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

THIRD (3rd) QUARTERLY PERFORMANCE REPORT FOR THE 2017/18 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 Third (3rd) Quarterly Performance Report for 2017/2018 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 2017/2018 third quarter.

2. METHOD OF WORK

The Speaker referred the entity's Third (3rd) 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 14 February 2018 to deliberate on the entity's research analysis on the third quarterly report and scrutinize in detail the aforementioned document; met the entity on 20 February 2018 on the 2017/18 third (3rd) quarter report and subsequently met on 06 March 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 department's performance on the 2017/18 3rd 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 mentioned that MTPA is hosting the fifth edition of the east3ROUTE Programme alongside the tourism best practice workshop, starting 21-22 February 2018. The process of commercialization of the Zithabiseni Resort is in the procurement stage of evaluating the bids that have been received from potential investors. According to the MEC, they have met with the Minister of Rural Development and Land Reform, Hon. Gugile Nkwinti, and a joint task team has been established to deal with the finalisation of the land claim. The MEC further stated that MTPA has also appointed a Head of Corporate Services with effect from 1 February 2018.

In conclusion, the MEC stated that one could probably add that the two industries that experienced the highest annual employment growth were trade which includes tourism (+34 936) and agriculture (+16 586); on an annual basis, construction (-5 718) and utilities (-4 601) lost the highest number of jobs.

4. GENERAL OBSERVATIONS

The Committee observed that the entity has managed to achieve 13 of its 28 planned targets, translating to 46% achievement at the end of the third quarter of the 2017/18 financial year. The entity received a total budget of R398 087 000.00 for the 2017/18 financial year and managed to spend R295 888 000.00, translating to 74% at the end of the third quarter.

The spending pattern per programme indicates some fluctuations; with Programme 3: Corporate Services being the highest in expenditure at 79%, while Programme 4: Tourism is the lowest in expenditure at 66.6%.

i. The Committee noted with concern that there is no correlation between spending and achievement of targets. The entity mentioned that there are old legal cases that have been with the entity for a number of years without movement, and have since become active and legal costs are now incurred. A further spending was for a Transaction Advisor assisting with processes of PPP projects for work done over three months. The entity further explained that the over-expenditure is mostly Goods and Services related to, amongst others:

- Long outstanding statutory obligations (e.g. Workmen's Compensations).

- Travelling, and
- Unavoidable overtime costs.

5. PROGRAMME ANALYSIS

PROGRAMME 1: EXECUTIVE OFFICE

The Committee noted that Programme 1 had 6 planned targets and there was no target achieved during the third quarter of the 2017/18 financial year. This indicates a 0% achievement of targets. Sub-programme Risk Management and Internal Audit failed to resolve 20% of audit action plans especially the findings that have a negative impact on audit opinion (Infrastructure Assets and Irregular Expenditure).

i. The Committee requested the entity to indicate the reasons for failing to resolve audit action plans and the measures taken to address this problem from recurring. The entity stated that it had two matters that resulted in a qualified audit opinion, namely incomplete concession revenue; and infrastructure assets.

New accounting treatments for the said matters were submitted to the Office of the Auditor General for review and approval in February 2018. According to the entity, resolving these two matters will result in an unqualified audit opinion for the 2017/18 financial year.

The Committee further noted that Sub-programme Project Management failed to upgrade and maintain infrastructure on the following Nature Reserves:

1. SS Skhosana Nature Reserve (Thatch roofing and Lapa)
2. Songimvelo Nature Reserve (Timber treatment and sewer upgrade)
3. Mabusa and Mdala Nature Reserve (Upgrade of ranger pickets)
4. Blyde Nature Reserve (Road maintenance)
5. Manyeleti Nature Reserve (Landscaping at main camp and enhancing revenue collection)

ii. The Committee requested the entity to provide reasons for slow progress on upgrading and maintaining nature reserves. In response, the entity reported that the maintenance of infrastructure referred to here is interventions on sporadic problems that crop up frequently because of aging infrastructure. The real capital infrastructure upgrades have not taken place owing to the unavailability of adequate budget.

According to the entity, the planning to conduct preventative infrastructure maintenance in the prioritised nature reserves were scheduled to commence at different periods to allow the project teams to source and conduct maintenance. The reasons for slow progress on upgrading and maintenance are the inability to secure suitable service providers; and the inability to secure cost effective materials and equipment in some areas from local businesses and communities. Some of the maintenance projects have now been completed in this fourth quarter and some are nearing completion.

iii. The entity reported that Infrastructure maintenance has been completed in the following reserves:

1. SS Skosana Nature Reserve – thatch roofing, plumbing and sewer upgrade in the chalets has been completed.
2. Songimvelo Nature Reserve - treatment of timber in the chalets has been completed.
3. Manyeleti, Blyde and Mabusa Nature Reserves - maintenance of ranger pickets and bulk water supply which are in progress and will be completed during March 2018.

