. The entity has achieved 0% of its targets under Programme 1.

## 7. RECOMMENDATION

**The Committee made the following recommendation:**

7.1. The entity must develop systems, mechanisms and implementation plans to ensure that planned targets are met in the subsequent quarters of the 2018/19 financial year, as well as implementation plans to mitigate under-spending of the approved budget.

The Committee moves that the House adopts the report with the above recommendations.

## 8. CONCLUSION

The Chairperson wishes to express his gratitude to the MEC, Mr SE Kholwane, Acting HOD Mr NM Sebitso, the Chairperson of the Board Mr T Nzima, the CEO Mr BJ Nobunga and the senior officials of the Mpumalanga Tourism and Parks Agency (MTPA) for their active involvement during the deliberations with the entity.

The Chairperson further wishes to thank the Hon. Members of the Committee for their sterling participation and input during the deliberations on the first (1<sup>st</sup>) quarter report of the Mpumalanga Tourism and Parks Agency and also thanked the Legislature staff for their support and contribution towards the production of this report.

**Unless otherwise stated a report detailing progress in the implementation of all recommendations in this report should be forwarded to the Committee by 22 October 2018 and thereafter on a quarterly basis.**



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

12/09/2018

**DATE**