Programme 1: Expenditure Analysis

Programme R'000	Annual Budget R' 000	Actual Expenditure	Expenditure %
Executive Office	67 922	46 601	68.6%

Programme 1 was allocated a total budget of R67 922 000.00 for the 2017/18 financial year and has spent 68.6% of the budget in the third quarter.

Economic Classification

Classification R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Compensation of Employees	20 444	13 545	66.2%
Compensation of board	1 861	951	51.1%
EPWP Compensation	2 605	1 962	95.3%
Goods and Services	10 550	7 525	71.3%
Programme Cost	4 949	3 767	76.1%
Payment for Capital Assets	5 000	1 180	23.6%

Total Programme Budget	**45 410**	28 930	63.7%
Zithabiseni	22 512	17 671	78.5%
Total Approved Budget	**67 922**	**46 601**	**68.6%**

The Committee noted that the programme has spent 66.2% of the budget allocated to Compensation of Employees, 51.1% on Compensation of the Board, 95.3% on EPWP Compensation, 71.3% on Goods and Services, 76.1% on Programme cost and 23.6% on Payment for Capital Assets. The entity indicated that the reason for low spending on Payment for Capital Assets is due to delays on appointment of a service provider which resulted to lack of maintenance on the nature reserves.

iv. The entity reported that there are nature reserves that are under claim and in those reserves, the entity has concluded settlement and co-management agreements with the Communal Property Associations (CPA). One of the imperatives of the agreements requires local community beneficiation in terms of preferential access to jobs and business opportunities. The delays in implementing some of the projects are caused by the unavailability of suitable service providers from local claimant communities and extended consultations until an agreement is reached to source from outside those areas.

According to the entity, this challenge requires political intervention as this is informed by the Restitution of Land in Protected Areas Act and the principles of People and Parks Programme. The entity has thus far submitted a list of reserves that have been claimed to the Committee.

v. The entity reported that it has received an EPWP grant of R2 605 000.00 and the year to date spending is R1 965 000.00 with a balance of R0.640 million (24.6%) remaining for the compensation of EPWP employees.

vi. The Committee requested the entity to report on the progress made thus far in implementing the Revenue Collection System in all nature reserves. The entity indicated that it is fixing network connectivity challenges in most of the nature reserves and when this has been completed the rollout of speed-points will follow. Revenue collection systems will be automated and cameras installed at pay-points. According to the entity, the progress made to date is as follows:

- Blyde and Manyeleti Nature Reserves: cash registers and speed-points for entrance fees were introduced.

• Handover and Manyeleti on-line booking system for accommodation was also implemented.

• IT infrastructure in terms of connectivity and network is being introduced in other reserves with the potential to generate revenue.

• Personnel are trained regularly on the new systems.

PROGRAMME 2: CHIEF FINANCIAL OFFICER

The Committee noted that Programme 2 achieved 50% of its targets for the third quarter of the 2017/18 financial year. The programme had two (2) planned targets and achieved one (1) as outlined on the entity's third quarter performance report. The under-performance on targets was due to lower revenue collected. The entity planned to collect R18 400 000.00 and managed to collect R14 200 000.00 due to Manyeleti Day Visitor Centre and Caravan Park not yet opened.

i. According to the entity, the shortfall on revenue collected will result in certain implications, such as the entity's inability to deliver on some of the planned targets. However, where the entity has to comply with contractual and statutory obligation the shortfall may result in accruals that may not be paid at year-end. The following measures have been put in place by the entity to correct the under-collection in the fourth quarter:

• Invoicing of top-up concession fees.

• Cost curtailment measures have been intensified in other areas where work could still be performed without incurring additional costs.

Furthermore, the entity reported that the revenue target for January 2018 was exceeded; therefore the entity's annual revenue target will be achieved.

Programme 2: Expenditure Analysis

Programme R'000	Annual Budget R' 000	Actual Expenditure	Expenditure %
Financial Officer	28 397	22 288	78.4%

Programme 2 was allocated a total budget of R28 397 000.00 for the 2017/18 financial year and has spent 78.4% of the budget in the third quarter.

Economic Classification

Classification R' 000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	14 989	11 720	78.1%
Goods and Services	13 037	10 345	79.3%
Programme Cost	206	158	76.7%
Payment for Capital Assets	165	65	39.3%
Total	**28 397**	**22 288**	**78.4%**

Programme 2 spent 78.1% of its allocated budget for Compensation of Employees, 79.3% on Goods and Services, 76.7% for Programme Cost and 39.3% for Payment of Capital Assets in the third quarter.

ii. According to the entity, the high expenditure on Programme Cost is as a result of the travelling costs to the various nature reserves to conduct physical asset verification and the verification will now be followed by assets valuation and the appointment of a service provider is underway. Furthermore, the entity has reported that the physical verification of assets has been completed.

PROGRAMME 3: CORPORATE SERVICES

The Committee noted that Programme 3 achieved 67% of its targets for the third quarter of the 2017/18 financial year. The programme had three (3) planned targets and achieved two (2) as outlined on the entity's third quarter performance report. Sub-programme Human Resource Support Services failed to draft and circulate an Organizational Health Audit report, the entity indicated that a service provider was appointed and report will be circulated in the fourth quarter.

Programme 3: Expenditure Analysis

Programme R'000	Annual Budget	Actual Expenditure	Expenditure %
Corporate Service	34 293	27 249	79.4%

Programme 3 was allocated an annual budget of R34 293 000.00 for the 2017/18 financial year and has spent 79.4% of the budget in the third quarter.

Economic Classification

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	17 021	13 281	78.0%
Goods and Services	9 206	7 112	77.2%
Programme Cost	6 709	5 778	86.1%
Payment for Capital Assets	1 357	1 078	79.4%
Total	**34 293**	**27 249**	**79.4%**

The programme spent 78% of the budget allocated to Compensation of Employees, 77.2% on Goods and Services, 86.1% on Programme Cost and 79.4% on Payment for Capital Assets.

The entity indicated that the expenditure on Programme Cost is due to settlement of litigation cases not anticipated during budget and the over-spending on Capital Assets resulted from purchasing electronic media and software for board members.

i. The entity has submitted a list of litigation cases and their current status to the Committee.
ii. The entity reported that the board members assets are budgeted in the Executive Programme. However, procurement took place through IT unit under Programme 3 where the cost is currently allocated. The assets' cost has since been reallocated to the Executive Programme where budget has been provided for.
iii. The entity provided a progress report to the Committee on the development of Organizational Health Audit and has indicated that a service provider has been appointed in November 2017 and has commenced with their work. Furthermore, consultations and presentations of the Project Plan to Management, Board, Labour and shareholders were completed and focus is now on management of nature reserves. The entity indicated that the Health Audit report will be presented during the fourth quarter.

PROGRAMME 4: TOURISM

The Committee noted that Programme 4 has achieved 74% of its targets for the third quarter of the 2017/18 financial year. This programme had eleven (11) planned targets and achieved eight (8) targets as outlined on the entity's third quarter performance report.

Sub-programme Marketing failed to draft a tourism marketing strategy and to host a regional tourism investment summit, while sub-programme Tourism failed to obtain approval of the tourism SMME development strategy.

Programme 4: Expenditure Analysis

Programme R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Tourism	43 923	29 265	67%

Programme 4 was allocated an annual budget of R43 923 000.00 for the 2017/18 financial year and has spent 67% of the budget in the third quarter.

Economic Classification

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	20 491	14 770	72.0%
Goods and Services	1 045	1 337	127.9%
Programme Cost	22 387	13 159	58.7%
Total	**43 923**	**29 266**	**66.6%**

The entity spent 72% of its allocated budget for Compensation of Employees, 127.% on Goods and Services and 58.7% on Programme Cost. The entity indicated that the under-spending on CoE is due to critical vacant positions which were budgeted for in the third quarter. The entity further explained that the low spending on Programme Cost was due to the Waterval Boven and Pilgrims Rest product development not yet started.

i. According to the entity, the critical vacant post that was supposed to be filled in the third quarter is that of Senior Manager Marketing Services. The filling of the post and others below executive management were put on hold pending the finalization of the Health Audit.

ii. Furthermore, the entity reported that the delays in the commencement of Waterval Boven and Pilgrims Rest product development were caused by the service provider starting with the project in late November 2017 due to determination of scope of work, to avoid leaving some tasks related to leases of buildings in Pilgrims Rest by the Department of Public Works, Roads and Transport (DPWRT).

iii. The entity has submitted the list of the tourism roads that require intervention in the province to the Department of Public Works, Roads and Transport (DPWRT).

PROGRAMME 5: BIODIVERSITY CONSERVATION

The Committee noted that the programme has achieved 50% of its targets for the third quarter of the 2017/18 financial year. This programme had four (4) planned targets and achieved two (2) targets as outlined on the entity's third quarter performance report.

Sub-programme Protected Areas and Development failed to draft a feasibility study report on identified resource management projects, however a service provider has been appointed. The sub-programme also failed to create 43 job opportunities through the EPWP; though the balance of jobs were created in the second quarter during fire season.

Programme 5: Expenditure Analysis

Programme R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Tourism	219 325	167 592	76.4%

Programme 5 was allocated an annual budget of R219 325 000.00 for the 2017/18 financial year and has spent 76.4% of the budget in the third quarter.

Economic Classification

Classification R'000	Annual Budget	Actual Expenditure	Expenditure %
Compensation of Employees	194 097	149 953	77.2%
Goods and Services	17 789	14 315	80.4%
Programme Cost	7 225	3 230	44.7%
Capital Assets	215	94	43.7%
Total	**219 326**	**167 592**	**76.4%**

This programme has spent 77.2% of the budget allocated to Compensation of Employees, 80.4% on Goods and Services, 44.7% on Programme cost and 43.7% on Capital Assets.

The entity indicated that the over-spending on CoE is due to Public Holidays and Sundays work compensation and over-spending on Goods and Services is due to Electricity, Vehicle Reimbursement, and Telephone expenses.

i. The Committee sought an explanation from the entity on why it has failed to ensure proper planning in order to prevent the huge spending on overtime. The entity reported that it has an agreement with labour regarding payment of overtime to field rangers. However, when the entity experience budget reductions and the scope of work on biodiversity conservation management remain the same, the existing plans got affected.

The entity further stipulated that the agreement is being negotiated out of the Labour-Management Forum proposing that personnel working over-time take time off in lieu of cash payout. It should also be noted that there are many vacant positions that are awaiting the finalization of the health assessment of rangers; this process has been completed for Manyeleti Nature Reserve. The entity stated that once the process has revealed the extent of the health and age problem of the rangers, those replacements will be advertised while other vacancies will await the Health Audit outcome.

The growing levels of poaching incidents in the various reserves require consistent visibility of protected areas management personnel. The entity also mentioned that plans are continuously developed to manage the overtime before each financial year starts, however, when budget cuts are done this line item is the first to be compromised.

ii. The entity indicated that there are measures in place to address high expenditure on Goods and Services; the entity has intensified cost curtailment measures on travelling which is caused by activities of the Protected Areas Management and Environmental Law Enforcement happening in and outside protected areas. For example, the public calling for interventions to rescue animals such as orphaned rhinos and damage and danger causing animal such as hippos, elephants and lions on the loose.

PROGRAMME 6: COMMERCIAL OPERATIONS

The Committee noted that the programme has achieved 0% of its targets for the third quarter of the 2017/18 financial year. This programme had two (2) planned targets and no target was achieved as outlined on the entity's third quarter performance report.

Sub-programme Commercial Operations failed to commence with the bidding and adjudication process on the Public Private Partnership (PPP) project, as well as developing specification for 1 project on the PPP.

i. According to the entity, the procurement process on PPP Projects was delayed by extended consultations with CPAs, however the consultations have been completed and now the service provider is finalizing the tender specifications for advertising. The entity stated that it obtained National Treasury Approval 1 (TA1) which unlocks the procurement process for potential investors through a competitive tender process.

Programme 6: Expenditure Analysis

Programme R'000	Annual Budget R'000	Actual Expenditure	Expenditure %
Office of the head Commercial Operations	4 227	2 893	68.4%

Programme 6 was allocated an annual budget of R4 227 000.00 for the 2017/18 financial year and spent 68.4% of the budget in the third 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%
Capital Assets	0	0	0%
Total	**4 227**	**2 893**	**68.4%**

The Committee noted that the entity spent 80.7% on the budget allocated to Programme Cost and did not spend the budget allocated to CoE as the Head of Commercial position was not filled as planned.

6. FINDINGS

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

6.1. The service provider to conduct the Organisational Health Audit has been appointed after the re-advertisement was issued and closed on 30 October 2017.

6.2. The entity has achieved 0% of its targets under Programme 6.

6.3. The process of commercialization of the Zithabiseni Resort is in the procurement stage of evaluating the bids that have been received from potential investors.

7. RECOMMENDATIONS

The Committee made the following recommendations:

7.1. The entity must ensure that the Health Audit will commence and be completed in the fourth quarter of 2017/18 financial year. A progress report must be submitted to the Committee not later than 06 April 2018.

7.2. The entity must develop systems, mechanisms and implementation plans to ensure that planned targets are met in the fourth quarter of the 2017/18 financial year, as well as implementation plans to mitigate under-spending of the approved budget.

7.3. The entity must submit an updated progress report on the commercialization process as well as on the finalization of the land claim. The progress report must be submitted not later than 06 April 2018.

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 Ms SP Xulu, 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 third (3rd) 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 06 April 2018 and thereafter on a quarterly basis.

06-03-2018

HON BD DUBE (MPL), **DATE**

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

Appointed in terms of Rule 114 of the Rules and Orders of the Mpumalanga Provincial Legislature.